

**MIRACOSTA
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 18, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 62, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 63, and the Schedule of District Contributions on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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.



Rancho Cucamonga, California
December 10, 2015



MIRACOSTA COMMUNITY COLLEGE DISTRICT

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Community Learning Center

Orcuttside Campus

Santa Cruz

CA 92007

1001 Mission Avenue, Orcuttside, CA 92058

1 Barnard Drive, Orcuttside, CA 92056

3333 Avenida de la Universidad, San

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

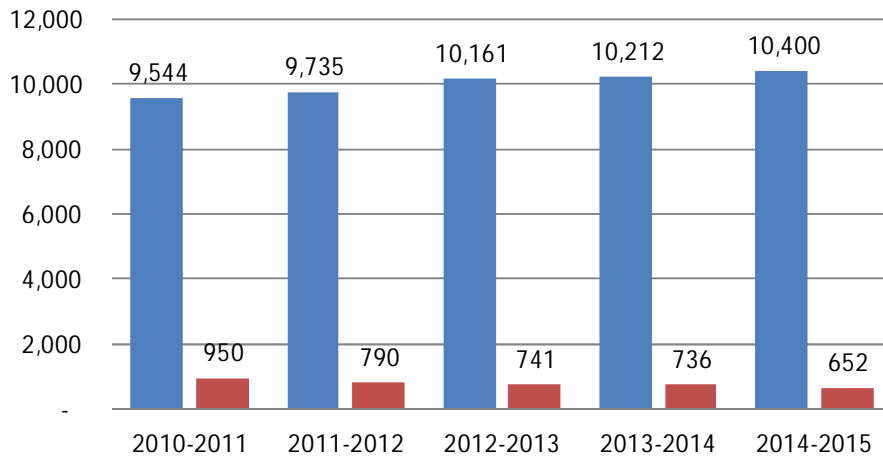
Full-Time Equivalent Student Growth

During 2014-2015, total full-time equivalent students (FTES) increased slightly from 10,948 to 11,052 for credit and non-credit courses. Credit FTES increased by 1.8 percent while noncredit FTES decreased by 11.5 percent. Non-credit vocational class sections were reduced and replaced with additional class sections for Basic Skills.

Full-Time Equivalent Students (FTES)	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015
Total Credit FTES	9,544	9,735	10,161	10,212	10,400
Total Non-Credit FTES	950	790	741	736	652
Total FTES	10,494	10,525	10,901	10,948	11,052
Total Credit FTES % Change Year to Year	-1.3%	2.0%	4.4%	0.5%	1.8%
Total Non-Credit FTES % Change Year to Year	-15.9%	-16.8%	-6.2%	-0.6%	-11.5%
Total FTES % Change Year to Year	-2.9%	0.3%	3.6%	0.4%	0.9%

*Source: P3 Recalc 10/23/2015

MiraCosta Community College District



MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Statement of Net Position

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

From the data presented, readers of the Statement of Net Position are able to determine the assets available to

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

A Statement of Net Position as of June 30, 2015 and 2014, is summarized below:

(Amounts in thousands)

2014

Percentage

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Cash and investments increased \$15.8 million over 2015. Cash and investments include cash deposited in the San Diego County Treasury along with investments with fiscal agents related to a lease revenue bond. Additional deposits of funds are held with various financial institutions. The increase in cash and investments for the 2014-2015 fiscal year is primarily due to an increase in revenue from the 2015 lease revenue bond committed for capital projects for the next three years and a net increase to the general unrestricted fund balance from higher revenue increases (6.0 percent) relative to expenditures (4.1 percent) from prior year actuals.

The accounts receivable balance includes receivables for categorical programs and/or grants, lottery proceeds, and 4th quarter interest. Accounts receivable increased \$1.3 million from 2014 to 2015. The increase of the accounts receivable balance year over year is due to the timing of actual cash received after the year-end cut off for June revenues: some of these were Financial Aid \$535 thousand, TAACCT, Lottery funds, Go Biz fund, and Small Business grants make up the remaining accounts receivable increases.

Accounts payable and accrued liabilities include June payroll expenses, vendor payables including construction payments for goods and services received prior to June 30, but not paid until the following fiscal year. The increase of \$1.3 million from the prior year is from \$543 financial aid disbursed in July and other payables due to the volume and timing of invoices in June paid in July.

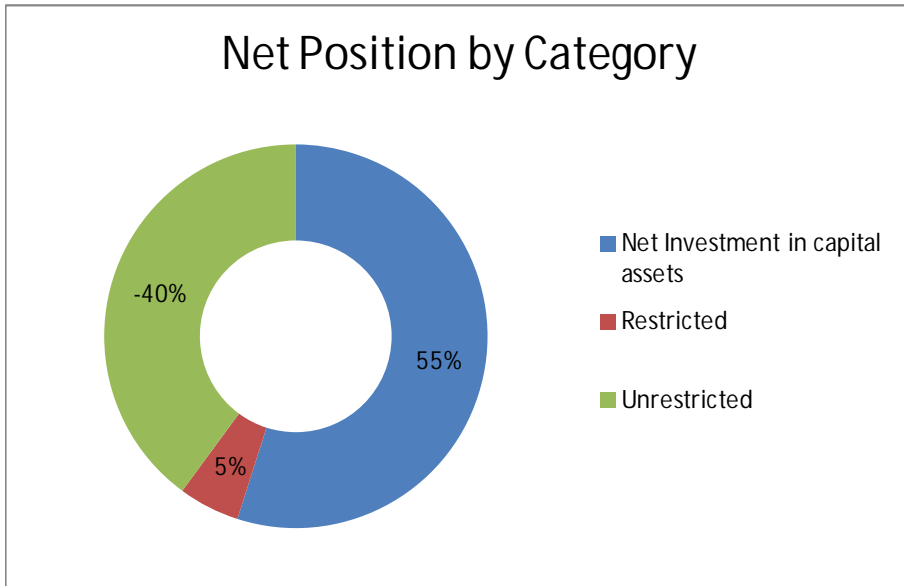
Unearned revenue consists of revenue received prior to being earned and includes enrollment fees for summer and fall, State categorical aid, and scheduled maintenance funds. Unearned revenue increased by \$1.9 million from the prior year.

The current portion of long-term obligations reflects the amounts due within one year on the payments for the lease revenue bonds, co(s)]TJ ET Q q 3 fuTf 1 0 0 1 980(o)-o1Tm

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015



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 nonoperating revenues earned, whether received or not, by the District, the operating and nonoperating 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.

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MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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:

(Amounts in thousands)

Instructional Salaries and	Noninstructional Salaries and	Supplies, Material, and Other Expenses
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MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The District contributed 145 percent of the annual required contribution of which \$1.5 million went to an irrevocable trust for the Retiree Health Benefit Program related to GASB Statement No. 45 and \$925 thousand went directly to retirees. The Other Postemployment Benefit (OPEB) Trust balance at the end of June 30, 2015 represented a Funded Ratio of 85.7 percent. Note 10 (page 47) provides additional information on the plan and the obligation.

The District implemented GASB Statement No. 68 and No. 71; thus, the proportionate share of the aggregate net pension (CalSTRS and CalPERS) obligation was \$69 million, a decrease of \$18.7 million (see Notes 9 and 13). Actuarial studies were performed by CalSTRS and CalPERS, where the District's proportionate share were 0.0773 percent for CalSTRS and 0.2105 percent for CalPERS

Note 9 in the financial statements provides additional information on long-term obligations. A summary of long-term obligation is presented below:

(Amounts in thousands)

	2015	2014 as restated	Change
Revenue bonds payable	\$ 14,413	\$ 2,132	\$ 12,281
Compensated absences and load banking	3,099	2,767	332
Capital leases	371	605	(234)
Net OPEB obligation	-	321	(321)
Aggregate net pension obligation	69,053	87,719	(18,666)
PARS Supplementary Retirement Plan (SRP)	-	184	(184)
Total Long-Term Obligations	<u>\$ 86,936</u>	<u>\$ 93,728</u>	<u>\$ (6,792)</u>

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The District's economic condition is directly affected by the economic well-being of the State of California. The California Community College Chancellor's Office, The California Department of Finance, and the California Legislative Analyst's Office (LAO) have predicted a 6 percent steady growth in California's economic health. According to the November 2014, *California's Fiscal Outlook*, issued by the LAO, the State budget situation is positive from two years ago. The LAO's forecast reflects continued improvement in the State's finances. Those improvements are expected to be seen in the growth of property taxes. State funding for community colleges is largely based upon the funding model designed by Prop 98, which establishes a minimum funding level for education. The District is unique in California in that it is primarily funded by property taxes. An increase in property taxes will not only have a positive impact on other educational institutions statewide, but also on the District. The LAO's forecast further supports the District's multi-year financial plans and projections.

The District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative impact on the financial position or operations during fiscal year 2015-2016. Beyond those unknown variables having a global effect on virtually all types of business operations, the District remains confident in the current economic climate. Management will continue to provide information to the Board of Trustees and community on the financial condition of the District and to monitor resources to maintain the District's ability to react to internal and external issues if and when they arise.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	2,130,524
Investments		42,196,974
Accounts receivable		3,779,580
Student accounts receivable		574,477
Due from fiduciary funds		14,379
Prepaid expenses		68,049
Total Current Assets		48,763,983

Noncurrent Assets

Net other postemployment benefits (OPEB) asset		824,383
Nondepreciable capital assets		6,305,398
Depreciable capital assets, net of depreciation		86,126,241
Total Noncurrent Assets		93,256,022

TOTAL ASSETS

142,020,005

DEFERRED OUTFLOWS OF RESOURCES

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES	
Student Tuition and Fees	\$ 19,809,348
Less: Scholarship discount and allowance	(7,194,088)
Net tuition and fees	<u>12,615,260</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	266,630
Cafeteria	<u>26,492</u>
TOTAL OPERATING REVENUES	<u><u>12,908,382</u></u>
OPERATING EXPENSES	
Salaries	66,269,843
Employee benefits	21,388,128
Supplies, materials, and other operating expenses and services	13,602,153
Student financial aid	18,678,265
Equipment, maintenance, and repairs	6,049,114
Depreciation	<u>3,418,413</u>
TOTAL OPERATING EXPENSES	<u>129,405,916</u>
OPERATING LOSS	<u>(116,497,534)</u>
NONOPERATING REVENUES (EXPENSES)	
Education Protection Act	1,101,913
Local property taxes, levied for general purposes	83,114,555
Federal grants	21,404,996
State grants	7,357,292
State taxes and other revenues	3,348,548
Investment income	137,089
Interest expense on capital related debt	(198,911)
Investment income on capital asset-related debt, net	1,819
Transfer to fiduciary funds	(123,119)
Other nonoperating revenue	<u>3,679,522</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>119,823,704</u>
INCOME BEFORE OTHER REVENUES AND LOSSES	<u>3,326,170</u>
OTHER REVENUES AND LOSSES	
State revenues, capital	109,705
Local revenues, capital	8,658
Loss on disposal of capital assets	<u>(17,491)</u>
TOTAL OTHER REVENUES AND LOSSES	<u>100,872</u>
CHANGE IN NET POSITION	3,427,042
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>29,019,876</u>
NET POSITION, END OF YEAR	<u><u>\$ 32,446,918</u></u>

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 12,394,620
Payments to vendors for supplies and services	(17,291,345)
Payments to or on behalf of employees	(88,864,777)
Payments to students for scholarships and grants	(18,678,265)
Auxiliary enterprise sales and charges	293,122
Net Cash Flows From Operating Activities	(112,146,645)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grant and contracts	28,530,304
Property taxes - nondebt related	83,114,555
State taxes and other apportionments	4,172,331
Other nonoperating	3,393,950

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	<u>Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 23,454	\$ 298,443
Investments	1,283,063	-
Accounts receivable	6,823	767
Due from primary government	89,382	-
Fixed assets, net of depreciation	4,923,260	-
Total Assets	<u>6,325,982</u>	<u>\$ 299,210</u>
LIABILITIES		
Accounts payable	85,609	\$ 3,402
Due to primary government	14,379	-
Unearned revenue	38,910	-
Due to student groups	-	295,808
Total Liabilities	<u>138,898</u>	<u>\$ 299,210</u>
NET POSITION		
Unreserved	6,187,084	
Total Net Position	<u>\$ 6,187,084</u>	

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

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District sends outstanding receivables to the Chancellor's Office Tax Offset Program (COTOP) for collection and writes off the uncollected amounts annually.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The requirements of this Statement extend the approach to accounting and financial reporting established in

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities,

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). 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%

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due to/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Intefund activity within the governmental funds and fiduciary funds has been eliminated respectively in the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2015, the amount owed to the primary government and the fiduciary funds were \$14,379 and \$89,382, respectively.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2015 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$123,119.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Fiduciary Funds

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Being Depreciated				
Buildings and improvements	\$ 5,765,625	\$ -	\$ -	\$ 5,765,625
Furniture and equipment	92,130	-	-	92,130
Total Capital Assets Being Depreciated	<u>5,857,755</u>	<u>-</u>	<u>-</u>	<u>5,857,755</u>
Less Accumulated Depreciation				
Buildings and improvements	739,922	115,313	-	855,235
Furniture and equipment	74,519	4,741	-	79,260
Total Accumulated Depreciation	<u>814,441</u>	<u>120,054</u>	<u>-</u>	<u>934,495</u>
Net Capital Assets	<u>\$ 5,043,314</u>	<u>\$ (120,054)</u>	<u>\$ -</u>	<u>\$ 4,923,260</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Debt Maturity

Lease Revenue Bonds

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2015</u>
2010	2019	3.00% - 4.00%	\$ 3,065,000	<u>\$ 2,060,000</u>	<u>\$ -</u>	<u>\$ 355,000</u>	<u>\$ 1,705,000</u>

The bonds mature through 2020 as follows:

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Capital Leases

On December 21, 2006, the District entered into a debt financing agreement with SunTrust Corporation for the construction of six energy efficiency projects valued at approximately \$2,234,983. The District is obligated to make payments through 2017 at an annual interest rate of 4.30 percent. At June 30, 2015, the principal balance outstanding was \$370,978.

The District's liability on lease agreements with option to purchase is summarized below:

Balance, July 1, 2014	\$ 641,833
Payments	<u>256,732</u>
Balance, June 30, 2015	<u><u>\$ 385,101</u></u>

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	\$ 256,735
2017	<u>128,366</u>
Total	385,101
Less: Amount Representing Interest	<u>14,123</u>
Present Value of Minimum Lease Payments	<u><u>\$ 370,978</u></u>

The District has entered into a capital lease agreement for the energy efficient project.

Building improvements (energy efficient project)	\$ 2,234,383
Less: Accumulated Depreciation	<u>(350,053)</u>
Total	<u><u>\$ 1,884,330</u></u>

Amortization of the energy efficient project under capital leases is included with depreciation expense.

Compensated Absences and Load Banking

The long-term obligation of the compensate 8.6(e)-248.m 122.04 e comp Nas\$

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Supplementary Retirement Plan (SRP)

The District adopted the Public Agency Retirement System (PARS) 403(b) SRP, a retirement incentive program. This SRP is designed to meet the requirements of Section 403(b) of the Internal Revenue Code of 1986, as amended, and, to the extent applicable, the Employee Retirement Income Security Act of 1974, as amended. Employees eligible to receive retirement benefits under the SRP must be a Faculty, Academic, Classified

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Annual OPEB Cost and Net OPEB Obligation (Asset)

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation (asset) to the Plan:

Annual required contribution	\$ 1,682,394
Interest on net OPEB obligation	19,262
Adjustment to annual required contribution	(26,094)
Annual OPEB cost (expense)	<u>1,675,562</u>
Change in value of irrevocable trust	(396,112)
Contributions made irrevocable trust	(1,500,000)
Contributions made by general fund	<u>(924,872)</u>
Change in net OPEB obligation	(1,145,422)
Net OPEB obligation, beginning of year	<u>321,039</u>
Net OPEB asset, end of year	<u><u>\$ (824,383)</u></u>

Trend Information

Trend information for the annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percent Contributed	Net OPEB Obligation (Asset)
2013	\$ 1,994,512	\$ 2,049,316	103%	\$ 719,637
2014	1,995,511	2,394,109	120%	321,039
2015	1,675,562	2,424,872	145%	(824,383)

Funded Status and Funding Progress

The funding status of the OPEB Plan as of July 1, 2015, actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 20,095,621
Actuarial Value of Plan Assets	17,226,726
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,868,895</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	85.7%
Covered Payroll	<u>\$ 45,302,000</u>
UAAL as Percentage of Covered Payroll	<u><u>6.3%</u></u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The above noted actuarial accrued liability was based on the July 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the projected unit credit method with service prorate was used. The actuarial assumptions included a six percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates ranged from an initial 7.5 percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision Programs was four percent. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-dollar method. The remaining amortization period at July 1, 2015, is 23 years. At June 30, 2015, the irrevocable trust held assets in the amount of \$17,226,726 in US Bank, the established bank account for the Retiree Health Benefit Program.

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2016	\$ 90,750
2017	90,750
2018	90,750
2019	45,375
Total	<u>\$ 317,625</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 41,925,690
Current discount rate (7.50%)	23,899,791
1% increase (8.50%)	8,837,336

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.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Deferred Compensation

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

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ 10,439,411	\$ 25,431,972	\$ 14,992,561	41.0%	\$ 41,088,000	36.5%
July 1, 2013	12,325,353	19,428,276	7,102,923	63.4%	43,072,000	16.5%
July 1, 2015	17,226,726	20,095,621	2,868,895	85.7%	45,302,000	6.3%

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

CalSTRS

District's proportion of the net pension liability	0.0773%
District's proportionate share of the net pension liability	\$ 45,153,292

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SUPPLEMENTARY INFORMATION

MIRACOSTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2015

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 one center. 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 and a 7.6 acre Community Learning Center in Oceanside.

BOARD OF TRUSTEES

MEMBER

OFFICE

8(o)-24.6 re

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
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See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Program	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
GENERAL FUND					
Basic Skills	\$ 323,956	\$ -	\$ 75,111	\$ 248,845	\$ 248,845
Board Financial Assistance Program	382,938	-	-	382,938	382,938
Cal Grant	881,681	5,974	-	887,655	887,655
CalWORKs	240,912	27,500	-	268,412	268,412
CARE	57,182	-	-	57,182	57,182
Career Technical Education - WIP #4	152,324	-	-	152,324	152,324
Career Technical Education - Enhancement	156,657	-	119,098	37,559	37,559
Career Technical Education - Community Collaborative #6	213,613	-	-	213,613	213,613
Disabled Students Program and Services (DSPS)	998,910	-	-	998,910	998,910
EWD - BEC	80,000	230,927	-	310,927	310,927
Extended Opportunity Program and Services (EOPS)	604,451	-	-	604,451	604,451
Instructional Equipment	752,773	-	-	752,773	752,773
Licensed Vocational Nurse to Registered Nurse Grant	306,287	-	-	306,287	306,287
Lottery	43,200	382,886	-	426,086	426,086
Matriculation - Credit	2,114,992	-	831,265	1,283,727	1,283,727
Matriculation - Noncredit	219,888	-	132,025	87,863	87,863
Part-Time Faculty Reimbursement	179,786	-	-	179,786	179,786
Proposition 39 Clean Energy Jobs Act	301,050	-	48,513	252,537	252,537
Student Equity	437,057	-	258,428	178,629	178,629
Scheduled Maintenance	802,449	-	692,744	109,705	109,705
Staff Diversity	5,193	-	-	5,193	5,193
AB86 Adult Education Consortium Planning Grant	221,696	-	21,464	200,232	200,232
CCC - Student Mental Health	14,465	15,905	-	30,370	30,370
Go Biz Grant	-	51,451	-	51,451	51,451
Total State Categorical Programs	\$ 9,491,460	\$ 714,643	\$ 2,178,648	\$ 8,027,455	\$ 8,027,455

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

	ECS 84362 A				ECS 84362 B		
	Instructional Salary Cost				Total CEE		
	AC 0100 - 5900 and AC 6110				AC 0100 - 6799		
Object/TOP	Reported Data	Audit	Revised	Reported Data	Audit	Revised	
Codes		Adjustments	Data		Adjustments	Data	
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 16,206,111	\$ -	\$ 16,206,111	\$ 16,206,111	\$ -	\$ 16,206,111
Other	1300	13,446,302	-	13,446,302	13,472,310	-	13,472,310
Total Instructional Salaries		29,652,413	-	29,652,413	29,678,421	-	29,678,421
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	7,790,348	-	7,790,348
Other	1400	-	-	-	766,210	-	766,210
Total Noninstructional Salaries		-	-	-	8,556,558	-	8,556,558
Total Academic Salaries		29,652,413	-	29,652,413	38,234,979	-	38,234,979
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	14,089,771	-	14,089,771
Other	2300	-	-	-	1,267,919	-	1,267,919
Total Noninstructional Salaries		-	-	-	15,357,690	-	15,357,690
Instructional Aides							
Regular Status	2200	1,989,361	-	1,989,361	2,133,241	-	2,133,241
Other	2400	668,708	-	668,708	683,283	-	683,283
Total Instructional Aides		2,658,069	-	2,658,069	2,816,524	-	2,816,524
Total Classified Salaries		2,658,069	-	2,658,069	18,174,214	-	18,174,214
Employee Benefits	3000	7,643,457	-	7,643,457	17,612,827	-	17,612,827
Supplies and Material	4000	-	-	-	1,033,520	-	1,033,520
Other Operating Expenses	5000	-	-	-	6,099,750	-	6,099,750
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures							
Prior to Exclusions		39,953,939	-	39,953,939	81,155,290	-	81,155,290

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	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	\$ 80,980	\$ -	\$ 80,980	\$ 80,980	\$ -	\$ 80,980
Student Health Services Above Amount Collected	6441	-	-	-	21,669	-	21,669
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	288,985	-	288,985
Objects to Exclude							
Rents and Leases	5060	-	-	-	5,875	-	5,875
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	1,365,014	-	1,365,014
Classified Salaries	2000	-	-	-	38,710	-	38,710
Employee Benefits	3000	-	-	-	42,492	-	42,492
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		-	-	-	-	-	-

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	Student Body Center Fee Trust
June 30, 2015, Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	\$ 1,181,331
Adjustments to Increase Fund Balance	
Capital Assets	4,923,260
Audited Fund Balance	<u>\$ 6,104,591</u>

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

EPA Proceeds: 8630

Activity Classification	Activity Code
--------------------------------	--------------------------

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2015**

**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Total Fund Balance:

General Funds	\$ 20,786,820	
Capital Project Funds	15,956,108	
Debt Service Funds	1,482,746	
Enterprise Funds	767,113	
Internal Service Funds	227,341	
Total Fund Balance - All District Funds		\$ 39,220,128

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	171,742,783	
Accumulated depreciation is	(79,311,144)	
Less fixed assets already recorded in the enterprise funds	(8,588)	92,423,051

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 824,383

Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 6,248,946

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this

INDEPENDENT AUDITOR'S REPORTS

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
MiraCosta Community College District
Oceanside, California

Vannex, Time, Design Co. LLP.-



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 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 430 Schedule Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 Proposition 39 Clean Energy
- Section 440 Intersession Extension Programs

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**
