

Financial and Performance Audits
General Obligation Bond Fund (Measure MM)
June 30, 2025

MiraCosta Community College District

FINANCIAL AUDIT

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Financial Audit
General Obligation Bond Fund (Measure MM)
June 30, 2025

MiraCosta Community College District



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the General Obligation Bond Fund (Measure MM) of MiraCosta Community College District (the District), as of and for the year ended June 30, 2025, and the related notes to the 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 financial position of the General Obligation Bond Fund (Measure MM) of MiraCosta Community College District, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the General Obligation Bond Fund (Measure MM), and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2025, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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 opinion. 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2026, on our consideration of the General Obligation Bond Fund (Measure MM) of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the General Obligation Bond Fund (Measure MM) 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 General Obligation Bond Fund (Measure MM) of 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.

Ontario, California
February 2, 2026

MiraCosta Community College District
General Obligation Bond Fund (Measure MM)
Balance Sheet
June 30, 2025

Assets	
Investments	\$ 91,158,466
Receivables	1,402,411
Due from other funds	<u>1,974,403</u>
Total assets	<u><u>\$ 94,535,280</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 10,417,051
Due to other funds	<u>119,301</u>
Total liabilities	<u>10,536,352</u>
Fund Balance	
Restricted for capital projects	<u>83,998,928</u>
Total liabilities and fund balance	<u><u>\$ 94,535,280</u></u>

MiraCosta Community College District
General Obligation Bond Fund (Measure MM)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended June 30, 2025

Revenues	
Interest income	\$ 4,203,682
Change in fair market value of investments	<u>2,075,717</u>
Total revenues	<u>6,279,399</u>
Expenditures	
Supplies and materials	167,033
Services and operating expenditures	48,333
Capital outlay	<u>42,744,767</u>
Total expenditures	<u>42,960,133</u>
Net Change in Fund Balance	(36,680,734)
Fund Balance - Beginning	<u>120,679,662</u>
Fund Balance - Ending	<u><u>\$ 83,998,928</u></u>

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting

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

Fund Accounting

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

Basis of Accounting

The General Obligation Bond Fund (Measure MM) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object. Expenditures cannot legally exceed appropriations by major object account.

MiraCosta Community College District
General Obligation Bond Fund (Measure MM)

Notes to Financial Statements

June 30, 2025

Encumbrances

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

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Fund Balance

As of June 30, 2025, the fund balance was classified as follows:

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

Note 2 - 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 instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase 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. The District's investment in the County Treasurer 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 are not required to be categorized within the fair value hierarchy.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates Of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value 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 increase interest rates. The District manages its exposure to interest rate risk by investing in the San Diego County Treasury Investment Pool. The District maintains a General Obligation Bond Fund (Measure MM) investment of \$91,158,466 with the San Diego County Treasury Investment Pool, with an average maturity of 562 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Diego County Treasury Investment Pool was rated AA+ by Fitch Rating, Inc., as of June 30, 2025.

Note 3 - Receivables

Receivables at June 30, 2025, consisted of the following:

Interest	<u>\$ 1,402,411</u>
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Note 4 - Interfund Transactions

Interfund receivables (due from) balances at June 30, 2025, were as follows:

A balance of \$1,958,729 is due from the Capital Outlay Projects Fund to the General Obligation Bond Fund (Measure MM) for various reimbursement of expenditures.

A balance of \$15,674 is due from the Restricted General Fund to the General Obligation Bond Fund (Measure MM) for various reimbursement of expenditures.

Interfund payables (due to) balances at June 30, 2025, were as follows:

A balance of \$103,921 is due to the Capital Outlay Projects Fund from the General Obligation Bond Fund (Measure MM) for the transfer of qualified projects costs.

A balance of \$15,380 is due to the Restricted General Fund from the General Obligation Bond Fund (Measure MM) for the transfer of qualified project costs.

Note 5 - Accounts Payable

Accounts payable at June 30, 2025, consisted of the following:

Capital outlay	<u>\$ 10,417,051</u>
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Note 6 - Expenditures by Projects

Expenditures classified by project as of June 30, 2025, was as following:

Project Name	Total Expenditures
Bond Program Management	\$ 112,796
Building 1100 New Student Services	592,737
Building 1300 New Chemistry & Biotech	7,409,562
Building 1400 New Student Services	6,407,210
Building 2800 New Arts/Media	5,998,493
Building 5000 New Gymnasium	1,153,362
Building 5100 New Allied Health Building	375,760
Miscellaneous Building Enhancement Project	4,455
New Parking Lot 5A PV Tennis Building	60,000
Renovation Building 1000 Admin	457,164
Renovation Building 1200 Library	1,337,447
Renovation Building 3000 Classrooms	15,544,914
Renovation Building 3400 Student Center	1,833,927
Renovation Building 3700 Classrooms	1,667,207
Replace Infrastructure Fire Water Pipe	5,099
	\$ 42,960,133

Note 7 - Bonded Debt

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

Series A General Obligation Bonds

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, 2025, the principal balance outstanding was \$55,260,000.

MiraCosta Community College District
General Obligation Bond Fund (Measure MM)

Notes to Financial Statements

June 30, 2025

Series B General Obligation Bonds

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, 2025, the principal balance outstanding was \$202,215,000.

Series C General Obligation Bonds

In November 2022, the District issued the Election of 2016 General Obligation Bonds, Series C in the amount of \$100,000,000. The bonds have a final maturity which occurs on August 1, 2042, with interest rates from 4.13% 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 and pay the cost of issuing the bonds. At June 30, 2025, the principal balance outstanding was \$91,870,000.

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	\$ 56,045,000	\$ -	\$ (785,000)	\$ 55,260,000
9/8/2020	8/1/2045	0.15% - 4.00%	255,000,000	204,330,000	-	(2,115,000)	202,215,000
11/9/2022	8/1/2042	4.13% - 5.00%	100,000,000	98,895,000	-	(7,025,000)	91,870,000
				<u>\$ 359,270,000</u>	<u>\$ -</u>	<u>\$ (9,925,000)</u>	<u>\$ 349,345,000</u>

The general obligation bonds mature through 2046 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	\$ 7,270,000	\$12,648,807	\$ 19,918,807
2027	7,035,000	12,318,682	19,353,682
2028	7,935,000	11,976,582	19,911,582
2029	8,890,000	11,593,082	20,483,082
2030	9,910,000	11,165,507	21,075,507
2031-2035	67,010,000	47,890,582	114,900,582
2036-2040	100,830,000	32,144,504	132,974,504
2041-2045	118,525,000	12,976,069	131,501,069
2046	21,940,000	356,419	22,296,419
Total	<u>\$ 349,345,000</u>	<u>\$ 153,070,234</u>	<u>\$ 502,415,234</u>

Note 8 - Commitments and Contingencies

Construction Commitments

As of June 30, 2025, the General Obligation Bond Fund (Measure MM) had the following commitments with respect to unfinished projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Oceanside Campus		
Building 2800 New Arts/Media	\$ 234,840	June 2026
Campus-wide Utility Infrastructure	661,714	November 2027
Building 5100 New Allied Health Building	205,625	June 2026
Building 1300 New Chemistry & Biotech	196,881	June 2026
Building 1400 New Student Services	965,649	June 2026
Building 5000 New Gymnasium	428,399	June 2026
Renovation Building 3000 Consolidated Design/Build	33,156,757	October 2026
Solar Project	3,907,900	June 2026
Swing Space	3,289,808	November 2027
Community Learning Center		
Solar Project	623,428	June 2026
San Elijo Campus		
Solar Project	<u>742,608</u>	June 2026
	<u>\$ 44,413,609</u>	

Litigation

The District is not currently a party to any legal proceedings related to the General Obligation Bond Fund (Measure MM) at June 30, 2025.

Independent Auditor's Report
General Obligation Bond Fund (Measure MM)
June 30, 2025

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 and the
Independent Citizens' Bond Oversight Committee
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 (*Government Auditing Standards*), the financial statements of the General Obligation Bond Fund (Measure MM) of MiraCosta Community College District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated February 2, 2026.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the General Obligation Bond Fund (Measure MM), and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2025, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 opinion 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 General Obligation Bond Fund (Measure MM) financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's General Obligation Bond Fund (Measure MM) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

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

Ontario, California
February 2, 2026

None reported.

MiraCosta Community College District
General Obligation Bond Fund (Measure MM)
Summary Schedule of Prior Audit Findings
June 30, 2025

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

None noted.

Performance Audit
General Obligation Bond Fund (Measure MM)
June 30, 2025

MiraCosta Community College District



Independent Auditor's Report on Performance

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

We were engaged to conduct a performance audit of MiraCosta Community College District's (the District) General Obligation Bond Fund (Measure MM) for the year ended June 30, 2025.

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

Audit Authority/Purpose

The general obligation bonds associated with Measure MM were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board Trustees of the District on June 22, 2017 and July 20, 2017, collectively known as "The Resolution".

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

Purpose

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

Authority

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

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district operating expenses.
2. The District must list the specific facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
3. Requires the District to appoint a citizens' oversight committee.
4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

Objectives of the Audit

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

1. Determine whether expenditures charged to the General Obligation Bond Fund (Measure MM) have been made in accordance with the bond project list approved by the voters through the approval of Measure MM.
2. Determine whether salary transactions, if any, charged to the General Obligation Bond Fund (Measure MM) were in support of Measure MM and not for District general administration or operations.

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2024 to June 30, 2025. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2025, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2025, for the General Obligation Bond Fund (Measure MM). Within the fiscal year audited, we obtained the actual invoices, purchase orders and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure MM as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
 - a) We considered all expenditures recorded in all object codes.
 - b) We considered all expenditures recorded in all projects that were funded from July 1, 2024 through June 30, 2025 from Measure MM bond proceeds.

- c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
- 3. Our sample included transactions totaling \$27,843,239. This represents 65% of the total expenditures of \$42,960,133.
- 4. We reviewed the actual invoices and other supporting documentation to determine that:
 - a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
 - b) Expenditures were supported by proper bid documentation, as applicable.
 - c) Expenditures were expended in accordance with voter-approved bond project list.
 - d) Bond proceeds were not used for salaries of administrators or other operating expenses of the District.
- 5. We determined that the District has met the compliance requirement of Measure MM if the following conditions were met:
 - a) Supporting documents for expenditures were aligned with the voter-approved bond project list.
 - b) Expenditures were not used for salaries of administrators or other operating expenses of the District.

The results of our tests indicated that the District expended General Obligation Bond Fund (Measure MM) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Audit Results

The results of our tests indicated that, in all material respects, MiraCosta Community College District has properly accounted for the expenditures held in the General Obligation Bond Fund (Measure MM) and that such expenditures were made for authorized Bond projects.

This report is intended solely for the information and use of the District, Board of Trustees, and Independent Citizens' Bond Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.



Ontario, California
February 2, 2026

None reported.

None noted.