



Financial Statements
June 30, 2022

MiraCosta Community College District

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Independent Auditor's Report

Board of Trustees
MiraCosta Community College District
Oceanside, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the remaining fund information of the MiraCosta Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ending June 30, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and other required supplementary schedules on pages 61 through 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 content 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 December 21, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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
December 21, 2022



MIRACOSTA COMMUNITY COLLEGE DISTRICT

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INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of MiraCosta Community College District (the District) for the year ended June 30, 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 beginning with fiscal year 2002-2003, using the Business-Type Activity (BTA) model. The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for these financial statements.

MiraCosta Community College District is a public community college, part of the 116 community colleges in the state. The District operates two campuses and two centers. The main campus is located in Oceanside, California on a 121-acre site. The second campus, San Elijo Campus, is a 42-acre site in Cardiff. The Community Learning Center in Oceanside, a 7.6-acre site, serves our Adult Education and other community services. The Technology Career Institute, a 22,627-square-foot site in Carlsbad is focused on career and job training programs, and also houses the North San Diego Small Business Development Center. MiraCosta students may choose from associate degrees, certificate programs or transfer courses toward a bachelor's degree at a four-year University.

MiraCosta also offers a bachelor's degree in Bio-manufacturing, one of only 15 California community colleges to offer a bachelor's degree; upper degree coursework began in fall 2017.

FINANCIAL HIGHLIGHTS

As required by the GASB Statements No. 34 and No. 35 reporting model, this report consists of three basic financial statements that provide information on the District's governmental activities as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

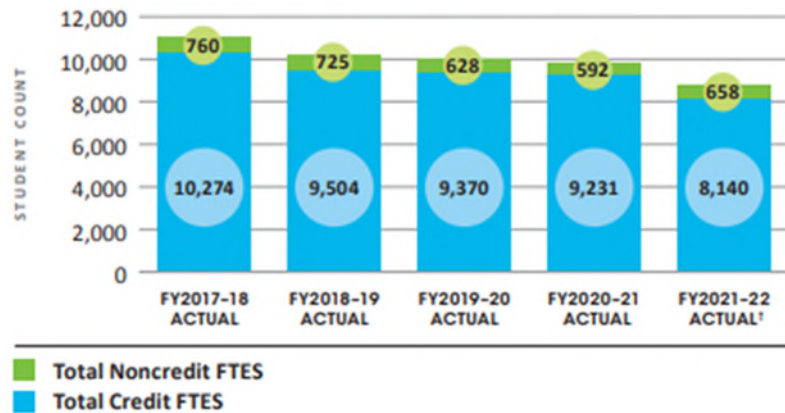
Management's Discussion and Analysis pertain to the Primary Government funds that include all funds except for Fiduciary Funds (Fund 79-OPEB Trust Fund).

Full-Time Equivalent Student

The total full-time equivalent students (FTES) of 8,798 declined by 1,025 or 10.4% from the prior year of 9,823. The decline is a reflection of demographics, the job market, and other competing priorities for potential students that is consistent throughout the State. The COVID-19 impact started in March 2020, and contributed to the decline in the past two years.

MIRACOSTA COMMUNITY COLLEGE DISTRICT FULL TIME EQUIVALENT STUDENTS (FTES)

	FY2017-18 ACTUAL	FY2018-19 ACTUAL	FY2019-20 ACTUAL	FY2020-21 ACTUAL	FY2021-22 ACTUAL ¹
Total Credit FTES	10,274	9,504	9,370	9,231	8,140
Total Noncredit FTES	760	725	628	592	658
Total FTES	11,034	10,229	9,998	9,823	8,798
Total FTES Annual Change from Prior Year	(48)	(805)	(231)	(175)	(1,025)
Total FTES % Change Year-to-Year	-.4%	-7.3%	-2.3%	-1.8%	-10.4%



¹Source: MCCD Annual 13 July 2022 Attendance Report

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the District as of the end of the fiscal year. The statement is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the District.

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

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net position; these net positions are available for expenditure by the District but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

A Statement of Net Position as of June 30, 2022 and 2021, is summarized below:

Net Position

Table 1

	2022	2021, as restated	Change
Assets			
Cash and investments	\$ 313,026,076	\$ 357,753,633	\$ (44,727,557)
Receivables	7,295,629	15,819,210	(8,523,581)
Other current assets	837,114	793,387	43,727
Capital and right-to-use leased assets, net	253,404,016	197,435,000	55,969,016
Total assets	574,562,835	571,801,230	2,761,605
Deferred Outflows of Resources	32,954,087	32,523,150	430,937
Liabilities			
Accounts payable and accrued liabilities	37,531,241	31,379,935	6,151,306
Current portion of long-term liabilities	15,688,109	15,051,370	636,739
Noncurrent portion of long-term liabilities	399,034,185	473,645,713	(74,611,528)
Total liabilities	452,253,535	520,077,018	(67,823,483)
Deferred Inflows of Resources	56,470,158	6,773,228	49,696,930
Net Position			
Net investment in capital assets	115,886,005	104,583,075	11,302,930
Restricted	59,389,674	59,000,980	388,694
Unrestricted deficit	(76,482,450)	(86,109,921)	9,627,471
Total net position	\$ 98,793,229	\$ 77,474,134	\$ 21,319,095

- Cash and investments from the beginning of the fiscal year of \$357.7 million decreased by \$44.7 million to end at \$313.0 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 19. Incoming cash from Noncapital Financing Activities were \$160.1 million, the largest from Property tax revenue of \$123.1 million, followed by federal and state grants and state and other apportionments. Net cash outflows from operating activities were \$126.1 million, the largest from payments to employees of \$125.4 million. The net cash flow from Capital Financing activities was a net outflow of \$72.3 million from the construction of voter approved projects under Measure MM, as well as principal and interest payments on general obligation bonds payable. The outflows were greater than inflows by \$44.7 million.
- The accounts receivable balance of \$7.3 million includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable decreased \$8.5 million from the prior year due to the timing of when categorical revenues are drawn down and/or received by the granting agency. Federal and state categorical aid receivables decreased by a combined \$7.1 million.
- Accounts payable and accrued liabilities balance of \$37.5 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; and unearned revenue. The increase of \$6.2 million from the prior year is from the change in volume/activities of goods and services received in June, for payment in July, and an increase of \$5.5 million of unearned revenue for Summer and Fall enrollment fees and State categorial aid.
- The current portion of long-term liabilities of \$15.7, reflects the amounts due within one year for the general obligation bond series A and B for \$15.2 million, the lease payable of \$0.3 million, and the liability of compensated absences/load banking of \$0.2 million (see Note 7, page 38).
- The non-current portion of long term liabilities of \$399.0 million, represents \$308.8 million of bond series A and B liability, \$4.6 million of compensated absences/load banking liability, \$1.7 million of net OPEB liability, and \$83.9 million of net pension obligation. The decrease of \$74.6 million from the prior year balance is primarily from the payments made on series A and series B general obligation bonds and reduction of the pension obligation.
- The total Net position of \$98.8 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 \$21.3 million.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Change in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District, the operating and non-operating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2022 and 2021, is summarized on the following page.

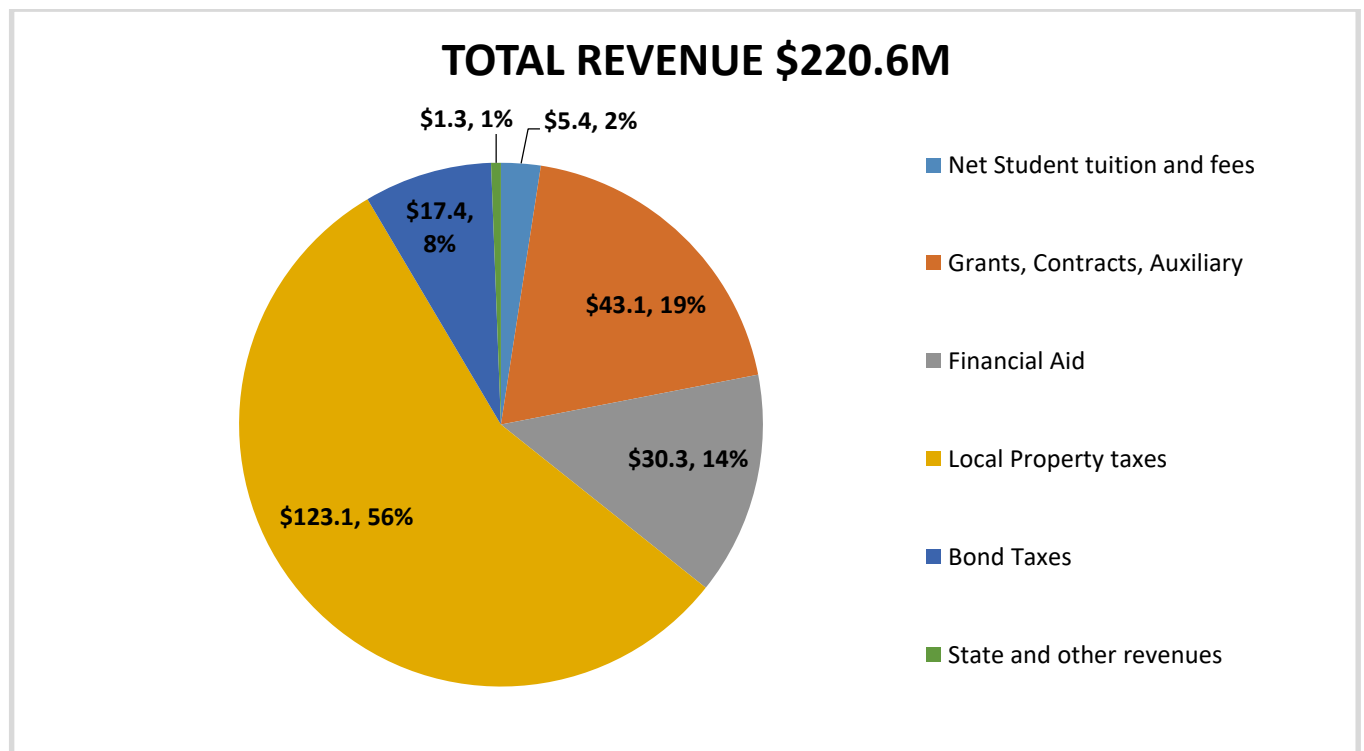
Table 2

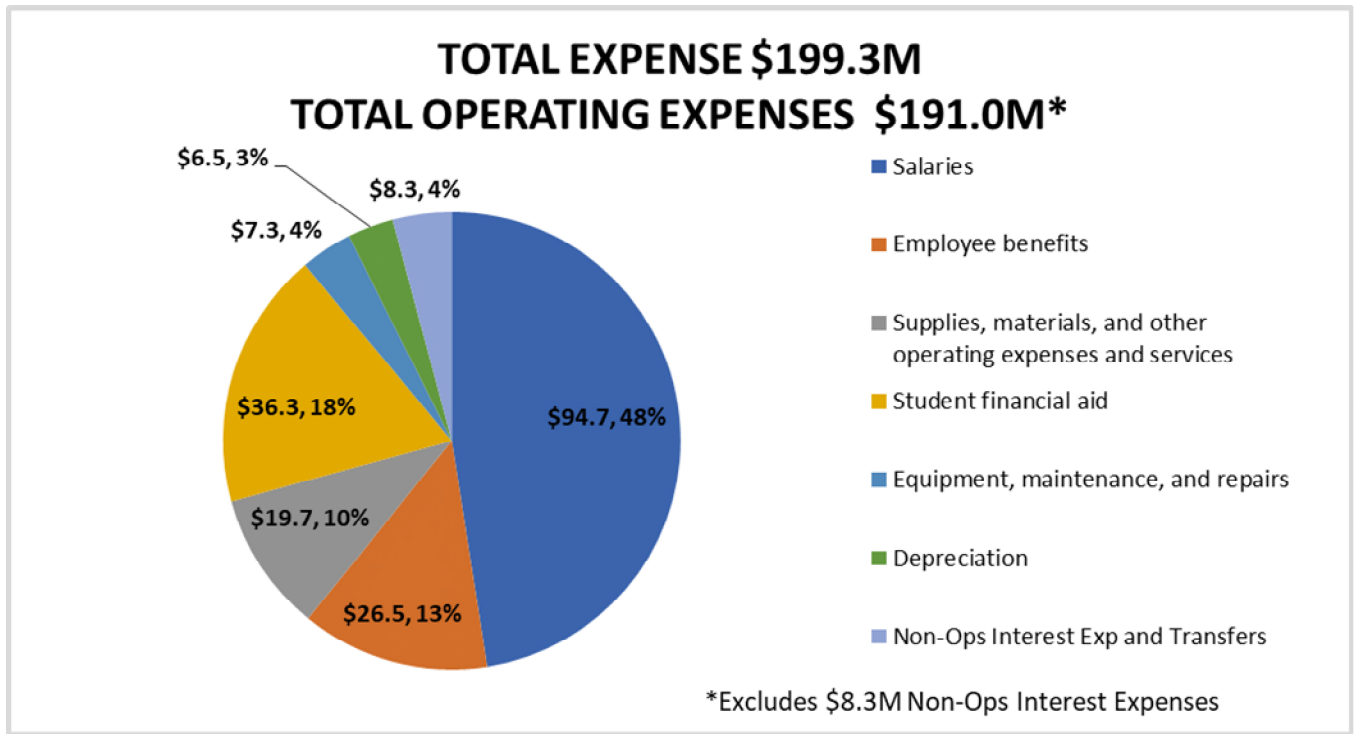
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating Revenues			
Tuition and fees, net	\$ 5,362,796	\$ 9,049,034	\$ (3,686,238)
Grants and contracts, noncapital	42,832,274	29,142,130	13,690,144
Auxiliary sales and charges	<u>228,815</u>	<u>88,868</u>	<u>139,947</u>
Total operating revenues	<u>48,423,885</u>	<u>38,280,032</u>	<u>10,143,853</u>
Operating Expenses			
Salaries and benefits	121,183,033	136,641,317	(15,458,284)
Supplies, services, equipment, maintenance, and other operating	27,004,656	26,004,498	1,000,158
Student financial aid	36,308,888	22,267,892	14,040,996
Depreciation and amortization	<u>6,470,457</u>	<u>5,293,133</u>	<u>1,177,324</u>
Total operating expenses	<u>190,967,034</u>	<u>190,206,840</u>	<u>760,194</u>
Operating loss	<u>(142,543,149)</u>	<u>(151,926,808)</u>	<u>9,383,659</u>
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	3,224,416	2,193,803	1,030,613
Property taxes	140,525,927	134,476,190	6,049,737
Student financial aid grants	30,328,917	21,383,401	8,945,516
State revenues	3,699,872	3,524,294	175,578
Net interest expense	(15,258,834)	(3,857,600)	(11,401,234)
Other nonoperating revenues	<u>1,341,946</u>	<u>921,863</u>	<u>420,083</u>
Total nonoperating revenue (expenses)	<u>163,862,244</u>	<u>158,641,951</u>	<u>5,220,293</u>
Change in net position	<u>\$ 21,319,095</u>	<u>\$ 6,715,143</u>	<u>\$ 14,603,952</u>

- Net tuition and fees were \$5.4 million compared to prior year of \$9.1 million, a reduction of \$3.7 million (or 41%). Net tuition and fees are comprised of gross tuition/fees less scholarship/waivers. Gross tuition/fees were \$10.4 million vs prior year of \$15.0 million, and waivers were \$5.1 million vs prior year of \$6.0 million.
- Grants and contracts revenues totaled \$42.8 million, an increase of \$13.7 million, from higher Federal and State programs.

- Local property taxes of \$140.6 million includes \$17.5 million of taxes levied for the general obligation bond. Local property taxes for general purposes was \$123.1 million, an increase of \$5.8 million (5%), from higher assessed property values.
- State apportionments and other state revenues of \$3.2 million and \$3.7 million, respectively, include Education Protection Act (EPA), other general apportionment, STRS pass through revenue, and other revenues.

TOTAL REVENUES \$220.6 Million less Total Expenses \$199.3 Million = \$21.3 Million Change in Net Position





Expenses are reported by their operating categories as follows:

Table 3

	2022	2021	Change
Operating Expenses			
Salaries	\$ 94,713,726	\$ 89,338,105	\$ 5,375,621
Employee benefits	26,469,307	47,303,212	(20,833,905)
Supplies, materials, and other operating expenses and services	19,701,380	15,194,930	4,506,450
Student financial aid	36,308,888	22,267,892	14,040,996
Equipment, maintenance, and repairs	7,303,276	10,809,568	(3,506,292)
Depreciation and amortization	6,470,457	5,293,133	1,177,324
Total operating expenses	\$ 190,967,034	\$ 190,206,840	\$ 760,194

Salaries of \$94.7 million increased by \$5.4 million (6%). The increases are from the annual step and column, COLAs, and hiring of new faculty and staff. Employee benefits of \$26.5 million includes the post-close entry of -\$12.2 million for the pension (CalSTRS/CalPERS) and OPEB fund investment values due to market changes (losses) from the prior fiscal year and current fiscal year. Excluding the investment valuation changes from both fiscal years, the benefit cost increased by \$2.3 million (7.4%) from CalSTRS/CalPERS rate increases.

Supplies, materials, and other operating expenses and services of \$19.7 million increased by \$4.5 million from the impact of hybrid education from the use of the HEERF COVID-19 grants for eligible expenses and other Federal and State grants.

Equipment, maintenance, and repairs of \$7.3 million decreased by \$3.5 million, due from the post close entry to convert assets in the expense accounts to capital assets, a regular part of year-end closing. Excluding the conversion entry, expenses were higher by \$12.4 million primarily from the bond projects.

Student financial aid of \$36.3 million was increased from prior year by \$14.0 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:

Table 3

	Instructional Salaries and Benefits	Noninstructional Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation and Amortization	Total
Instructional activities	\$ 40,364,523	\$ 10,233,452	\$ 1,853,301	\$ -	\$ 661,619	\$ -	\$ 53,112,895
Instructional administration and government	-	7,050,888	403,370	-	22,424	-	7,476,682
Instructional support services	2,236,096	6,251,734	553,700	-	310,445	-	9,351,975
Admissions and records	-	2,471,982	23,245	-	666	-	2,495,893
Student counseling and guidance	176	8,629,253	129,640	-	1,915	-	8,760,984
Other student services	-	12,634,166	1,598,175	-	29,796	-	14,262,137
Operation and maintenance of plant	-	4,061,160	3,548,626	-	69,521	-	7,679,307
Planning, policymaking, and coordination	-	2,262,457	831,140	-	16,426	-	3,110,023
General institutional support services	-	14,176,509	6,771,125	-	149,935	-	21,097,569
Community services and economic development	-	4,196,892	1,139,100	-	16,338	-	5,352,330
Ancillary services	-	3,775,560	1,638,511	-	6,355	-	5,420,426
Auxiliary operations	-	495,664	296,053	-	-	-	791,717
Physical property and related acquisitions	-	2,342,521	915,394	-	6,017,836	-	9,275,751
Student aid	-	-	-	36,308,888	-	-	36,308,888
Unallocated depreciation	-	-	-	-	-	6,470,457	6,470,457
Total	\$ 42,600,795	\$ 78,582,238	\$ 19,701,380	\$ 36,308,888	\$ 7,303,276	\$ 6,470,457	\$ 190,967,034

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, 2022 and 2021, is summarized below:

Table 4

	2022	2021	Change
Net Cash Flows from			
Operating activities	\$ (126,109,963)	\$ (140,721,050)	\$ 14,611,087
Noncapital financing activities	160,105,954	144,541,719	15,564,235
Capital financing activities	(72,355,425)	232,878,088	(305,233,513)
Investing activities	(6,368,123)	3,835,505	(10,203,628)
Net Increase (Decrease) in Cash	(44,727,557)	240,534,262	(285,261,819)
Cash, Beginning of Year	357,753,633	117,219,371	240,534,262
Cash, End of Year	<u>\$ 313,026,076</u>	<u>\$ 357,753,633</u>	<u>\$ (44,727,557)</u>

A detailed Statement of Cash Flows for the year ended June 30, 2022, is included in the Basic Financial Statements on pages 19 and 20 of this report.

- Net Cash used from operating activities of \$126.1 million include cash inflows from tuition and fees, and Federal and State grants and contracts. Cash outflows (uses of cash) include operating expenses of \$190.2 million for payments to Students for Financial Aid (\$36.3 million); payments to suppliers (\$25.6 million); and payments to or on behalf of employees (\$128.3 million, salaries/benefits/taxes). Net change in cash from operating activities decreased usage by \$14.6 million primarily from the net of higher inflows from grants and higher outflows to students for scholarships and grants.
- Noncapital financing activities of \$160.1 million increased by \$15.6 million (or 11%); property tax revenue accounts for \$123.1 million (77%) while grants, contracts, and State apportionment/other non-operating cash account for 23%.

- Capital financing activities was a net outflow of \$72.3 million. Inflows were primarily from \$17.5 million property taxes levied for the general obligation bond. Outflows were from purchase of capital assets for the facilities projects (\$64.1 million) and debt payments of the general obligation bond (\$25.9 million).
- Investing activities is from the interest earned on investments were \$2.9 million and change in fair value of cash in county treasury of \$(9.3). The District's investing activities are from the San Diego County Treasury's Investment pool that earned 0.77% in FY2021-22.

DISTRICT'S FIDUCIARY RESPONSIBILITY

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

Capital and Right-to-Use Leased Assets and Long-term liabilities

Capital and Right-to-Use Leased Assets

- As of June 30, 2022, the District had \$253.4 million invested in capital and right-to-use leased assets net of accumulated depreciation and amortization. Total capital assets consist of land, artwork, infrastructure, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. Net capital assets increased by \$56.0 million during fiscal year 2022.
- Capital additions and deductions of construction in progress comprise costs associated with new building and replacement/renovation of existing facilities.

Table 5

	Balance, July 1, 2021 as restated*	Additions	Deletions	Balance, June 30, 2022
Land, artwork, and construction in progress	\$ 48,552,434	\$ 59,100,436	\$ (2,923,093)	\$ 104,729,777
Infrastructure, buildings and improvements	224,892,155	2,777,828	-	227,669,983
Furniture and equipment	24,450,016	3,513,478	(694,786)	27,268,708
Subtotal capital assets	297,894,605	65,391,742	(3,617,879)	359,668,468
Accumulated depreciation	(101,044,441)	(6,182,276)	665,610	(106,561,107)
Total capital assets, net	196,850,164	59,209,466	(2,952,269)	253,107,361
Right-to-use Leased Assets				
Buildings and improvements	864,542	-	-	864,542
Accumulated Amortization	(279,706)	(288,181)	-	(567,887)
Total right-to-use leased assets, net	584,836	(288,181)	-	296,655
Total capital and right-to-use leased assets, net	<u>\$ 197,435,000</u>	<u>\$ 58,921,285</u>	<u>\$ (2,952,269)</u>	<u>\$ 253,404,016</u>

*Balance has been restated for implementation of GASB 87 and inclusion of right-to-use leased assets.

Long-term liabilities

- At June 30, 2022, the District had \$324.0 million in bonds payable from the sale of the general obligation bond series A and B. The bond obligations are paid from the collection of local property taxes annually, with a final maturity date of August 1, 2042 and August 1, 2045 for series A and B, respectively, and is managed by the County treasury office.
- Compensated absences and load banking increased \$53 thousand from the prior year.
- Lease payable decreased by \$288 thousand from the prior year.
- Aggregate net OPEB liability was \$1.7 million, an increase of \$1.0 million. The District's net OPEB liability is based on actuarially determined amounts.
- Aggregate net pension liability (CalSTRS and CalPERS) was \$83.9 million, a decrease of \$58.4 million. The District's long-term proportionate share of contributions to the pension plans are relative to the projected contributions from all participating college districts and the State actuarial determined rates.

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

Table 6

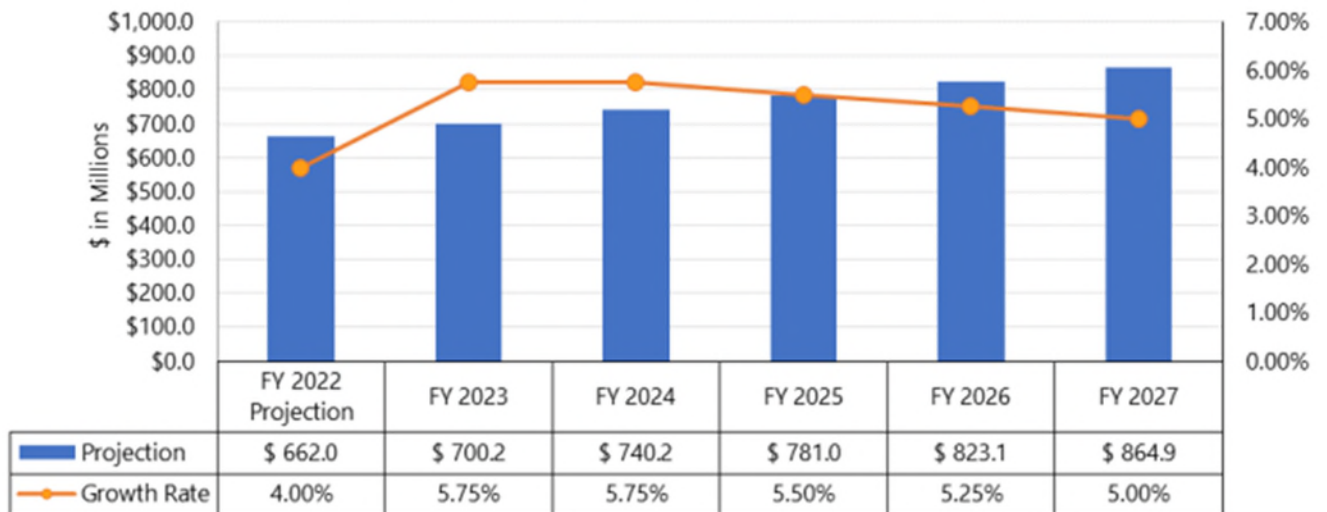
	Balance, July 1, 2021 as restated*	Additions	Deletions	Balance, June 30, 2022
General obligation bonds	\$ 340,350,764	\$ -	\$ (16,344,416)	\$ 324,006,348
Other liabilities	5,364,078	212,527	(447,473)	5,129,132
Total long-term liabilities	\$ 345,714,842	\$ 212,527	\$ (16,791,889)	\$ 329,135,480
Amount due within one year				<u>\$ 15,688,109</u>

*Balance has been restated for implementation of GASB 87 and inclusion of lease payable associated with right-to-use leased assets.

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 The city of San Diego's economic outlook from fiscal year 2023-2027 from the November 2021 shows a 5.75% growth for property tax revenue for FY2022-23 with a steady decline to 5% growth in FY2026-27. The FY2021-22 actual property tax revenue growth for the District was 5% from the prior fiscal year, and the June 2022 District's assessed valuation from the county was a 7.9% growth for FY2022-23 which was used for the next fiscal year's budget projections. The projected revenue growth will cover the projected rise in expenses from inflation and salary/benefit cost increases.

Figure 2.4 - Property Tax Revenue Projections: Fiscal Years 2023 - 2027
 Projections including Redevelopment Property Tax Trust Fund (RPTTF)



[page 16]

*Source: <https://www.sandiego.gov/sites/default/files/fy-2023-2027-five-year-financial-outlook-and-attachments-general-fund.pdf>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent/Vice President of Administrative Services, Tim Flood, at MiraCosta Community College District, One Barnard Drive, Oceanside, California 92056-3899.

MiraCosta Community College District

Primary Government
Statement of Net Position
June 30, 2022

Assets	
Cash and cash equivalents	\$ 4,062,921
Investments	308,963,155
Accounts receivable	5,328,337
Student receivables	1,967,292
Prepaid expenses	837,114
Capital and right-to-use leased assets	
Nondepreciable capital assets	104,729,777
Depreciable capital assets, net of depreciation	148,377,584
Right-to-use leased assets, net of accumulated amortization	296,655
	<u>253,404,016</u>
Total capital and right-to-use leased assets, net	
	<u>574,562,835</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	5,507,773
Deferred outflows of resources related to pensions	27,446,314
	<u>32,954,087</u>
Total deferred outflows of resources	
Liabilities	
Accounts payable	15,327,927
Accrued interest payable	4,055,456
Unearned revenue	18,147,858
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	15,688,109
Long-term liabilities other than OPEB and pensions, due in more than one year	313,447,371
Aggregate net other postemployment benefits (OPEB) liability	1,680,226
Aggregate net pension liability	83,906,588
	<u>452,253,535</u>
Total liabilities	
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	4,418,802
Deferred inflows of resources related to pensions	52,051,356
	<u>56,470,158</u>
Total deferred inflows of resources	
Net Position	
Net investment in capital assets	115,886,005
Restricted for	
Debt service	23,513,204
Capital projects	32,243,116
Educational programs	2,409,467
Other activities	1,223,887
Unrestricted deficit	(76,482,450)
	<u>\$ 98,793,229</u>
Total net position	

MiraCosta Community College District
Primary Government
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2022

Operating Revenues	
Tuition and fees	\$ 10,442,485
Less: Scholarship discounts and allowances	<u>(5,079,689)</u>
Net tuition and fees	<u>5,362,796</u>
Grants and contracts, noncapital	
Federal	22,417,641
State	20,321,403
Local	<u>93,230</u>
Total grants and contracts, noncapital	<u>42,832,274</u>
Auxiliary enterprise sales and charges	
Bookstore	134,215
Cafeteria	<u>4,600</u>
Total auxiliary enterprise sales and charges	<u>138,815</u>
Other operating revenues	<u>90,000</u>
Total operating revenues	<u>48,423,885</u>
Operating Expenses	
Salaries	94,713,726
Employee benefits	26,469,307
Supplies, materials, and other operating expenses and services	19,701,380
Student financial aid	36,308,888
Equipment, maintenance, and repairs	7,303,276
Depreciation and amortization	<u>6,470,457</u>
Total operating expenses	<u>190,967,034</u>
Operating Loss	<u>(142,543,149)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	3,224,416
Local property taxes, levied for general purposes	123,070,896
Taxes levied for other specific purposes	17,455,031
Federal and state financial aid grants	30,328,917
State taxes and other revenues	3,699,872
Investment loss	(6,266,845)
Interest expense on capital related debt	(8,316,656)
Investment loss on capital asset-related debt, net	(675,333)
Other nonoperating revenue	<u>1,341,946</u>
Total nonoperating revenues (expenses)	<u>163,862,244</u>
Change In Net Position	21,319,095
Net Position, Beginning of Year	<u>77,474,134</u>
Net Position, End of Year	<u>\$ 98,793,229</u>

MiraCosta Community College District
Primary Government
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities	
Tuition and fees	\$ 8,057,886
Federal, state, and local grants and contracts, noncapital	55,816,777
Auxiliary sales and other operating	228,815
Payments to or on behalf of employees	(128,352,184)
Payments to vendors for supplies and services	(25,552,369)
Payments to students for scholarships and grants	<u>(36,308,888)</u>
Net cash flows from operating activities	<u>(126,109,963)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	3,913,229
Federal and state financial aid grants	30,328,917
Property taxes - nondebt related	123,070,896
State taxes and other apportionments	3,695,052
Other nonoperating	<u>(902,140)</u>
Net cash flows from noncapital financing activities	<u>160,105,954</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(64,058,787)
Property taxes - related to capital debt	17,455,031
Principal paid on capital debt	(15,173,097)
Interest paid on capital debt	(10,749,258)
Interest received on capital asset-related debt	<u>170,686</u>
Net cash flows from capital financing activities	<u>(72,355,425)</u>
Cash Flows from Investing Activities	
Change in fair value of cash in county treasury	(9,302,087)
Interest received from investments	<u>2,933,964</u>
Net cash flows from investing activities	<u>(6,368,123)</u>
Change In Cash and Cash Equivalents	(44,727,557)
Cash and Cash Equivalents, Beginning of Year	<u>357,753,633</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 313,026,076</u></u>

MiraCosta Community College District
 Primary Government
 Statement of Cash Flows
 Year Ended June 30, 2022

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	\$ (142,543,149)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	6,470,457
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	7,111,688
Student receivables	1,384,991
Prepaid expenses	(43,727)
Deferred outflows of resources related to OPEB	(4,075,630)
Deferred outflows of resources related to pensions	3,644,693
Accounts payable	2,403,146
Unearned revenue	7,182,914
Compensated absences	(159,376)
Load banking	212,527
Aggregate net OPEB liability	1,041,902
Aggregate net pension liability	(58,437,329)
Deferred inflows of resources related to OPEB	2,641,998
Deferred inflows of resources related to pensions	47,054,932
Total adjustments	<u>16,433,186</u>
Net cash flows from operating activities	<u>\$ (126,109,963)</u>
Cash and Cash Equivalents Consist of the Following:	
Cash on hand and in banks	\$ 4,062,921
Cash in county treasury	308,963,155
Total cash and cash equivalents	<u>\$ 313,026,076</u>
Noncash Transactions	
Amortization of debt premiums	\$ 1,459,416

MiraCosta Community College District
Fiduciary Fund
Statement of Net Position
June 30, 2022

	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 29,472,085</u>
Net Position	
Restricted for postemployment benefits other than pensions	<u>\$ 29,472,085</u>

MiraCosta Community College District

Fiduciary Fund

Statement of Changes in Net Position

Year Ended June 30, 2022

	Retiree OPEB Trust
Additions	
District contributions	\$ 1,225,818
Interest and investment income, net of fees	860,053
Net realized and unrealized losses	<u>(4,915,630)</u>
Total additions	<u>(2,829,759)</u>
Deductions	
Benefit payments	1,225,818
Administrative expenses	<u>43,386</u>
Total deductions	<u>1,269,204</u>
Change in Net Position	(4,098,963)
Net Position - Beginning of Year	<u>33,571,048</u>
Net Position - End of Year	<u><u>\$ 29,472,085</u></u>

Note 1 - Organization

The MiraCosta Community College District (the District) was established in 1934 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds and capital project funds, but these budgets are managed at the department level. Currently, the District operates two campuses and two centers. The main campus, MiraCosta College, is located on a 121-acre site in the city of Oceanside. The District also operates the 42-acre San Elijo campus in the city of Cardiff, a 7.6-acre Community Learning Center in Oceanside, and a 22,627-square-foot Technology Career Institute and North San Diego Small Business Development Center in Carlsbad. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Financial Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under generally accepted accounting policies. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the requirements of GASB, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

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

MiraCosta College Foundation

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

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

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

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

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

Prepaid Expenses

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

Capital Assets and Depreciation

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

Compensated Absences and Load Banking

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts or Board policies and procedures. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for OPEB and pension related items. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

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

Leases

The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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 (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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP 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. The total OPEB liability will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year, and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, leases, compensated absences and load banking with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$59,389,674 of restricted net position, and the fiduciary funds financial statements report \$29,472,085 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

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

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

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

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

Property Taxes

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

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

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard are included in Notes 6 and 7.

Implementation of GASB Statement No. 92

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

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.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

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.

The provisions of this Statement have been implemented as of June 30, 2022.

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, 2022, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 3,987,921	\$ -
Cash in revolving	75,000	-
Investments	308,963,155	29,472,085
Total deposits and investments	<u>\$ 313,026,076</u>	<u>\$ 29,472,085</u>

Interest Rate Risk

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

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

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
Master Trust	\$ 29,472,085	N/A	Not rated
San Diego County Investment Pool	308,963,155	551	AAAf/S1
Total	<u>\$ 338,435,240</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, 2022. The San Diego County Investment pool was rated AAAf/S1 by Fitch Ratings, Inc.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance totaled \$4,132,509 of which \$3,733,544 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2022, the District's investment balance of approximately \$29.5 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, 2022:

Investment Type	Fair Value	Fair Value Measurements Using Level 3 Inputs
Master Trust	\$ 29,472,085	\$ 29,472,085

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

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2022 consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 1,371,697
State Government	
Categorical aid	1,280,211
Lottery	597,292
Other state sources	103,687
Local Sources	
Interest	668,802
Other local sources	<u>1,306,648</u>
Total	<u>\$ 5,328,337</u>
Student receivables	<u>\$ 1,967,292</u>

Note 6 - Capital and Right-to-use Leased Assets

Capital and right-to-use leased asset activity for the District for the year ended June 30, 2022, was as follows:

	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Artwork	-	82,060	-	82,060
Construction in progress	43,186,153	59,018,376	(2,923,093)	99,281,436
Total capital assets not being depreciated	<u>48,552,434</u>	<u>59,100,436</u>	<u>(2,923,093)</u>	<u>104,729,777</u>
Capital Assets Being Depreciated				
Infrastructure	8,234,295	-	-	8,234,295
Buildings and improvements	216,657,860	2,777,828	-	219,435,688
Furniture and equipment	24,450,016	3,513,478	(694,786)	27,268,708
Total capital assets being depreciated	<u>249,342,171</u>	<u>6,291,306</u>	<u>(694,786)</u>	<u>254,938,691</u>
Total capital assets	<u>297,894,605</u>	<u>65,391,742</u>	<u>(3,617,879)</u>	<u>359,668,468</u>
Less Accumulated Depreciation				
Infrastructure	(5,851,094)	(189,127)	-	(6,040,221)
Buildings and improvements	(76,377,872)	(3,680,512)	-	(80,058,384)
Furniture and equipment	(18,815,475)	(2,312,637)	665,610	(20,462,502)
Total accumulated depreciation	<u>(101,044,441)</u>	<u>(6,182,276)</u>	<u>665,610</u>	<u>(106,561,107)</u>
Net capital assets	<u>196,850,164</u>	<u>59,209,466</u>	<u>(2,952,269)</u>	<u>253,107,361</u>
Right-to-use Leased Assets Being Amortized				
Buildings and improvements	864,542	-	-	864,542
Less Accumulated Amortization				
Buildings and improvements	(279,706)	(288,181)	-	(567,887)
Net right-to-use leased assets	<u>584,836</u>	<u>(288,181)</u>	<u>-</u>	<u>296,655</u>
Total capital and right-to-use leased assets, net	<u>\$ 197,435,000</u>	<u>\$ 58,921,285</u>	<u>\$ (2,952,269)</u>	<u>\$ 253,404,016</u>

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

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2022 consisted of the following:

	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022	Due in One Year
General obligation bonds	\$ 306,265,000	\$ -	\$ (14,885,000)	\$ 291,380,000	\$ 15,225,000
Bond premium	34,085,764	-	(1,459,416)	32,626,348	-
Leases	584,836	-	(288,097)	296,739	296,739
Compensated absences	3,206,187	-	(159,376)	3,046,811	137,312
Load banking	1,573,055	212,527	-	1,785,582	29,058
Total	\$ 345,714,842	\$ 212,527	\$ (16,791,889)	\$ 329,135,480	\$ 15,688,109

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The classroom lease is paid from the General Obligation Bond 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%. 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, 2022, the principal balance outstanding was \$57,180,000 and unamortized premium on issuance of \$6,692,275, respectively.

In September 2020, the District issued the Election of 2016 General Obligation Bonds, Series B in the amount of \$255,000,000. The bonds have a final maturity which occurs on August 1, 2045, with interest rates from 0.15% to 4.00%. The bonds were issued as current interest bonds. The bonds were issued to finance the acquisition, construction, modernization, and equipping of District sites and facilities and pay the cost of issuing the bonds. At June 30, 2022, the principal balance outstanding was \$234,200,000 and unamortized premium on issuance of \$25,934,073, respectively.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
9/12/2017	8/1/2042	3.00% - 5.00%	\$ 100,000,000	\$ 57,555,000	\$ -	\$ (375,000)	\$ 57,180,000
9/8/2020	8/1/2045	0.15% - 4.00%	255,000,000	248,710,000	-	(14,510,000)	234,200,000
				<u>\$ 306,265,000</u>	<u>\$ -</u>	<u>\$ (14,885,000)</u>	<u>\$ 291,380,000</u>

Debt Service Requirements to Maturity

The general obligation bonds mature through 2046 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2023	\$ 15,225,000	\$ 9,426,094	\$ 24,651,094
2024	15,780,000	8,800,319	24,580,319
2025	2,900,000	8,419,619	11,319,619
2026	3,475,000	8,283,444	11,758,444
2027	4,095,000	8,121,694	12,216,694
2028-2032	31,510,000	37,153,844	68,663,844
2033-2037	54,595,000	28,809,172	83,404,172
2038-2042	82,150,000	19,393,425	101,543,425
2043-2046	81,650,000	5,429,013	87,079,013
Total	<u>\$ 291,380,000</u>	<u>\$ 133,836,624</u>	<u>\$ 425,216,624</u>

Leases

The District has entered into an agreement to lease portable classroom space. The District's liability for lease agreement is summarized below:

Lease	Leases Outstanding July 1, 2021, as restated	Additions	Payments	Leases Outstanding June 30, 2022
Classroom lease	<u>\$ 584,836</u>	<u>\$ -</u>	<u>\$ (288,097)</u>	<u>\$ 296,739</u>

Classroom Lease

The District entered an agreement to lease portable classroom space during the construction and renovation of permanent buildings for three years, beginning May 15, 2021. The lease terminates May 14, 2024. Under the terms of the lease, the District pays fixed annual installments. The District has an option to terminate the lease after the May 14, 2024, which the District believes it will exercise with reasonable certainty. At June 30, 2022, the District has recognized a right to use asset of \$296,655 and a lease liability of \$296,739 related to this agreement. During the fiscal year, the District recorded \$288,181 in amortization expense and \$17,545 in interest expense for the right to use the portable classroom space. The District used a discount rate of 3.0%, based on the District's incremental borrowing rate.

The District's lease matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$ 296,739</u>	<u>\$ 8,902</u>	<u>\$ 305,641</u>

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

For the year ended June 30, 2022, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 1,229,746	\$ 5,507,773	\$ 4,418,802	\$ (842,210)
Medicare Premium Payment (MPP) Program	<u>450,480</u>	<u>-</u>	<u>-</u>	<u>450,480</u>
Total	<u>\$ 1,680,226</u>	<u>\$ 5,507,773</u>	<u>\$ 4,418,802</u>	<u>\$ (391,730)</u>

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, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	112
Active employees	556
	<hr/>
Total	668
	<hr/> <hr/>

MiraCosta Community College District Retiree Health Benefit Program Trust

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

Benefits Provided

The District provides health coverage for the retiree and eligible dependents at the same level as that of current active employees (except for disability coverage) 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, 2022, the annual maximum is based on the medical, dental, and vision plan elected by the retiree (\$29,628 for the PPO and \$21,283 for the HMO, with an average cost per person per year of \$23,803). 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 eligible 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 the Plan members and the District are established and may be amended by the District and the District's bargaining units. Voluntary contributions based on projected pay-as-you-go financing requirements and any additional amounts to prefund benefits with the bargaining units. For the measurement period of June 30, 2021, the District contributed \$1,455,134 in benefits.

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, 2022:

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

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was -12.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$1,229,746 was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 34,800,794
Plan fiduciary net position	<u>(33,571,048)</u>
Net OPEB liability	<u>\$ 1,229,746</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>96.47%</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00%
Discount rate	6.00%
Investment rate of return	6.00%
Healthcare cost trend rate	7.00% decreasing to an ultimate rate of 4.50%

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

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, 2021, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	5.25%
Domestic Equities	4.25%
US Fixed Income	2.25%
Commodities	1.75%
Inflation Assets	1.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	\$ 28,569,037	\$ 27,930,713	\$ 638,324
Service cost	1,720,092	-	1,720,092
Interest	1,774,330	-	1,774,330
Difference between expected and actual experience	3,426,873	-	3,426,873
Contributions - employer	-	1,455,134	(1,455,134)
Net investment income	-	5,683,721	(5,683,721)
Changes of assumptions	765,596	-	765,596
Benefit payments	(1,455,134)	(1,455,134)	-
Administrative expense	-	(43,386)	43,386
Net change in total OPEB liability	6,231,757	5,640,335	591,422
Balance, June 30, 2021	\$ 34,800,794	\$ 33,571,048	\$ 1,229,746

There were no changes in benefit terms since the previous valuation. Changes of economic assumptions reflect a change in the inflation rate from 2.75% to 3.00% and a change in the health care cost trend rate from HMO (5.00%) and PPO (5.50%) to 7.00% for all plan types since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (5.00%)	\$ 4,138,837
Current discount rate (6.00%)	1,229,746
1% increase (7.00%)	(1,396,923)

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rate that is one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Net OPEB (Asset) Liability
1% decrease (6.00% decreasing to an ultimate rate of 3.50%)	\$ (2,206,079)
Current healthcare cost trend rate (7.00% decreasing to an ultimate rate of 4.50%)	1,229,746
1% increase (8.00% decreasing to an ultimate rate of 5.50%)	5,219,604

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,743,892	\$ -
Differences between expected and actual experience	2,998,514	1,486,507
Changes of assumptions	765,367	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,932,295
Total	<u>\$ 5,507,773</u>	<u>\$ 4,418,802</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (733,627)
2024	(701,226)
2025	(704,542)
2026	(792,900)
Total	<u>\$ (2,932,295)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 252,857
2024	252,857
2025	252,857
2026	252,857
2027	252,850
Thereafter	1,013,096
Total	<u>\$ 2,277,374</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$450,480 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 was 0.1129%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$450,480.

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.16%)	\$ 496,552
Current discount rate (2.16%)	450,480
1% increase (3.16%)	411,115

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

<u>Medicare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 409,659
Current discount rate (4.50% Part A and 5.40% Part B)	450,480
1% increase (5.50% Part A and 6.40% Part B)	497,280

Note 9 - Risk Management**Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of \$500 million, subject to various policy limits and deductibles ranging from \$0 to \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with excess retention coverage up to \$55 million, 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, 2022, 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 (for \$1,000,000 total). In addition, there is excess worker's compensation up to the statutory limit.

Insurance Program / Company Name	Type of Coverage	Limits
San Diego County Schools Risk Management	Workers' Compensation	\$ 1,000,000
San Diego County Schools Risk Management	Excess Workers' Compensation	Statutory
San Diego County Schools Risk Management	Property	500,000,000
San Diego County Schools Risk Management	Liability	55,000,000

Note 10 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, 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	\$ 34,192,645	\$ 13,562,691	\$ 32,855,428	\$ 1,355,706
CalPERS	49,713,943	13,883,623	19,195,928	6,900,209
Total	<u>\$ 83,906,588</u>	<u>\$ 27,446,314</u>	<u>\$ 52,051,356</u>	<u>\$ 8,255,915</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, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that may be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/memberpublications>.

Benefits Provided

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

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above, and the District's total contributions were \$7,349,409.

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

At June 30, 2022, 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	\$ 34,192,645
State's proportionate share of net pension liability associated with the District	<u>17,204,413</u>
Total	<u>\$ 51,397,058</u>

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, was 0.0751% and 0.0743%, respectively, resulting in a net increase in the proportionate share of 0.0008%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,355,706. In addition, the District recognized pension expense and revenue of \$588,628 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,349,409	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,282,893	2,169,353
Differences between projected and actual earnings on pension plan investments	-	27,047,264
Differences between expected and actual experience in the measurement of the total pension liability	85,654	3,638,811
Changes of assumptions	4,844,735	-
	<u>\$ 13,562,691</u>	<u>\$ 32,855,428</u>
Total		

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (6,868,384)
2024	(6,282,327)
2025	(6,438,233)
2026	(7,458,320)
	<u>\$ (27,047,264)</u>
Total	

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 771,325
2024	1,604,635
2025	(525,672)
2026	(462,663)
2027	(585,216)
Thereafter	<u>(397,291)</u>
Total	<u>\$ 405,118</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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent 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, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	42%	4.8%
Private equity	13%	6.3%
Real estate	15%	3.6%
Inflation sensitive	6%	3.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assume 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%)	\$ 69,603,988
Current discount rate (7.10%)	34,192,645
1% increase (8.10%)	4,801,907

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, 2020, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that may be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
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	22.91%	22.91%

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, 2022, are presented above, and the total District contributions were \$8,644,210.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$49,713,943. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, was 0.2445% and 0.2294%, respectively, resulting in a net increase in the proportionate share of 0.0151%.

For the year ended June 30, 2022, the District recognized pension expense of \$6,900,209. At June 30, 2022, 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	\$ 8,644,210	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,755,324	-
Differences between projected and actual earnings on pension plan investments	-	19,078,732
Differences between expected and actual experience in the measurement of the total pension liability	<u>1,484,089</u>	<u>117,196</u>
Total	<u>\$ 13,883,623</u>	<u>\$ 19,195,928</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>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (4,784,930)
2024	(4,400,172)
2025	(4,587,465)
2026	<u>(5,306,165)</u>
Total	<u>\$ (19,078,732)</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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ 2,543,410
2024	1,436,512
2025	1,041,203
2026	<u>101,092</u>
Total	<u>\$ 5,122,217</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 83,824,688
Current discount rate (7.15%)	49,713,943
1% increase (8.15%)	21,394,705

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

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

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

The minimum total contribution is 7.5% of employees' salaries, of which the employee contributes 3.75% and the District contributes the remaining 3.75%. District employees are covered under PARS-ARS as of June 30, 2022. Total District contributions to the plan amounted to \$80,503.

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, 2022, which amounted to \$4,832,872 (10.828%) 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. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Deferred Compensation

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

Note 11 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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

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

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

During the year ended June 30, 2022, the District made payments of \$1,709,540 and \$0 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

Note 12 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

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, 2022.

Construction Commitments

As of June 30, 2022, the District had approximately \$55.6 million in commitments with respect to unfinished capital projects.

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

Note 13 - Adoption of a New Standard

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires 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. As a result of the adoption of the new standard, the opening balances of certain assets and liabilities were restated as follows:

Primary Government	
Net Position - Beginning	\$ 77,474,134
Right-to-use leased assets, net of amortization	584,836
Lease liabilities	<u>(584,836)</u>
Net Position - Beginning	<u><u>\$ 77,474,134</u></u>

Note 14 - Subsequent Events

On November 9, 2022, \$100,000,000 of MiraCosta Community College District Election of 2016, General Obligation Bonds, Series C were issued with a final maturity date of August 1, 2042. The bonds carry interest rates ranging from 4.13% to 5.00%, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year



Required Supplementary Information
June 30, 2022

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, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 1,720,092	\$ 1,534,833	\$1,262,891	\$1,427,733	\$1,263,552
Interest	1,774,330	1,667,935	1,660,653	1,551,737	1,444,923
Difference between expected and actual experience	3,426,873	(280,138)	(2,042,243)	-	-
Changes of assumptions	765,596	-	152,756	-	-
Benefit payments	<u>(1,455,134)</u>	<u>(1,068,442)</u>	<u>(1,134,264)</u>	<u>(1,120,946)</u>	<u>(984,894)</u>
Net change in total OPEB liability	6,231,757	1,854,188	(100,207)	1,858,524	1,723,581
Total OPEB Liability - Beginning	<u>28,569,037</u>	<u>26,714,849</u>	<u>26,815,056</u>	<u>24,956,532</u>	<u>23,232,951</u>
Total OPEB Liability - Ending (a)	<u>\$ 34,800,794</u>	<u>\$ 28,569,037</u>	<u>\$ 26,714,849</u>	<u>\$ 26,815,056</u>	<u>\$ 24,956,532</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,455,134	\$ 1,068,442	\$1,134,264	\$3,020,946	\$984,894
Net investment income	5,683,721	1,202,327	1,519,696	1,566,845	1,881,364
Benefit payments	(1,455,134)	(1,068,442)	(1,134,264)	(1,120,946)	(984,894)
Administrative expense	<u>(43,386)</u>	<u>(38,117)</u>	<u>(20,252)</u>	<u>(37,580)</u>	<u>(32,857)</u>
Net change in plan fiduciary net position	5,640,335	1,164,210	1,499,444	3,429,265	1,848,507
Plan Fiduciary Net Position - Beginning	<u>27,930,713</u>	<u>26,766,503</u>	<u>25,267,059</u>	<u>21,837,794</u>	<u>19,989,287</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 33,571,048</u>	<u>\$ 27,930,713</u>	<u>\$ 26,766,503</u>	<u>\$ 25,267,059</u>	<u>\$ 21,837,794</u>
Net OPEB (Asset) Liability - Ending (a) - (b)	<u>\$ 1,229,746</u>	<u>\$ 638,324</u>	<u>\$ (51,654)</u>	<u>\$ 1,547,997</u>	<u>\$ 3,118,738</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	<u>96.47%</u>	<u>97.77%</u>	<u>100.19%</u>	<u>94.23%</u>	<u>87.50%</u>
Covered Payroll	<u>\$ 59,571,566</u>	<u>\$ 59,279,737</u>	<u>\$57,553,143</u>	<u>\$51,344,000</u>	<u>\$51,344,000</u>
Net OPEB (Asset) Liability as a Percentage of Covered Payroll	<u>2.06%</u>	<u>1.08%</u>	<u>-0.09%</u>	<u>3.01%</u>	<u>6.07%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

MiraCosta Community College District
Schedule of District Contributions for OPEB
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Actuarially determined contribution	N/A ¹	\$ 1,833,269	\$1,779,717	\$1,963,976	\$1,916,126
Contribution in relation to the actuarially determined contribution	N/A ¹	1,217,605	1,467,741	3,097,943	1,140,898
Contribution deficiency (excess)	N/A ¹	\$ 615,664	\$ 311,976	\$ (1,133,967)	\$ 775,228
Covered payroll	N/A ¹	\$ 59,279,737	\$57,553,143	\$51,344,000	\$51,344,000
Contributions as a percentage of covered payroll	N/A ¹	2.05%	2.55%	6.03%	2.22%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

¹ The District did not receive an Actuarially Determined Contribution (ADC) calculation in the 2022 fiscal year. Therefore, this information is not available.

MiraCosta Community College District
 Schedule of OPEB Investment Returns
 Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	-12.21%	20.19%	5.93%	6.94%	9.25%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

MiraCosta Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

Year ended June 30,	2022
Proportion of the net OPEB liability	0.1129%
Proportionate share of the net OPEB liability	\$ 450,480
Covered payroll	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%
Measurement Date	June 30, 2021

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore the covered payroll disclosure is not applicable.

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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0751%	0.0743%	0.0756%	0.0728%	0.0733%	0.0738%	0.0805%	0.0773%
Proportionate share of the net pension liability	\$ 34,192,645	\$ 71,970,646	\$68,234,379	\$66,908,810	\$67,755,640	\$59,693,011	\$54,179,992	\$45,153,292
State's proportionate share of the net pension liability associated with the District	17,204,413	37,100,877	37,226,409	38,308,423	40,083,664	33,982,167	28,655,243	27,265,507
Total	<u>\$ 51,397,058</u>	<u>\$ 109,071,523</u>	<u>\$ 105,460,788</u>	<u>\$ 105,217,233</u>	<u>\$ 107,839,304</u>	<u>\$ 93,675,178</u>	<u>\$ 82,835,235</u>	<u>\$ 72,418,799</u>
Covered payroll	<u>\$ 41,460,291</u>	<u>\$ 40,888,749</u>	<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>
Proportionate share of the net pension liability as a percentage of its covered payroll	82.47%	176.02%	168.44%	175.58%	182.67%	155.60%	135.39%	140.95%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.2445%	0.2294%	0.2209%	0.2137%	0.2096%	0.2097%	0.2074%	0.2105%
Proportionate share of the net pension liability	\$ 49,713,943	\$ 70,373,271	\$64,391,752	\$56,967,872	\$50,030,808	\$41,421,964	\$30,577,734	\$23,899,791
Covered payroll	<u>\$ 35,087,469</u>	<u>\$ 33,178,292</u>	<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>
Proportionate share of the net pension liability as a percentage of its covered payroll	141.69%	212.11%	209.74%	202.50%	186.71%	165.21%	133.54%	107.60%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

MiraCosta Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 7,349,409	\$ 6,695,837	\$6,991,976	\$6,595,087	\$5,499,020	\$4,666,118	\$4,116,353	\$3,553,691
Contributions in relation to the contractually required contribution	<u>7,349,409</u>	<u>6,695,837</u>	<u>6,991,976</u>	<u>6,595,087</u>	<u>5,499,020</u>	<u>4,666,118</u>	<u>4,116,353</u>	<u>3,553,691</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 43,436,223</u>	<u>\$ 41,460,291</u>	<u>\$ 40,888,749</u>	<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>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS								
Contractually required contribution	\$ 8,644,210	\$ 7,263,106	\$6,543,091	\$5,545,252	\$4,369,152	\$3,721,340	\$2,970,388	\$2,695,255
Contributions in relation to the contractually required contribution	<u>8,644,210</u>	<u>7,263,106</u>	<u>6,543,091</u>	<u>5,545,252</u>	<u>4,369,152</u>	<u>3,721,340</u>	<u>2,970,388</u>	<u>2,695,255</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 37,731,165</u>	<u>\$ 35,087,469</u>	<u>\$ 33,178,292</u>	<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>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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* – Changes in economic assumptions reflect a change in the inflation rate from 2.75% to 3.00% and a change in the health care cost trend rate from HMO (5.00%) and PPO (5.50%) to 7.00% for all plan types 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 OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes in Assumptions* - The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

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

Schedule of the District's 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, 2022

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 as of June 30, 2022

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

Administration as of June 30, 2022

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

Auxiliary Organizations in Good Standing

MiraCosta Foundation, established 1967
 Master Agreement revised November 19, 2020
 Shannon Stubblefield, Vice President, Institutional Advancement

MiraCosta Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 11,844,325
Federal Pell Grant Program Administrative Allowance	84.063		18,820
Federal Direct Student Loans	84.268		1,566,330
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		565,886
Federal Work-Study (FWS) Program	84.033		149,591
FWS Program Administrative Allowance	84.033		<u>40,794</u>
Subtotal Student Financial Assistance Cluster			<u>14,185,746</u>
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A		1,656,525
Passed through California Department of Education (CDE)			
Adult Basic Education and ELA (Section 231)	84.002A	14508	330,394
Adult Secondary Education (Section 231)	84.002	13978	<u>166,442</u>
Subtotal			<u>496,836</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		14,131,819
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		17,259,808
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		<u>926,262</u>
Subtotal			<u>32,317,889</u>
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-050	<u>444,845</u>
Total U.S. Department of Education			<u>49,101,841</u>
Small Business Administration			
Veterans Business Outreach Center (VBOC) Program Grant	59.044		509,389
Passed through Southwestern Community College District North San Diego Small Business Development Center Program			
Small Business Development Center (SBDC)	59.037	11053.22	167,655
COVID-19 Assistance (SBA-CARES) - SBDC	59.037	[1]	<u>14,821</u>
Subtotal			<u>182,476</u>
Total Small Business Administration			<u>691,865</u>

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

MiraCosta Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Treasury Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	\$ 902,340
U.S. Department of Commerce Passed through University of Delaware Arrangements for Interdisciplinary Research and Infrastructure (NIIMBL)	11.619	70NANB17H002	46,502
U.S. Department of Veterans Affairs Veterans Services	64.027		775
U.S. Department of Health and Human Services Research and Development Cluster Passed through California State University San Marcos Corp. Biomedical Research and Research Training CSUSM Bridges to Baccalaureate	93.859	R25GM066341	14,904
Subtotal Research and Development Cluster			14,904
Child Care and Development Fund (CCDF) Cluster Passed through California Department of Social Services COVID 19: Child Care Stabilization Stipend	93.575	[1]	7,100
Passed through YMCA of San Diego County Childcare Resource Service COVID-19: San Diego County Child Care Provider Grant	93.575	[1]	24,066
Subtotal CCDF Cluster			31,166
Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	54,394
Total U.S. Department of Health and Human Services			100,464
Total Federal Financial Assistance			\$ 50,843,787

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

MiraCosta Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2022

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Adult Ed Program (AEP)	\$1,771,597	\$ -	\$ 293,038	\$ 1,478,559	\$ 1,478,559
Basic Needs Center	272,313	-	209,994	62,319	62,319
California College Promise	2,073,551	-	860,303	1,213,248	1,213,248
Calculus Boost Learning Lab	-	38,218	-	38,218	38,218
Calfresh Outreach	36,730	-	-	36,730	36,730
Calgrant	1,905,711	-	2,940	1,902,771	1,902,771
California Bioscience Hub	-	160,000	513	159,487	159,487
California Learning Lab	20,386	16,449	-	36,835	36,835
CalWORKs	385,955	-	-	385,955	385,955
CARE	189,865	-	45,554	144,311	144,311
Center For Excellence	-	258,921	-	258,921	258,921
College and Career Access Pathways	6,450	-	6,450	-	-
Cooperative Education Reskilling and Training	3,500,000	-	2,619,398	880,602	880,602
COVID-19 Response Block Grant	570,533	-	-	570,533	570,533
Deputy Sector Navigator Life Sci/BioTech	98,357	-	-	98,357	98,357
Disabled Students Program and Services	983,144	-	-	983,144	983,144
Disaster Relief Emergency Student Financial Aid	8,330	-	1,830	6,500	6,500
Dreamer Resource Center Liaison	156,076	-	4,676	151,400	151,400
Equal Employment Opportunity	88,889	-	14,003	74,886	74,886
Equal Employment Opportunity (EEO) Best Practices	208,333	-	208,333	-	-
Extended Opportunity Program and Services	1,019,121	-	37,107	982,014	982,014
Financial Aid Technology	99,412	-	-	99,412	99,412
GO - Caltrans	319	-	-	319	319
GO Biz Grant	69,524	98,974	-	168,498	168,498
GO Go-Biz TAP2019-C17	70,016	32,244	-	102,260	102,260
GP Trustee Fellowship Intersession Project	65,750	-	-	65,750	65,750
Guided Pathways	275,531	-	79,586	195,945	195,945
Hunger Free Campus	11,750	-	-	11,750	11,750
Immediate Action Budget - Student Retention & Enrollment	166,635	-	3,584	163,051	163,051
LGBTQIA+	78,804	-	78,804	-	-
Library Services Platform Allocation for Operaitonal Services	10,722	-	10,722	-	-
Lottery	536,247	310,945	-	847,192	847,192

MiraCosta Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2022

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Mental Health Support	228,791	-	215,326	13,465	13,465
Nursing Education	243,678	-	-	243,678	243,678
PPIS Facilities	2,443,375	-	2,039,299	404,076	404,076
PPIS Instructional	2,443,375	-	1,856,294	587,081	587,081
Regional Director - Business & Entrepreneurship	92,600	-	-	92,600	92,600
Retention and Enrollment Outreach	816,494	-	670,599	145,895	145,895
Staff Development	56,888	-	56,888	-	-
Student Equity and Achievement (Basic Skills FY21)	273,873	-	-	273,873	273,873
Student Equity and Achievement (Basic Skills FY22)	319,326	-	98,422	220,904	220,904
Student Equity and Achievement (Equity)	1,491,307	-	497,563	993,744	993,744
Student Equity and Achievement (SSSP-CR)	2,900,214	-	469,189	2,431,025	2,431,025
Student Equity and Achievement (SSSP-Non CR)	419,369	-	177,120	242,249	242,249
Student Financial Aid Admin (SFAA)	391,384	-	-	391,384	391,384
Student Food and Housing Support	270,564	-	261,934	8,630	8,630
Student Success	1,485,231	-	452,895	1,032,336	1,032,336
SWP Local Program (19/20)	769,056	-	-	769,056	769,056
SWP Local Program (20/21)	1,137,463	-	49,824	1,087,639	1,087,639
SWP Local Program (21/22)	1,350,275	-	1,213,047	137,228	137,228
SWP Pathways Navigation	63,084	-	-	63,084	63,084
SWP Regional Business & Entrepreneurship Sector Strategies	64,067	-	-	64,067	64,067
SWP Regional College-Based Marketing Exp	39,698	-	-	39,698	39,698
SWP Regional Concierge College-Based Marketing Project	-	27,055	-	27,055	27,055
SWP Regional Health Sector Strategies Exp	12,564	-	-	12,564	12,564
SWP Regional Job Placement Case Management	-	150,000	-	150,000	150,000
SWP Regional Labor Market Research	221,845	359,142	-	580,987	580,987
SWP Regional Life Sciences & Biotechnology Sector Strategies	117,717	82,687	-	200,404	200,404
SWP Regional Research Investment	132,123	13,116	-	145,239	145,239
SWP Work Based Learning Coordination	63,312	43,405	-	106,717	106,717
Textbook Affordability	37,623	-	19,234	18,389	18,389
Veteran Resource Center Expansion	286,695	-	107,930	178,765	178,765
Veteran's Resource Center	631,838	-	486,582	145,256	145,256
Total state programs	\$ 33,483,880	\$ 1,591,156	\$ 13,148,981	\$ 21,926,055	\$ 21,926,055

See Notes to Supplementary Information

MiraCosta Community College District
 Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
 Year Ended June 30, 2022

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2021 only)			
1. Noncredit*	97.99	-	97.99
2. Credit	947.08	-	947.08
B. Summer Intersession (Summer 2022 - Prior to July 1, 2022)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	550.30	-	550.30
(b) Daily Census Contact Hours	106.92	-	106.92
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	58.50	-	58.50
(b) Credit	167.29	-	167.29
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	4,661.65	-	4,661.65
(b) Daily Census Procedure Courses	1,706.56	-	1,706.56
(c) Noncredit Independent Study/Distance Education Courses	501.75	-	501.75
D. Total FTES	8,798.04	-	8,798.04
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	337.81	-	337.81
2. Credit	18.47	-	18.47
CCFS-320 Addendum			
CDCP Noncredit FTES	-	-	-
Centers FTES			
1. Noncredit*	77.42	-	77.42
2. Credit	71.58	-	71.58

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

MiraCosta Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2022

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$19,105,591	\$ -	\$19,105,591	\$ 19,179,994	\$ -	\$ 19,179,994
Other	1300	16,672,753	-	16,672,753	16,674,211	-	16,674,211
Total Instructional Salaries		35,778,344	-	35,778,344	35,854,205	-	35,854,205
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,441,829	-	11,441,829
Other	1400	-	-	-	2,116,981	-	2,116,981
Total Noninstructional Salaries		-	-	-	13,558,810	-	13,558,810
Total Academic Salaries		35,778,344	-	35,778,344	49,413,015	-	49,413,015
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	19,574,816	-	19,574,816
Other	2300	-	-	-	1,315,556	-	1,315,556
Total Noninstructional Salaries		-	-	-	20,890,372	-	20,890,372
Instructional Aides							
Regular Status	2200	3,982,424	-	3,982,424	3,982,424	-	3,982,424
Other	2400	728,353	-	728,353	737,257	-	737,257
Total Instructional Aides		4,710,777	-	4,710,777	4,719,681	-	4,719,681
Total Classified Salaries		4,710,777	-	4,710,777	25,610,053	-	25,610,053
Employee Benefits	3000	16,567,894	-	16,567,894	30,973,783	-	30,973,783
Supplies and Material	4000	-	-	-	736,138	-	736,138
Other Operating Expenses	5000	-	-	-	8,767,237	-	8,767,237
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		57,057,015	-	57,057,015	115,500,226	-	115,500,226

MiraCosta Community College District

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

Year Ended June 30, 2022

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 25,131	\$ -	\$ 25,131	\$ 25,131	\$ -	\$ 25,131
Student Health Services Above Amount Collected	6441	-	-	-	421,607	-	421,607
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	67,166	-	67,166
Objects to Exclude							
Rents and Leases	5060	-	-	-	12,394	-	12,394
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	51,501	-	51,501
Employee Benefits	3000	-	-	-	28,796	-	28,796
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, 2022

	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,557,683	\$ -	\$ 1,557,683
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		25,131	-	25,131	2,164,278	-	2,164,278
Total for ECS 84362, 50% Law		\$57,031,884	\$ -	\$57,031,884	\$ 113,335,948	\$ -	\$ 113,335,948
% of CEE (Instructional Salary Cost/Total CEE)		50.32%		50.32%	100.00%		100.00%
50% of Current Expense of Education					\$ 56,667,974		\$ 56,667,974

MiraCosta Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2022

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 1,019,333
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 1,019,333	\$ -	\$ -	\$ 1,019,333
Total Expenditures for EPA		\$ 1,019,333	\$ -	\$ -	\$ 1,019,333
Revenues Less Expenditures					\$ -

MiraCosta Community College District
Reconciliation of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2022

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

Total fund balance		
General Funds	\$ 38,865,049	
Special Revenue Funds	5,819,404	
Capital Project Funds	219,028,192	
Debt Service Funds	27,568,660	
Proprietary Funds	830,876	
Internal Service Funds	401,156	
Fiduciary Funds	<u>29,472,085</u>	
Total fund balance - all District funds		\$ 321,985,422
Amounts held in trust on behalf of others (OPEB Trust)		(29,472,085)
Capital assets and right-to-use leased used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	359,668,468	
Accumulated depreciation is	(106,561,107)	
The cost of right-to-use leased assets is	864,542	
Accumulated amortization is	(567,887)	
Less: fixed assets already recorded in special revenue fund	<u>(4,996,673)</u>	
Total capital and right-to-use leased assets, net		248,407,343
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to OPEB	5,507,773	
Deferred outflows of resources related to pensions	<u>27,446,314</u>	
Total deferred outflows of resources		32,954,087
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(4,055,456)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
General obligation bonds	(324,006,348)	
Leases	(296,739)	
Compensated absences	(3,046,811)	
Less amounts recorded in Governmental Funds	137,312	
Load banking	(1,785,582)	
Less amounts recorded in Governmental Funds	29,058	
Aggregate net other postemployment benefits (OPEB) liability	(1,680,226)	
Aggregate net pension liability	<u>(83,906,588)</u>	
Total long-term liabilities		(414,555,924)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.		
Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to OPEB	(4,418,802)	
Deferred inflows of resources related to pensions	<u>(52,051,356)</u>	
Total deferred inflows of resources		<u>(56,470,158)</u>
Total net position		<u>\$ 98,793,229</u>

Note 1 - Purpose of Schedules

District Organization

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

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. 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. 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. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Schedule of Expenditures of State Awards

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

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

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

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

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

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, 2022

MiraCosta Community College District



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

Board of Trustees
MiraCosta Community College District
Oceanside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the remaining fund information of MiraCosta Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 21, 2022.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ending June 30, 2022. Our opinions are not modified with respect to this matter.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 21, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
MiraCosta Community College District
Oceanside, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited MiraCosta Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

Rancho Cucamonga, California
December 21, 2022



Independent Auditor's Report on State Compliance

Board of Trustees
MiraCosta Community College District
Oceanside, California

Report on State Compliance

We have audited MiraCosta Community College District's (the District) compliance with the types of compliance requirements described in the 2021-2022 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, 2022.

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 below that were audited for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the standards and procedures identified in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 499	COVID-19 Response Block Grant Expenditures

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

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

The District received no funding through Propositions 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

The purpose of this report on State compliance is solely to describe the results of our testing based on the requirements of the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 21, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

MiraCosta Community College District

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs	\$1,525,314
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

None reported.

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

Federal Award Findings

2021-001 Reporting

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

Federal Assistance Listing Number: 84.425E

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

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

None noted.

Context

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

Effect

The District did not comply with the federal reporting requirements.

Cause

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

Repeat Finding (Yes or No)

No.

Recommendation

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

Current Status

Implemented.