

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS, continued

For deposits, the *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits.

For investments, the District addresses this risk by limiting its investment types as noted above to investments authorized by *California Government Code*.

Fair Value Measurements

The District's and Foundation's investment in LAIF and the County Treasurer's investment pool is measured at fair value. At June 30, 2020, LAIF value of \$1,232,144 and County Treasurer's pool value of \$12,575,458 are valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

Tuition and fees	\$	801,263
Federal grants and contracts		820,130
State grants and contracts		257,932
State apportionment		1,656,421
State taxes and other revenues		341,901
Totals	\$	<u>3,877,647</u>

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NOTE 4 – CAPITAL ASSETS

Capital assets activity is summarized as follows:

	July 01, 2019	Additions	Deductions	June 30, 2020
Capital assets not being depreciated				
Land	\$ 7,545,440	\$ -	\$ -	\$ 7,545,440
Capital assets being depreciated				
Buildings and improvements	113,335,635	-	-	113,335,635
Equipment	7,114,473	428,720	-	7,543,193
Total capital assets being depreciated	120,450,108	428,720	-	120,878,828
Total capital assets	127,995,548	428,720	-	128,424,268
Less: accumulated depreciation	42,733,616	2,763,021	-	45,496,637
Net Capital Assets	\$ 85,261,932	\$ (2,334,301)	\$ -	\$ 82,927,631

Foundation

As of June 30, 2020, the Foundation owns approximately 224 acres of real property which surrounds the main campus of Mendocino-Lake Community College District at 1000 Hensley Creek Road, Ukiah, California. In June 2017, the Foundation purchased one acre of land for \$25,000 and recorded the purchase as a capital asset at the original cost. The carrying value of the property which will be retained for the future growth of the college is \$1,104,370. In addition, a road has been built on the retained property totaling \$33,278 that has been capitalized as infrastructure.

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable consisted of the following:

Accrued payroll and related liabilities	\$ 463,877
Accrued interest	744,153
Construction projects	59,419
Claims payable	494,829
Vendor and other payables	439,058
Totals	<u>\$ 2,201,336</u>

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 – ADVANCES FROM GRANTORS AND STUDENTS

Advances from grantors and students consisted of the following:

Tuition and fees	\$	538,412
Trust accounts		228,829
EPA		663,252
State and local grants		3,759,598
Other		4,358
	\$	<u>5,194,449</u>

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	July 01, 2019	Additions	Reductions	June 30, 2020	Due Within One Year
General obligation bonds					
General Obligation Bonds - Series B	\$ 31,382,480	\$ 685,732	\$ 12,092	\$ 32,056,120	\$ 89,893
2015 Refunding Bonds	52,622,431	1,874,850	920,000	53,577,281	915,000
Unamortized premium	3,498,268	-	109,246	3,389,022	-
Total long-term debt	<u>87,503,179</u>	<u>2,560,582</u>	<u>1,041,338</u>	<u>89,022,423</u>	<u>1,004,893</u>
Other long-term liabilities:					
Solar loan	650,439	-	379,473	270,966	270,966
Compensated absences	1,122,225	544,859	563,266	1,103,818	563,266
Total other long-term liabilities	<u>1,772,664</u>	<u>544,859</u>	<u>942,739</u>	<u>1,374,784</u>	<u>834,232</u>
Total long-term liabilities	<u>\$ 89,275,843</u>	<u>\$ 3,105,441</u>	<u>\$ 1,984,077</u>	<u>\$ 90,397,207</u>	<u>\$ 1,839,125</u>

Long-term liabilities consisted of the following obligations:

GENERAL OBLIGATION BONDS

2011 General Obligation Bonds, Series B, issued in the original amount of \$37,499,792, including current interest bonds and capital appreciation bonds.

Final maturity is in 2051. Interest rate ranges from 2.00% to 11.75%. \$ 32,056,120

2015 General Obligation Refunding Bonds, issued in the original amount of \$48,627,448, including current interest bonds and capital appreciation bonds.

Final maturity is in 2051. Interest rate ranges from 8.00% to 16.00%. 53,577,281

Subtotal 85,633,401

Unamortized premium on general obligation bonds 3,389,022

Subtotal - General Obligation Bonds \$ 89,022,423

OTHER FINANCING

2009 Solar Loan, issued in the original amount of \$4,951,320. Final maturity in February 2021. Interest rate is 5.02%.

270,966

Total Other Financing 270,966

Total Long-Term Debt 89,293,389

Total Long-Term Debt - current Portion \$ 1,275,859

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
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NOTE 7 – LONG-TERM LIABILITIES, continued

The annual debt service requirements to maturity on the 2011 general obligation bonds, series B, are as follows:

General Obligation Bonds - Series B

Fiscal Year	Principal	Interest	Accreted Interest	Total
2021	\$ 89,893	\$ 738,491	\$ 160,108	\$ 988,492
2022	117,081	936,216	247,919	1,301,216
2023	18,600	1,133,941	46,400	1,198,941
2024	44,674	1,133,941	130,326	1,308,941
2025	67,180	1,133,941	227,820	1,428,941
2026-2030	514,392	8,068,581	925,608	9,508,581
2031-2035	1,439,703	8,722,336	5,945,297	16,107,336
2036-2040	6,837,812	7,157,863	3,842,189	17,837,864
2041-2045	12,660,349	1,025,491	5,364,652	19,050,492
2046-2050	976,618	-	13,358,354	14,334,972
2051-2052	614,531	-	10,198,408	10,812,939
Accretion	8,675,287	-	(8,675,287)	-
Total	\$ 32,056,120	\$ 30,050,801	\$ 31,771,794	\$ 93,878,715

The annual debt service requirements to maturity on the 2015 general obligation refunding bonds are as follows:

2015 Refunding

Fiscal Year	Principal	Interest	Accreted Interest	Total
2021	\$ 915,000	\$ 1,024,600	\$ -	\$ 1,939,600
2022	1,025,000	976,100	-	2,001,100
2023	1,165,000	921,350	-	2,086,350
2024	1,315,000	859,350	-	2,174,350
2025	1,475,000	789,600	-	2,264,600
2026-2030	10,240,000	2,586,625	-	12,826,625
2031-2035	6,644,836	224,838	1,240,164	8,109,838
2036-2040	4,997,844	-	9,417,156	14,415,000
2041-2045	6,896,856	-	20,963,144	27,860,000
2046-2050	9,083,648	-	37,101,764	46,185,412
2051-2052	3,099,266	-	16,219,728	19,318,994
Accretion	6,719,831	-	(6,719,831)	-
Total	\$ 53,577,281	\$ 7,382,463	\$ 78,222,125	\$ 139,181,869

Accretion

As of June 30, 2020, the General Obligation bonds, Series B, and the 2015 Refunding Bonds have been increased by \$685,732 and \$1,874,850, respectively, to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – LONG-TERM LIABILITIES, continued

Solar Loan

The annual debt service requirements to maturity on the 2009 solar loan obligation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 270,966	\$ 5,126	\$ 276,092

Refunded Debt

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

The District recognized a financial statement loss of \$3,536,630 on the above refunding which is being amortized over the life of the new debt. The amortized balance as of June 30, 2020 is \$3,135,310.

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated 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 ending June 30, 2020, the District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 14,147,254	\$ 3,755,577	\$ 1,416,366	\$ 1,814,847
CalPERS	13,966,039	3,196,664	236,726	3,111,691
Total	\$ 28,113,293	\$ 6,952,241	\$ 1,653,092	\$ 4,926,538

California State Teachers' Retirement System (CalSTRS)

Plan Description Certificated employees of the District participate in the STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

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

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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%	9.205%*
Required employer contribution rate	18.13%	18.13%
Required state contribution rate	10.328%	10.328%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

Contributions Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$1,447,653.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2020, the District reported a net pension 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:

District's proportionate share of the net pension liability	\$	14,147,254
State's proportionate share of the net pension liability associated with the District		7,718,333
Total	\$	<u>21,865,587</u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.016 percent and 0.015 percent, respectively.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

For the year ended June 30, 2020, the District recognized pension expense of \$1,814,847. In addition, the District recognized pension expense and revenue of \$667,448 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 544,831
Differences between expected and actual experience	35,716	398,386
Changes in assumptions	1,789,116	-
Net changes in proportionate share of net pension liability	483,093	473,149
District contributions subsequent to the measurement date	1,447,653	-
Total	<u>\$ 3,755,578</u>	<u>\$ 1,416,366</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 pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 289,443
2022	(88,346)
2023	287,856
2024	487,371
2025	(43,435)
Thereafter	(41,330)
	<u>\$ 891,559</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Actuarial Assumptions Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

CalSTRS uses 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 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

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 that contributions from plan members and employers were made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occur midyear. Based on those 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 the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as the District’s proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan’s net pension liability	\$ 21,066,432	\$ 14,147,254	\$ 8,409,937

Pension Plan Fiduciary Net Position Detailed information about the pension plan’s fiduciary net position is available in CalSTRS’ separately issued Comprehensive Annual Financial Report (CAFR).

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees’ Retirement System (CalPERS)

Plan Description Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool 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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These report(s) and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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	7.000%	6.500%
Required employer contribution rate	19.721%	19.721%

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees’ Retirement System (CalPERS), continued

Contributions Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$1,205,311.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,966,039. The net pension liability was measured as of June 30, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District’s proportionate share for the measurement periods of June 30, 2018 and June 30, 2019, was 0.048 percent and 0.048 percent, respectively, resulting in an insignificant change.

For the year ended June 30, 2020, the District recognized pension expense of \$3,111,691. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 129,540
Differences between expected and actual experience	1,014,495	-
Changes in assumptions	664,827	-
Net changes in proportionate share of net pension liability	171,152	107,186
District contributions subsequent to the measurement date	1,346,190	-
Total	\$ 3,196,664	\$ 236,726

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees’ Retirement System (CalPERS), continued

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 pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,189,878
2022	185,889
2023	179,158
2024	58,823
	\$ 1,613,748

Actuarial Assumptions Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997, through June 30, 2011
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

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 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.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees’ Retirement System (CalPERS), continued

The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	100%		

*An expected inflation of 2.0% used for this period

**An expected inflation of 2.92% used for this period

Discount Rate The discount rates used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the CalPERS Board were used. Projections of expected benefit payments and contributions were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District’s proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan’s net pension liability	\$ 20,131,127	\$ 13,966,039	\$ 8,851,672

Pension Plan Fiduciary Net Position Detailed information about the pension plan’s fiduciary net position is available in CalPERS’ separately issued Comprehensive Annual Financial Report (CAFR).

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements will not be material.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through combinations of self-insurance mechanisms and the purchase of commercial insurance. The District established the self-insurance reserve to account for and finance uninsured risks of loss. The self-insurance program provides coverage up to a maximum of \$25,000,000 for each general liability and property claim. Settled claims resulting from these programs have not exceeded insurance coverage in any of the past three fiscal years.

While the ultimate outcome of the costs of self-insurance through year end is dependent on future developments, management believes that the aggregate amounts paid to the third-party administrators together with the reserves on hand and excess coverage as provided are adequate to cover the District’s losses, including claims that have been incurred but not reported (IBNR).

Health Benefit Program

The District’s health benefits include partially self-funded medical benefits and fully self-funded dental and vision benefits, which are the same for all eligible participants. Stop loss insurance is purchased each year for the partially self-funded medical benefits that provides coverage in excess of a \$80,000 specific deductible, in addition to a \$225,000 corridor. The District’s provision for IBNR claims shown below represents the estimated cost of settling self-insurance medical claims. The provision for IBNR claims was established by an outside actuary using accepted actuarial methods, which consider the effects of inflation and other economic factors to determine the ultimate cost.

Year Ended	Deposits/ (Claims Payable) Beginning Balance	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Deposits\ (Claims Payable) Ending Balance
June 30, 2017	\$ (392,469)	\$ (2,559,947)	\$ 2,403,393	\$ (549,023)
June 30, 2018	\$ (549,023)	\$ (1,960,179)	\$ 2,028,151	\$ (481,051)
June 30, 2019	\$ (481,051)	\$ (4,095,914)	\$ 3,499,162	\$ (1,077,803)
June 30, 2020	\$ (1,077,803)	\$ (2,669,027)	\$ 3,252,001	\$ (494,829)

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – RISK MANAGEMENT, continued

Joint Powers Authorities

The District participates in two joint powers authority (JPA) entities: the Northern California Community College Self-Insurance Authority (NCCCSIA) and the Schools Insurance Group Northern Alliance (SIGNAL). The relationship between the District and the JPAs is such that neither of the JPAs is a component unit of the District for financial reporting purposes. Current condensed financial information relating to these JPAs is not available.

NCCCSIA arranges and provides for the operation of a common risk management program covering property, liability, and workers' compensation exposures. The membership includes 11 community college districts throughout Northern California.

Until June 30, 1994, the District participated in SIGNAL, which is a joint powers authority organized in accordance with Title 1, Division 7, Chapter 5, Article 1 of the *California Government Code*. The purpose of the organization is to jointly provide for a self-insurance plan and system for workers' compensation claims against the member public educational agencies. SIGNAL is under the control and direction of a Board of Directors consisting of representatives of the member Districts. An Executive Committee controls the daily operations of SIGNAL independent of any influence by the District beyond the District's participation on the Board of Directors.

Member contributions are based on rates established by the JPA's Board of Directors. The Board sets member contribution rates based on actual historical loss experience statistics. Experience modification factors are computed for each member based on the guidelines of the Workers' Compensation Insurance Rating Bureau of California.

Commencing with the 1994-95 year, the District elected to transfer workers' compensation coverage from SIGNAL to NCCCSIA. However, the liability for all events incurred prior to July 1, 1994, as well as the District's residual equity to that date, remains with SIGNAL.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The District provides postemployment healthcare benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Mendocino-Lake Community College District Health Plan (Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, dental, vision and prescription insurance benefits to eligible retirees and their spouses. The following is a summary of the current retiree benefit plan:

	Certificated	Classified	Management
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	20 years	20 years	20 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
College Contribution %	100%	100%	100%
College Cap	None	None	None

*Those hired prior to July 1, 2011 qualify for District-paid retiree benefits after 15 years of service.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the year ended June 30, 2020, the District contributed \$401,696 to the Plan.

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2020:

Inactive Employees/Dependents Receiving Benefits	23
Active Employees	118
	141

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2020
Measurement date	June 30, 2020
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	2.20%
Discount rate	2.75%
Health care cost trend rate	4.00%

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance July 1, 2019	\$ 6,079,068	\$ -	\$ 6,079,068
Changes for the year:			
Service cost	361,817	-	361,817
Interest	212,069	-	212,069
Employer contributions	-	401,696	(401,696)
Changes of assumptions	561,104	-	561,104
Experience (Gains)/Losses	(1,242,261)	-	(1,242,261)
Administrative expense	-	-	-
Benefit payments	(401,696)	(401,696)	-
Net change	(508,967)	-	(508,967)
Balance June 30, 2020	\$ 5,570,101	\$ -	\$ 5,570,101

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Sensitivity of the net pension liability to assumptions

The following presents the net OPEB liability calculated using the discount rate of 6.00 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5.00 percent) and 1 percent higher (7.00 percent):

	Discount Rate 1% Lower (5.00%)	Current Discount Rate (6.00%)	Discount Rate 1% Higher (7.00%)
Net OPEB liability	\$ 6,115,373	\$ 5,570,101	\$ 5,108,421

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.0 percent) and 1 percent higher (5.0 percent):

	Healthcare Cost Trent Rates 1% Lower (3.00%)	Healthcare Cost Trent Rates Current Rate (4.00%)	Healthcare Cost Trent Rates 1% Higher (5.00%)
Net OPEB liability	\$ 4,965,012	\$ 5,570,101	\$ 6,299,595

NOTE 12 – COMMITMENTS

The District has no outstanding construction commitments for the year ending June 30, 2020.

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This standard’s primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, Leases. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after June 15, 2021. The District has not determined the impact on the financial statements

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 –NET ASSETS WITH DONOR RESTRICTION – FOUNDATION

Net assets with donor restrictions included the following:

June 30, 2020	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Foundation Trust Fund	\$ 4,888,589	\$ 223,482	\$ 5,112,071
Evelyn Foote Fund	-	1,255,780	1,255,780
Halliday Fund	-	228,838	228,838
Salmen Fund	-	49,571	49,571
Perpetual Fund	-	630,806	630,806
AAFG Fund	64,781	454,832	519,613
Bogner Fund	-	44,099	44,099
Coast Center Fund	-	222,422	222,422
Elwood	-	9,928	9,928
Gift Annuity Fund	-	191,780	191,780
Total Endowment of June 30, 2020	\$ 4,953,370	\$ 3,311,538	\$ 8,264,908
Endowment Net Assets - Beginning of Year	\$ 5,164,541	\$ 3,165,423	\$ 8,329,964
Contributions	-	516,719	516,719
Endowed assets pledged in prior year	66,400	-	66,400
Interest and Dividends	89,069	46,351	135,420
Net realized and unrealized gains	151,644	83,826	235,470
Amounts appropriated for expenditures	(518,284)	(500,781)	(1,019,065)
Endowment New Assets - End of Year	\$ 4,953,370	\$ 3,311,538	\$ 8,264,908

From time to time, the fair value of assets associated with individual donor designated endowment funds may fall below the level the donor requires the Foundation to retain, over the long term, as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2020.

NOTE 15 – FAIR VALUE MEASUREMENTS – FOUNDATION

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2020.

Money Market Funds: These assets are valued at the net asset value (NAV), generally \$1 per share, and are reported on the active market on which securities are traded.

Equity Securities, and Exchange Traded Funds: Each investor will typically receive units of participation or shares. These shares are valued daily, based on the underlying securities owned, and are usually publicly traded equity securities. Equity securities are instruments that signify an ownership position in a corporation and represents a claim on its proportional share in the Foundation's assets and profits. Ownership is determined by the number of shares an investor owns divided by the total number of shares outstanding. Equity securities, and exchange traded funds are valued daily based on the closing market price in the active exchange markets.

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – FAIR VALUE MEASUREMENTS – FOUNDATION, continued

Bonds: Corporate, municipal bonds and U.S. treasury bonds are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. Each bond series has a unique set of variables including coupon payment, number of payments, interest rate, and the maturity value. These factors are used to determine the estimated market value and can be determined daily.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Level 1	Level 2	Level 3
Money market deposit	\$ 475,214	\$ 475,214	\$ -	\$ -
US treasury bonds	162,068	-	162,068	-
Corporate bonds	731,057	-	731,057	-
Municipal bonds	530,524	-	530,524	-
Equity securities	5,712,325	5,712,325	-	-
Other	461,940	461,940	-	-
Total	<u>\$ 8,073,128</u>	<u>\$ 6,649,478</u>	<u>\$ 1,423,649</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDING JUNE 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 361,817	\$ 335,840	\$ 326,852
Interest	212,069	202,697	216,872
Changes of assumptions	561,104	150,699	-
Benefit payments	(401,696)	(467,154)	(469,912)
Net change in total OPEB liability	(508,967)	222,082	73,812
Total OPEB liability, beginning of year	6,079,068	5,856,986	5,783,174
Total OPEB liability, end of year (a)	\$ 5,570,101	\$ 6,079,068	\$ 5,856,986
Plan fiduciary net position			
Employer contributions	\$ 401,696	\$ 467,154	\$ 469,912
Employee contributions	-	-	-
Assumption changes	-	-	-
Expected investment income	-	-	-
Investment gains/losses	-	-	-
Administrative expense	-	-	-
Expected benefit payments	(401,696)	(467,154)	(469,912)
Other	-	-	-
Change in plan fiduciary net position	-	-	-
Fiduciary trust net position, beginning of year	-	-	-
Fiduciary trust net position, end of year (b)	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 5,570,101	\$ 6,079,068	\$ 5,856,986
Covered payroll	\$ 13,347,567	\$ 13,042,515	\$ 11,315,722
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0%	0%	0%
Net OPEB liability (asset) as a percentage of covered payroll	49.22%	46.61%	52%

**The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.*

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

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE YEAR ENDING JUNE 30, 2020**

	2020	2019	2018
Actuarially determined contribution	\$ 401,696	\$ 467,154	\$ 469,912
Contributions in relations to the actuarially determined contribution	401,696	467,154	469,912
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 13,347,567	\$ 13,042,515	\$ 11,315,722
Contribution as a percentage of covered payroll	3.01%	3.58%	4.15%

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

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDING JUNE 30, 2020**

CalSTRS	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.016%	0.015%	0.015%	0.016%	0.017%	0.017%
District's proportionate share of the net pension liability	\$ 14,147,254	\$ 14,177,930	\$ 13,817,755	\$ 12,940,960	\$ 10,221,995	\$ 9,237,911
State's proportionate share of the net pension liability associated with the District	7,718,333	8,117,919	8,174,534	4,694,980	3,959,197	3,740,260
Total	\$ 21,865,587	\$ 22,295,849	\$ 21,992,289	\$ 17,635,940	\$ 14,181,192	\$ 12,978,171
District's covered payroll	\$ 8,511,873	\$ 12,426,819	\$ 6,003,471	\$ 5,596,892	\$ 5,286,430	\$ 5,286,430
District's proportionate Share of the net pension liability as percentage of covered payroll	166.21%	114.09%	230.16%	231.22%	193.36%	174.75%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	71.00%	69.00%	70.00%	74.00%	77.00%
CalPERS	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.048%	0.048%	0.046%	0.046%	0.045%	0.048%
District's proportionate share of the net pension liability	\$ 13,966,039	\$ 12,750,023	\$ 10,864,164	\$ 8,986,278	\$ 6,280,358	\$ 5,361,828
District's covered payroll	\$ 6,673,187	\$ 6,881,613	\$ 5,312,256	\$ 5,098,436	\$ 4,695,673	\$ 4,695,673
District's proportionate Share of the net pension liability as percentage of covered payroll	209.29%	185.28%	157.87%	169.16%	123.18%	114.19%
Plan fiduciary net position as a percentage of the total pension liability	70.00%	71.00%	71.90%	73.90%	79.40%	83.50%

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

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDING JUNE 30, 2020**

CalSTRS	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,447,653	\$ 1,385,733	\$ 1,793,190	\$ 1,025,686	\$ 944,450	\$ 705,105
District's contributions in relation to the statutorily required contribution	1,447,653	1,385,733	1,793,190	1,025,686	944,450	705,105
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,984,848	\$ 8,511,873	\$ 12,426,819	\$ 6,003,471	\$ 5,596,892	\$ 5,286,430
District's contributions as a percentage of covered payroll	18.13%	16.28%	14.43%	17.08%	16.87%	13.34%
	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
CalPERS						
Statutorily required contribution	\$ 1,346,190	\$ 1,205,311	\$ 955,856	\$ 810,178	\$ 648,421	\$ 591,245
District's contributions in relation to the statutorily required contribution	1,346,190	1,205,311	955,856	810,178	648,421	591,245
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,826,175	\$ 6,673,187	\$ 6,881,613	\$ 5,312,256	\$ 5,098,436	\$ 4,695,673
District's contributions as a percentage of covered payroll	19.72%	18.06%	13.89%	15.25%	12.72%	12.59%

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

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Contributions – 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 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.

Schedule of Contributions – 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.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

SUPPLEMENTARY INFORMATION

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2020**

GOVERNING BOARD

NAME	OFFICE	AREA	TERM EXPIRES
Mr. John Tomkins	Member	Lakeport	December 2022
Ms. Xochilt Martinez	Member	Ukiah	December 2022
Mr. Jason Pinoli	President	Hopland	December 2020
Mr. Philip Nickerman	Clerk	Potter Valley	December 2022
Ms. Marie Myers	Vice President	Redwood Valley	December 2020
Mr. TeMashio Anderson	Member	Kelseyville	December 2020
Mr. Noel O'Neill	Member	Willits/Fort Bragg	December 2020

ADMINISTRATION

Ms. Eileen Cichocki
Interim Superintendent/President

Ms. Eileen Cichocki
Assistant Superintendent/Vice President, Administrative Services

Ms. Debra Polak
Vice President, Academic Affairs

Mr. Ulises Velasco
Vice President, Student Services

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
JUNE 30, 2020**

The full-time equivalent resident students (FTES) eligible for 2019-20 state apportionment reported to the State of California are summarized below:

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit	12.62	-	12.62
2. Credit	304.95	-	304.95
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit	-	-	-
2. Credit	334.09	-	334.09
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,359.19	-	1,359.19
(b) Daily Census Contact Hours	157.24	-	157.24
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	95.56	-	95.56
(b) Credit	175.85	-	175.85
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	514.63	-	514.63
(b) Daily Census Contact Hours	165.69	-	165.69
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	3,119.82	-	3,119.82
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	80.74	-	80.74
2. Noncredit	31.71	-	31.71
Total Basic Skills FTES	112.45	-	112.45

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	*	\$ 119,040
Federal Direct Student Loans	84.268	*	832,974
Federal Work Study Program (FWS)	84.033	*	93,170
Federal Pell Grants (PELL)	84.063	*	5,055,922
Total Student Financial Assistance Cluster			<u>6,101,106</u>
Passed through State Department of Education			
CTEA Title IIC	84.048	*	138,169
CTEA - Transition Objectives	84.048	*	46,195
Total Passed through State Department of Education			<u>184,364</u>
Migrant Education College Assistance Program	84.149A	*	347,519
Migrant Education High School Equivalency Program	84.141	*	264,657
Hispanic Serving Institution Program	84.031S	*	440,774
CARES Act	84.425	*	745,426
Total U.S. Department of Education			<u>8,083,846</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Eisenhower Transportation Fellowship Program	20.215	*	10,000
Total U.S. Department of Transportation			<u>10,000</u>
U.S. DEPARTMENT OF TREASURY			
CRF Block Grant	21.019	*	134,902
Total U.S. Department of Treasury			<u>134,902</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Education			
Child and Adult Care Food Program	10.558	*	24,017
Forest Reserve	10.665	*	32,578
Passed through State Department of Social Services			
CalFresh	10.561	*	22,652
Total U.S. Department of Agriculture			<u>79,247</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through State Department of Education			
AmeriCorps	94.006	*	25,629
Total Corporation for National and Community Service			<u>25,629</u>
Total Federal Expenditures			<u>\$ 8,333,624</u>

*Pass-Through number is either not available or not applicable

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDING JUNE 30, 2020

	Program Revenues			Total
	Cash Received	Accounts Receivable	Deferred Income	
Disabled Student Programs and Services	\$ 406,806	\$ -	\$ -	\$ 406,806
Extended Opportunity Programs and Services	634,375	-	-	634,375
Child Development Center	467,198	10,735	-	477,933
Nursing Education	173,093	-	-	173,093
CalGrant	608,708	149,756	-	758,464
SFAA	165,325	-	-	165,325
Student Equity and Achievement	2,071,330	-	(562,304)	1,509,026
EEO	50,000	-	-	50,000
Campus Safety and Sexual Assault	13,622	-	(1,169)	12,453
CalWORKS	244,259	-	-	244,259
MESA	214	60,987	-	61,201
Foster Parent	5,763	-	-	5,763
CARE	71,283	-	-	71,283
Hunger Free Campus	32,743	-	-	32,743
VRC Infrastructure	6,749	14,836	-	21,585
Construction Grant	1,000,000	-	(1,000,000)	-
Promise Program	127,440	-	(70,215)	57,225
CTE	2,074,721	-	(1,191,960)	882,761
Veterans Resources Center	44,604	-	(27,467)	17,137
Financial Aid Tech	161,080	-	(111,214)	49,866
Student Success Completion	521,859	-	(14,310)	507,549
Guided Pathways	366,889	-	(239,281)	127,608
TANF	23,421	21,619	-	45,040
Instructional Equipment Block Grant	35,033	-	(14,609)	20,424
Mental Health	27,260	-	-	27,260
Class Professional Development	10,510	-	(9,939)	571
AEBG	2,049,971	-	(490,638)	1,559,333
Scheduled Maintenance	20,741	-	(4,451)	16,290
BOGG Admin.	38,099	-	-	38,099
PT Faculty Office Hours	8,960	-	-	8,960
FT Faculty Hiring	109,098	-	-	109,098
PT Faculty Compensation	107,918	-	-	107,918
Total	\$ 11,679,072	\$ 257,933	\$ (3,737,557)	\$ 8,199,448

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020**

June 30, 2020	General Fund Unrestricted	General Fund Restricted	Debt Service Fund	Bond Debt Service Fund	Child Development Fund	Capital Outlay Projects Fund
Annual Financial and Budget Report (CCFS-311)						
Fund Balance	\$ 6,465,652	\$ 276,633	\$ -	\$ -	\$ -	\$ 562,164
Adjustments and reclassifications increasing (decreasing) the fund balance:						
Adjustment to record debt service fund	-	-	-	2,065,292	-	-
Reclassification of amounts held for others	-	-	-	-	-	-
Net Adjustments and Reclassifications	-	-	-	2,065,292	-	-
Audited Financial Statements Fund Balance	\$ 6,465,652	\$ 276,633	\$ -	\$ 2,065,292	\$ -	\$ 562,164

June 30, 2020 (continued)	Self-Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
Annual Financial and Budget Report (CCFS-311)							
Fund Balance	\$ 2,797,537	\$ 144,141	\$ 51,229	\$ 328,496	\$ -	\$ 17,108	\$ 10,642,960
Adjustments and reclassifications increasing (decreasing) the fund balance:							
Agency accounts not included in CCFS-311	-	-	-	-	-	-	2,065,292
Reclassification of amounts held for others	-	(144,141)	(51,229)	(328,496)	-	(17,108)	(540,974)
Net Adjustments and Reclassifications	-	(144,141)	(51,229)	(328,496)	-	(17,108)	1,524,318
Audited Financial Statements Fund Balance	\$ 2,797,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,167,278

See accompanying note to supplementary information.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
JUNE 30, 2020**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) 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	4,290,762	-	4,290,762	4,290,762	-	4,290,762
Other	1300	4,297,230	-	4,297,230	4,311,918	-	4,311,918
Total Instructional Salaries		8,587,992	-	8,587,992	8,602,680	-	8,602,680
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	1,488,968	-	1,488,968
Other	1400	-	-	-	156,242	-	156,242
Total Non-Instructional Salaries		-	-	-	1,645,210	-	1,645,210
Total Academic Salaries		8,587,992	-	8,587,992	10,247,890	-	10,247,890
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	3,771,967	-	3,771,967
Other	2300	-	-	-	390,023	-	390,023
Total Non-Instructional Salaries		-	-	-	4,161,990	-	4,161,990
Instructional Aides							
Regular Status	2200	550,747	-	550,747	657,675	-	657,675
Other	2400	16,513	-	16,513	16,513	-	16,513
Total Instructional Aides		567,260	-	567,260	674,188	-	674,188
Total Classified Salaries		567,260	-	567,260	4,836,178	-	4,836,178
Employee Benefits	3000	3,564,903	-	3,564,903	7,210,454	-	7,210,454
Supplies and Materials	4000	-	-	-	328,877	-	328,877
Other Operating Expenses	5000	248,321	-	248,321	2,579,235	-	2,579,235
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		12,968,476	-	12,968,476	25,202,634	-	25,202,634
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	855	-	855
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	16,548	-	16,548
Lottery Expenditures							
Academic Salaries	1000	-	-	-	16,548	-	16,548
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	39,262	-	39,262
Non-inst. Supplies & Materials	4400	-	-	-	219,016	-	219,016
Total Supplies and Materials		-	-	-	258,278	-	258,278
Other Operating Expenses and Services	5000	-	-	-	228,889	-	228,889
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ -	\$ -	\$ -	\$ 521,118	\$ -	\$ 521,118
Total for ECS 84362, 50% Law		\$ 12,968,476	\$ -	\$ 12,968,476	\$ 24,681,516	\$ -	\$ 24,681,516
Percent of CEE (Instructional Salary Cost/Total CEE)		52.54%	0.00%	52.54%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 12,340,758	\$ -	\$ 12,340,758

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 JUNE 30, 2020**

EPA Revenue	1,348,510
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	1,348,510	-	-	1,348,510
Total		1,348,510	-	-	1,348,510

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY
JUNE 30, 2020

	General Fund Unrestricted	General Fund Restricted	Debt Service Fund	Bond Debt Service Fund	Child Development Fund	Capital Outlay Projects Fund	Balance Forward
ASSETS							
Current Assets							
Cash and equivalents	\$ 5,497,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,497,803
Restricted cash and equivalents	-	3,030,596	(1,139)	2,065,292	6,880	632,900	5,734,529
Investments	-	-	-	-	-	-	-
Accounts receivable - net	2,632,488	861,114	-	-	10,734	10,634	3,514,970
Prepaid expenditures and other asset	410,166	-	-	-	-	-	410,166
Due from other funds	-	348,367	1,139	-	12,860	-	362,366
Total Current Assets	8,540,457	4,240,077	-	2,065,292	30,474	643,534	15,519,834
Total Assets	\$ 8,540,457	\$ 4,240,077	\$ -	\$ 2,065,292	\$ 30,474	\$ 643,534	\$ 15,519,834
LIABILITIES							
Accounts payable	\$ 621,708	\$ 240,107	\$ -	\$ -	\$ 30,474	\$ 59,419	\$ 951,708
Deferred revenue	1,434,851	3,723,337	-	-	-	21,951	5,180,139
Amounts held for others	-	-	-	-	-	-	-
Due to other funds	18,246	-	-	-	-	-	18,246
Total Liabilities	2,074,805	3,963,444	-	-	30,474	81,370	6,150,093
FUND EQUITY							
Fund Balances:							
Reserved for debt service	-	-	-	2,065,292	-	-	2,065,292
Reserved for special purpose	525,000	276,633	-	-	-	562,164	1,363,797
Unreserved	5,940,652	-	-	-	-	-	5,940,652
Total Fund Equity	6,465,652	276,633	-	2,065,292	-	562,164	9,369,741
Total Liabilities and Fund Equity	\$ 8,540,457	\$ 4,240,077	\$ -	\$ 2,065,292	\$ 30,474	\$ 643,534	\$ 15,519,834

See accompanying note to supplementary information.

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY
JUNE 30, 2020

	Balance Brought Forward	Self- Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
ASSETS								
Current Assets								
Cash and equivalents	\$ 5,497,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,497,803
Restricted cash and equivalents	5,734,529	1,565,393	144,141	59,831	326,293	-	17,108	7,847,295
Investments	-	1,232,144	-	-	-	-	-	1,232,144
Accounts receivable - net	3,514,970	-	-	-	-	362,677	-	3,877,647
Prepaid expenditures and other assets	410,166	-	-	-	-	-	-	410,166
Due from other funds	362,366	-	-	2,044	2,203	-	-	366,613
Total Current Assets	15,519,834	2,797,537	144,141	61,875	328,496	362,677	17,108	19,231,668
Total Assets	\$ 15,519,834	\$ 2,797,537	\$ 144,141	\$ 61,875	\$ 328,496	\$ 362,677	\$ 17,108	\$ 19,231,668
LIABILITIES								
Accounts payable	\$ 951,708	\$ -	\$ -	\$ 10,646	\$ -	\$ -	\$ -	\$ 962,354
Deferred revenue	5,180,139	-	-	-	-	14,310	-	5,194,449
Amounts held for others	-	-	144,141	51,229	328,496	-	17,108	540,974
Due to other funds	18,246	-	-	-	-	348,367	-	366,613
Total Liabilities	6,150,093	-	144,141	61,875	328,496	362,677	17,108	7,064,390
FUND EQUITY								
Fund Balances:								
Reserved for debt service	2,065,292	-	-	-	-	-	-	2,065,292
Reserved for special purpose	1,363,797	2,797,537	-	-	-	-	-	4,161,334
Undesignated	5,940,652	-	-	-	-	-	-	5,940,652
Total Fund Equity	9,369,741	2,797,537	-	-	-	-	-	12,167,278
Total Liabilities and Fund Equity	\$ 15,519,834	\$ 2,797,537	\$ 144,141	\$ 61,875	\$ 328,496	\$ 362,677	\$ 17,108	\$ 19,231,668

See accompanying note to supplementary information.

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE
REPORTING ENTITY
JUNE 30, 2020

	General Fund Unrestricted	General Fund Restricted	Debt Service Fund	Bond Debt Service Fund	Child Development Fund	Capital Outlay Projects Fund	Balance Forward
OPERATING REVENUES							
Net tuition and fees	\$ 1,131,468	\$ 111,072	\$ -	\$ -	\$ 85,279	\$ -	\$ 1,327,819
Grants and Contracts, noncapital							
Federal	39,982	1,658,515	-	-	24,017	-	1,722,514
State	-	4,886,034	-	-	474,397	-	5,360,431
Local	363,209	114,552	-	3,253,409	-	-	3,731,170
Auxiliary enterprise sales, net	62,175	-	-	-	-	-	62,175
Total Operating Revenues	1,596,834	6,770,173	-	3,253,409	583,693	-	12,204,109
OPERATING EXPENDITURES							
Salaries	15,600,689	3,364,998	-	-	480,119	-	19,445,806
Employee benefits	7,399,722	1,477,965	-	-	194,314	-	9,072,001
Supplies, materials, and other operating expenses and services	3,266,027	1,823,027	-	-	56,305	524,807	5,670,166
Payments to students	-	510,233	-	-	-	-	510,233
Total Operating Expenses	26,266,438	7,176,223	-	-	730,738	524,807	34,698,206
Operating Income (Loss)	(24,669,604)	(406,050)	-	3,253,409	(147,045)	(524,807)	(22,494,097)
NONOPERATING REVENUES (EXPENDITURES)							
State apportionments, noncapital	10,668,875	-	-	-	-	-	10,668,875
Education protection account revenues, noncapital	1,348,510	-	-	-	-	-	1,348,510
Local property taxes, noncapital	10,572,330	-	-	-	-	-	10,572,330
State taxes and other revenues, noncapital	1,046,414	337,065	-	-	-	-	1,383,479
Financial aid revenues	-	-	-	-	-	-	-
Financial aid expenses	-	-	-	-	-	-	-
Investment income	110,955	-	(3,815)	12,601	(1,325)	14,216	132,632
Interest expense	-	-	-	(1,833,054)	-	-	(1,833,054)
Other non-operating revenues	1,115,028	174,248	-	-	-	10,634	1,299,910
State apportionments, capital	-	-	-	-	-	16,290	16,290
Local property taxes and revenues, capital	-	-	-	-	-	156,525	156,525
Total Nonoperating Revenues (Expenditures)	24,862,112	511,313	(3,815)	(1,820,453)	(1,325)	197,665	23,745,497
OTHER FINANCING SOURCES (USES)							
Operating transfer in	34,338	1,129,287	407,376	-	148,370	-	1,719,371
Operating transfer out	(515,566)	(1,203,805)	-	-	-	-	(1,719,371)
Debt service	-	-	(403,561)	(1,311,565)	-	-	(1,715,126)
Total Other Financing Sources (Uses)	(481,228)	(74,518)	3,815	(1,311,565)	148,370	-	(1,715,126)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(288,720)	30,745	-	121,391	-	(327,142)	(463,726)
FUND EQUITY -- BEGINNING OF YEAR	6,754,372	245,888	-	1,943,901	-	889,306	9,833,467
FUND EQUITY -- END OF YEAR	\$ 6,465,652	\$ 276,633	\$ -	\$ 2,065,292	\$ -	\$ 562,164	\$ 9,369,741

See accompanying note to supplementary information.

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE
REPORTING ENTITY
JUNE 30, 2020

	Balance Brought Forward	Self- Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
OPERATING REVENUES								
Net tuition and fees	\$ 1,327,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,327,819
Grants and Contracts, noncapital								
Federal	1,722,514	-	-	-	-	-	-	1,722,514
State	5,360,431	-	-	-	-	-	-	5,360,431
Local	3,731,170	-	-	-	-	-	-	3,731,170
Auxiliary enterprise sales and charges	62,175	-	-	-	-	-	-	62,175
Total Operating Revenues	12,204,109	-	-	-	-	-	-	12,204,109
OPERATING EXPENDITURES								
Salaries	19,445,806	15,300	-	-	-	-	-	19,461,106
Employee benefits	9,072,001	349,300	-	-	-	-	-	9,421,301
Supplies, materials, and other operating expenses and services	5,670,166	33,333	-	-	-	-	-	5,703,499
Payments to students	510,233	-	-	-	-	-	-	510,233
Total Operating Expenses	34,698,206	397,933	-	-	-	-	-	35,096,139
Operating Income (Loss)	(22,494,097)	(397,933)	-	-	-	-	-	(22,892,030)
NONOPERATING REVENUES (EXPENDITURES)								
State apportionments, noncapital	10,668,875	-	-	-	-	-	-	10,668,875
Education protection account revenues, noncapital	1,348,510	-	-	-	-	-	-	1,348,510
Local property taxes, noncapital	10,572,330	-	-	-	-	-	-	10,572,330
State taxes and other revenues, noncapital	1,383,479	-	-	-	-	-	-	1,383,479
Financial aid revenues	-	-	-	-	-	7,877,123	-	7,877,123
Financial aid expenses	-	-	-	-	-	(7,877,123)	-	(7,877,123)
Investment income	132,632	41,170	-	-	-	-	-	173,802
Interest expense	(1,833,054)	-	-	-	-	-	-	(1,833,054)
Other non-operating revenues	1,299,910	46,054	-	-	-	-	-	1,345,964
State apportionments, capital	16,290	-	-	-	-	-	-	16,290
Local property taxes and revenues, capital	156,525	-	-	-	-	-	-	156,525
Total Nonoperating Revenues (Expenditures)	23,745,497	87,224	-	-	-	-	-	23,832,721
OTHER FINANCING SOURCES (USES)								
Operating transfer in	1,719,371	-	-	-	-	-	-	1,719,371
Operating transfer out	(1,719,371)	-	-	-	-	-	-	(1,719,371)
Debt service	(1,715,126)	-	-	-	-	-	-	(1,715,126)
Total Other Financing Sources (Uses)	(1,715,126)	-	-	-	-	-	-	(1,715,126)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(463,726)	(310,709)	-	-	-	-	-	(774,435)
FUND EQUITY -- BEGINNING OF YEAR	9,833,467	3,108,246	-	-	-	-	-	12,941,713
FUND EQUITY -- END OF YEAR	\$ 9,369,741	\$ 2,797,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,167,278

See accompanying note to supplementary information.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO NET POSITION
JUNE 30, 2020**

Total Fund Equity - District Funds Included in the Reporting Entity	\$	12,167,278
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$	7,545,440
Depreciable capital assets		120,878,828
Accumulated depreciation		<u>(45,496,637)</u>
		82,927,631
Unmatured Interest		(744,153)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred loss on refunding		3,135,310
Deferred outflows from pensions		6,952,241
Deferred outflows from OPEB		642,711
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Compensated absences		(1,103,818)
Net OPEB liability		(5,570,101)
Net pension liability		(28,113,293)
Long-term debt		(89,293,389)
Claims payable		(494,829)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred inflows from pensions		(1,653,092)
Deferred inflows from OPEB		<u>(1,144,445)</u>
Net Assets Reported Within the Statements of Net Position	\$	<u>(22,291,949)</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION
JUNE 30, 2020**

Change in Fund Equity - District Funds Included in the Reporting Entity in the Reporting Entity	\$ (774,435)
Compensated absence expense	18,407
Depreciation expense	(2,763,021)
Accretion of general obligation bonds	(2,560,582)
Accrued interest	19,166
Amortization of bond premiums	109,246
Amortization of deferred loss on refunding	(100,330)
Claims expense	582,974
Capital outlay expense	428,720
Pension expense	(2,132,695)
Other postemployment benefits expense	(131,011)
Principal Payments on debt	<u>1,311,565</u>
Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ (5,991,996)</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

District Organizational Structure

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

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

The schedule of workload measures for state general apportionment annualized attendance as of June 30, 2020, represents the basis of apportionment of the District's annual source of funding.

Schedule of Expenditures of Federal Awards

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information in this schedule 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 (the Uniform Guidance)*.

Expenditures reported on this schedule are reported on the modified basis of accounting. 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.

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of Revenues and Expenditures of State Awards

This schedule includes the state activity of the District under categorical programs of the state of California for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of the California Community Colleges Contracted District Audit Manual 2019-20.

Expenses reported on this schedule are reported on the accrual basis of accounting.

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the Audited Financial Statements.

Reconciliation of the ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account Expenditures

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.

Reconciliation of Fund Equity to Net Position and Reconciliation of Change in Fund Equity to Change in Net Position

These schedules provide the information necessary to reconcile the supplemental combining financial schedules to the audited financial statements.

NOTE 2 – COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying combining balance sheet – District funds included in the reporting entity; and combining statement of revenues, expenditures/expenses, and changes in fund equity – District funds included in the reporting entity are presented on the modified accrual basis of accounting with the exception of the Classified B.U.M. Benefit Fund and Retirees Benefit Fund, which are presented on the accrual basis of accounting consistent with the presentation in the entity-wide financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable” and “available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Property taxes, franchise taxes, licenses, interest revenue, and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

The District reports advances of revenue on its combining balance sheet. Advances of revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Advances of revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has legal claim to the resources, the liability for advances of revenue is removed and revenue is recognized.

NOTE 3 – LOAN PROGRAMS

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District’s financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2020.

OTHER INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' 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

The Board of Trustees
Mendocino-Lake Community College District
Ukiah, 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 of Mendocino-Lake Community College District (the District) as of and for the year ended June 30, 2020; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated November 30, 2020.

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) to determine the 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

November 30, 2020
San Diego, California

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Mendocino-Lake Community College District
Ukiah, California

Report on Compliance for Each Major Federal Program

We have audited Mendocino-Lake Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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.

November 30, 2020
San Diego, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Mendocino-Lake Community College District
Ukiah, California

Compliance

We have audited the Mendocino-Lake Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2019-20*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2020. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual 2019-20*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2019-20* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2020.

Other Matters

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

- Section 411 – SCFF Data Management Control Environment
- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for 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 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2019- 20*. Accordingly, this report is not suitable for any other purpose.

November 30, 2020
San Diego, California

FINDINGS AND QUESTIONED COSTS SECTION

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2020**

Section I – Summary of Auditors’ Results

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.007, 84.033 84.063, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no financial statement audit findings or questioned costs identified during 2019-20.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs during 2019-20.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

Section IV – State Award Findings and Questioned Costs

There were no state award findings or questioned costs identified during 2019-20.

**MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020**

FINDING #2019-001 – DIRECT LOAN QUALITY ASSURANCE PLAN

Criteria or Specific Requirement

34 CFR 685.300(b)(9) requires schools participating in the Direct Loan program to implement a quality assurance system.

Condition

We noted that the development of a quality assurance system in compliance with 34 CFR 685.300(b)(9) is currently underway with anticipated completion and implementation during 2019-20.

Questioned Costs – None noted.

Context

Compliance with 34 CFR 685.300(b)(9) requirements.

Effect

Non-compliance with 34 CFR 685.300(b)(9), which requires all participating schools to have a written quality assurance system to ensure that the school is complying with program requirements and meeting program objectives.

Cause

Steps taken in response to requirements under 34 CFR 685.300(b)(9), are largely in place and will be formally documented and implemented in 2019-20.

Status:

Fully corrected