

**Mendocino-Lake Community College District**  
Ukiah, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

**June 30, 2017**



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# Mendocino-Lake Community College District

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Mendocino-Lake Community College District (the District), as of and for the year ended June 30, 2017; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of June 30, 2017; and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

***Required Supplementary Information*** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the required supplementary information on pages 62 to 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information*** Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 70 to 87 and the schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

The accompanying supplementary information and the schedule of expenditures of federal awards is the responsibility of management and was derived from, and relates directly, to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 70 to 87 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The organization structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*KCoe Jam, LLP*

December 4, 2017  
Redding, California

## **FINANCIAL SECTION**

# Mendocino-Lake Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction

The following discussion and analysis provides an overview of the financial position and activities of Mendocino-Lake Community College District for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. Mendocino-Lake Community College District (District) adopted these new standards beginning with the 2002/03 fiscal year.

The California Community College Chancellor's Office, through its Fiscal and Accountability Standards Committee, has recommended that all state community college districts follow the new standards under the Business Type Activity (BTA) model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other community college districts, the District has adopted the BTA reporting model for these financial statements.

### Reporting Highlights

Two years of financial data is presented in this Management Discussion and Analysis section, for comparative purposes. The annual report consists of three basic financial statements that provide information about the District as a whole:

- The Statement of Net Position
- The Statement of Revenue, Expenses and Changes in Net Position
- The Statement of Cash Flows

The Mendocino College Foundation, Inc. (Foundation) was established as a legally separate not-for-profit corporation to support the District and its students. It provides scholarships for the benefit of District students and contributes directly to the District. The Foundation is considered a component unit for financial reporting purposes and is presented separately from the District's financial data. The Foundation financial statements are included within this audit document. The Foundation's independently audited annual financial statements may also be obtained from the Foundation Office on the Ukiah campus.



# Mendocino-Lake Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

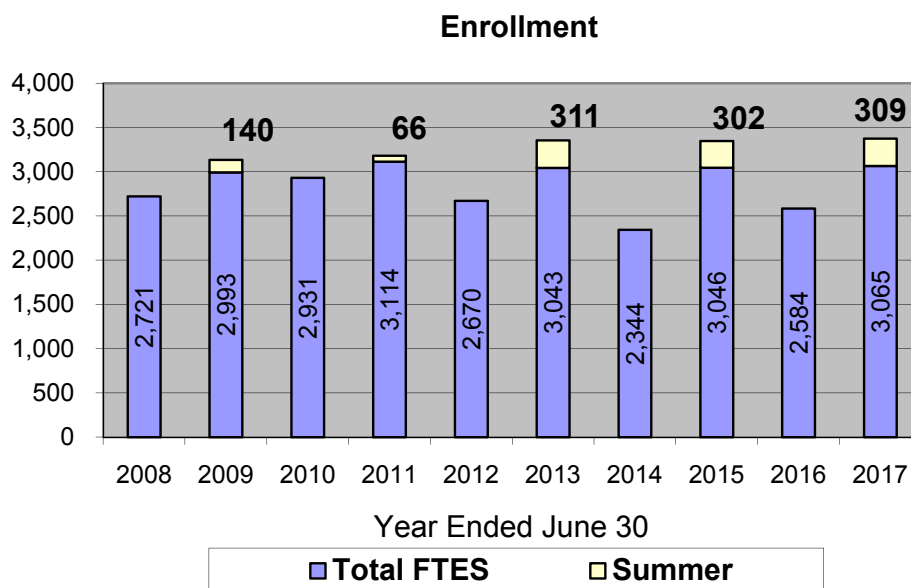
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### General Obligation Bonds

On November 7, 2006, the voters of the Mendocino-Lake Community College District approved the issuance of up to \$67,500,000 in General Obligation Bonds: Measure W. On March 29, 2007, the District issued the first series (Series A) of bonds in the amount of \$30 million. On August 16, 2011, the District issued the second and final series (Series B) of bonds in the amount of \$37.5 million. Measure W encompassed 30 construction and renovation projects. The District established a Bond Implementation Planning Committee (BIPC) which planned and implemented bond projects. A Citizen's Bond Oversight Committee (CBOC) was formed in December 2006, as required by law, to ensure that bond proceeds are expended only for the purposes set forth in Measure W. All funds were expended as of June 30, 2015, primarily on re-roofing multiple buildings, remodels and renovations, upgrading the computer system, construction of a new Library/Learning Resource Center, constructing a new Maintenance/Warehouse, the purchase of land, and the construction of new centers in Willits and Lakeport. On September 15, 2015, the District refinanced the General Obligation Bonds in the aggregate principal amount of \$48,627,448. The District advance refunded a portion of the District's outstanding Series A and Series B Bonds, and paid the costs of issuing the bonds.

### Enrollment Highlights

The District reported 3,065 total full-time equivalent students (FTES) on the 2016/17 Final Apportionment Attendance Report (CCFS-320). This is an increase of 481 FTES from the 2015/16 FTES of 2,584. This increase is partially the result of reporting 309 summer 2016 FTES in 2016/17 which would normally have been reported in 2015/16. The following chart shows the enrollment history and reflects the impact of summer FTES reporting.



# Mendocino-Lake Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

### Statement of Net Position

The statement of net position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way to measure the financial health of the District.

June 30	As Restated	
	2017 (in thousands)	2016 (in thousands)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,968	\$ 3,977
Restricted cash and cash equivalents	3,298	2,338
Investments	1,162	1,153
Accounts receivables	2,941	2,978
Prepaid expenses	11	-
<b>Total Current Assets</b>	<b>12,380</b>	<b>10,446</b>
<b>Noncurrent Assets</b>		
Nondepreciable capital assets	7,575	7,546
Depreciable capital asset - net	82,555	85,246
Restricted cash and cash equivalents	3,628	3,380
<b>Total Noncurrent Assets</b>	<b>93,758</b>	<b>96,172</b>
<b>TOTAL ASSETS</b>	<b>\$ 106,138</b>	<b>\$ 106,618</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss of refunding	\$ 3,436	\$ 3,537
Deferred outflows related to pensions	4,646	1,973
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 8,082</b>	<b>\$ 5,510</b>

# Mendocino-Lake Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30	2017 (in thousands)	As Restated 2016 (in thousands)
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,705	\$ 1,522
Advances from grantors and students	2,593	2,191
Amounts held in trust for others	533	491
Long-term debt - current portion	638	763
Other long-term liabilities - current portion	403	382
<b>Total Current Liabilities</b>	<b>6,872</b>	<b>5,349</b>
<b>Noncurrent Liabilities</b>		
Net pension liabilities	21,927	18,107
Other long-term liabilities	3,106	3,546
Long-term debt - noncurrent portion	79,676	78,134
<b>Total Noncurrent Liabilities</b>	<b>104,709</b>	<b>99,787</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 111,581</b>	<b>\$ 105,136</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	\$ 1,434	\$ 2,034
<b>NET POSITION</b>		
Net investment in capital assets	\$ 16,518	\$ 13,862
Restricted - expendable	5,225	8,113
Unrestricted	(20,538)	(17,017)
<b>TOTAL NET POSITION</b>	<b>\$ 1,205</b>	<b>\$ 4,958</b>

## Mendocino-Lake Community College District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

- Cash and cash equivalents consist of cash in the Mendocino County Treasury and investments in the Local Agency Investment Fund (LAIF).
- Receivables consist mainly of amounts due as of June 30, 2017, from state and federal grants and general apportionment wherein the District has earned funds that were not yet received as of the fiscal year end.
- Restricted cash and cash equivalents consist of Student Health fees and revolving cash. Restricted cash is cash for payment of obligations subject to the restrictions imposed by the state or granting agency.
- Capital assets, net are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation. The detail of this total net value can be found in the notes of the financial statements.

	July 1, 2016	Additions	Deductions	Transfers	June 30, 2017
<b>Nondepreciable Assets</b>	\$ 7,545,440	\$ 29,518	\$ -	\$ -	\$ 7,574,958
Depreciable assets	119,397,969	218,297	-	-	119,616,266
Accumulated depreciation	34,151,347	2,909,838	-	-	37,061,185
<b>Depreciable Assets - Net</b>	<b>\$ 85,246,622</b>	<b>\$ (2,691,541)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,555,081</b>

Accounts payable consist primarily of payables to vendors and accrued payroll (\$2.7 million).

- Deferred revenue relates to federal, state, and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended up to the award amount.
- Noncurrent liabilities represent debt to be paid in one year or later. The major components are General Obligation Bonds (\$80.3 million), solar loan (\$1.3 million), and accrued vacation and load banking payable (\$0.90 million), OPEB obligation (\$1.1 million), the Energy Projects loan (\$0.08 million), and PERS and STRS pension liability (\$21.9 million).
- Net position is classified into three categories: net investment in capital assets, restricted - expendable, and unrestricted. Net investment in capital assets consist of land, buildings, construction in progress, and equipment less related debt. Restricted - expendable include \$1.9 million designated in the Special Reserve fund to cover accrued vacation liability, load banking, and a self-insurance reserve.

### Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the operating results of the District, as well as the nonoperating revenues and expenses. State general apportionment, while budgeted for operations, is considered nonoperating revenues according to generally accepted accounting principles.

# Mendocino-Lake Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

### Statement of Revenues, Expenses and Changes in Net Position

June 30	2017 (in thousands)	As Restated 2016 (in thousands)
<b>OPERATING REVENUES</b>		
Net tuition and fees	\$ 1,305	\$ 1,244
Grants and contracts - noncapital	7,951	6,588
Auxiliary enterprise sales and charges	49	61
<b>Total Operating Revenues</b>	<b>9,305</b>	<b>7,893</b>
Total operating expenses	33,272	30,007
<b>OPERATING LOSS</b>	<b>(23,967)</b>	<b>(22,114)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments - noncapital	13,434	13,188
Local property taxes	9,457	9,260
State taxes and other revenues	731	2,469
Investment income - noncapital	54	18
Other nonoperating revenues (expenses) - net	683	663
<b>NONOPERATING INCOME</b>	<b>24,359</b>	<b>25,598</b>
<b>Income Before Other Revenues</b>	<b>392</b>	<b>3,484</b>
<b>Other Revenues, Expenses, Gains and Losses</b>		
State apportionments - capital	103	12
Interest expense - capital assets - related debt	(4,255)	(3,495)
Cost of bond issuance	-	(756)
Investment income - capital	7	4
<b>Total Other Revenues, Expenses, Gains or Losses</b>	<b>(4,145)</b>	<b>(4,235)</b>
<b>Change in Net Position</b>	<b>\$ (3,753)</b>	<b>\$ (751)</b>

## **Mendocino-Lake Community College District**

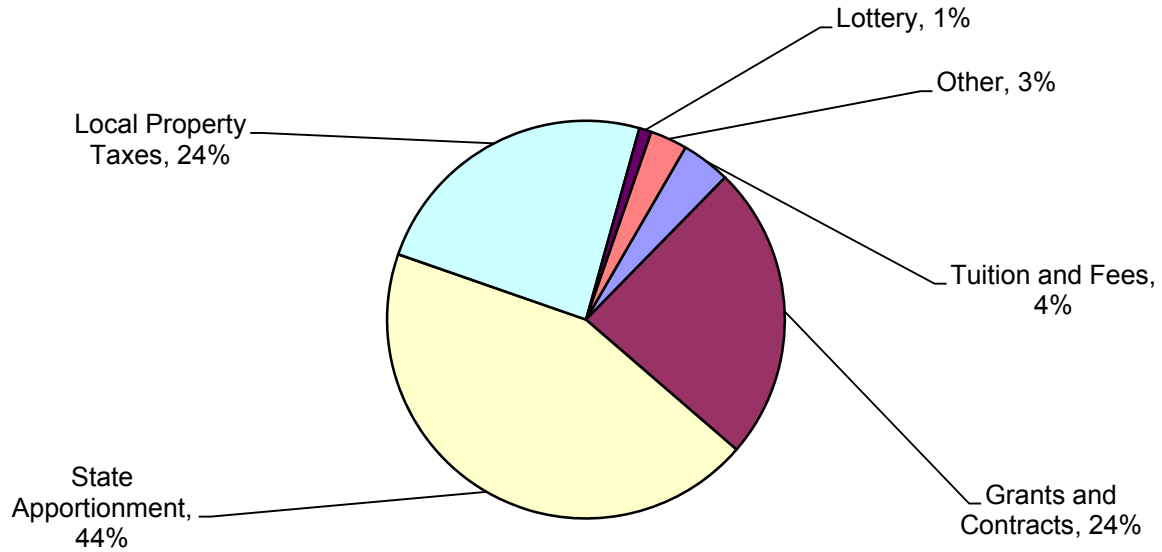
### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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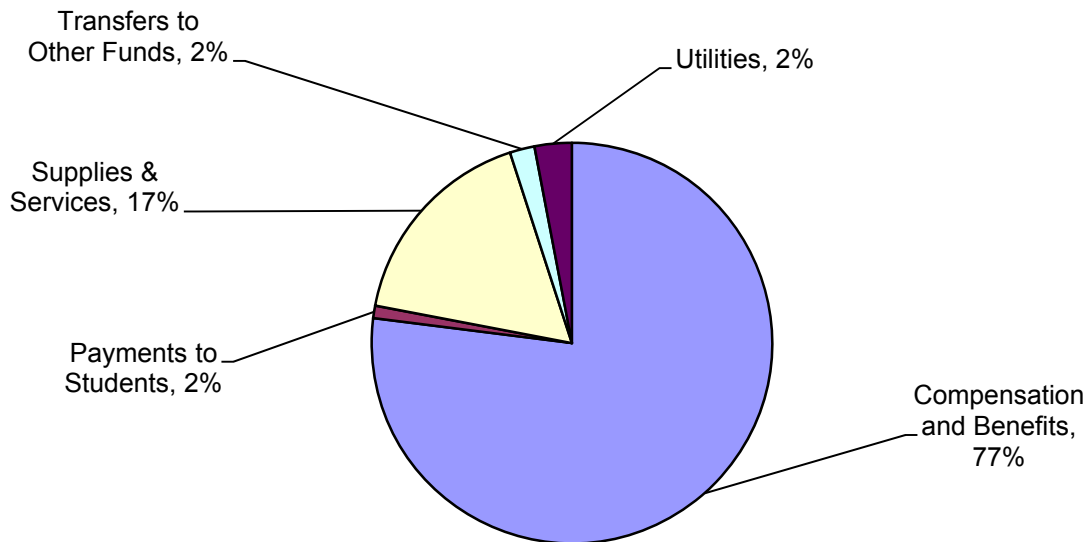
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- Net tuition and fees total \$1.3 million and consist of enrollment fees, non-resident tuition, and all other fees. Enrollment fees are set by the state for all community colleges.
- Grants and contracts, noncapital consists of revenues provided for restricted purposes from federal, state and local sources.
- State apportionments, noncapital revenue consists of general state apportionment and Proposition 30 Education Protection Account funds (\$13.4 million). State apportionment revenue reported is exclusive of regular enrollment fees and property taxes, which are reported separately.
- Local property tax revenues totaled \$6.9 million from those portions of Lake and Mendocino counties that lie within the District boundaries. Increases/decreases in property tax revenue reduce/increase the District's state apportionment revenue.
- State taxes and other revenues consist primarily of state lottery revenue (\$426,000).
- Investment income is derived from interest received on funds on deposit at the Mendocino County Treasury and the Local Agency Investment Fund (LAIF), which is operated by the State of California.
- State apportionments, capital consists primarily of state scheduled maintenance funds.

**General Fund Revenues  
(Restricted and Unrestricted)**



**General Fund Expenses  
(Restricted and Unrestricted)**



# Mendocino-Lake Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

### Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments that occurred during the fiscal year. This statement also helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing, if any.

June 30	2017 (in thousands)	2016 (in thousands)
<b>Net Cash Provided By (Used In):</b>		
Operating activities	\$ (19,369)	\$ (17,553)
Non-capital financing activities	24,742	25,341
Capital and related financing activities	(3,224)	(2,650)
Investing activities	51	16
<b>Net Increase in Cash</b>	<b>2,200</b>	<b>5,154</b>
<b>Cash - Beginning of the Fiscal Year</b>	<b>9,694</b>	<b>4,540</b>
<b>Cash - End of the Fiscal Year</b>	<b>\$ 11,894</b>	<b>\$ 9,694</b>

The primary cash receipts from operating activities consist of grants, contracts, and student fees. The primary cash outlays include payment of wages, benefits, supplies and contracted services.

General apportionment is the primary source of non-capital financing. The two main components of general apportionment are state apportionment and property taxes.

The main capital activities are purchases of capital assets, such as land, buildings, and equipment.

Cash from investing activities includes interest on cash deposits in the Mendocino County Treasury and the Local Agency Investment Fund of the State of California.

### State Economy and Mendocino-Lake Community College Budget

- The economic position of the District is closely tied to that of the state of California. The District receives 57% of its unrestricted general fund revenue funding through state general apportionments and 28% from local property taxes. These two sources, along with enrollment fees, provide 96% of the District's general purpose revenue, the main source of support for California community colleges.
- The Governor's 2017/18 budget for community colleges contained a Cost of Living Adjustment (COLA) of 1.56%.
- The Governor's 2017/18 budget for community colleges is favorable. However, the Governor's 2018/19 budget is still unclear. More information will be released in January 2018 in the Governor's Budget.



# Mendocino-Lake Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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### Financial Challenges Facing the District

#### 1. FUND BALANCES

Our two operating budgets, the General Fund and Health Fund, have experienced a degree of uncertainty in recent years.

- General Fund – The General Fund Unrestricted ending balance increased \$778,757 during 2016/17 to \$5,749,761 or 25.67% of total general fund expenditures.
- Health Fund – The Health Fund ending balance had been generally in decline since 2001/02, despite several lump-sum transfers from other funds which were over and above normal “contributions” from the funds which contain staff salary and benefit costs (General, Child Development, and Bond Funds). A decrease in health costs over the past six years has resulted in a \$1.9 million reserve in the Health Fund.

Fiscal Year	6/30/XX Fund Balance	Transfers In from Other Funds	Transfer Out to General Fund
2000/01	\$48,852		
2001/02	\$282,972	\$440,025	
2002/03	\$171,379		
2003/04	\$13,963		
2004/05	(\$288,703)	\$150,000	
2005/06	(\$466,491)	\$400,000	
2006/07	(\$104,117)	\$200,000	
2007/08	\$54,889	\$150,000	
2008/09	(\$80,289)		
2009/10	\$16,304	\$500,000	
2010/11	\$49,189		
2011/12	\$1,116,042		
2012/13	\$1,557,570		
2013/14	\$1,559,338		\$175,000
2014/15	\$1,307,710		\$400,000
2015/16	\$1,854,703		
2016/17	\$1,900,732		

The condition of the Fund Balance of these two funds must be considered together, because the general fund is the only source of on-going revenues available to backfill Health Fund deficits. Transfers from the Health Fund to the general fund are a one-time source of funds and cannot be sustained over the long term. There were no transfers to or from the General Fund in 2016/17. The 2017/18 adopted budget reflects a reserve of 19.34% without transfers in from other funds. The 2017/18 Health Fund budget includes a transfer out of \$1,151,732 to the Special Reserve Fund to partially fund the GASB 45 OPEB Liability. This leaves the Health Fund with a budgeted reserve of \$750,000.

# **Mendocino-Lake Community College District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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### **2. HEALTH BENEFIT COSTS**

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 \$80,000 specific deductible, in addition to a \$225,000 corridor.

The District experienced favorable health claims in recent years with contributions exceeding expenditures, resulting in an ending fund balance in the health fund of \$1.9 million. For this reason, health benefits are budgeted in 2017/18 at \$1,600 per employee per month, at the same level as the amount budgeted in 2016/17.

### **3. APPORTIONMENT BASE FUNDING**

An out-year exposure created by the "FTES Shift" discussed previously is the need to produce 3,065 FTES in 2018/19. Achieving this workload level will avoid a loss of apportionment revenue in 2018/19. Any level of workload production less than 3,065 FTES will be considered "Decline," and will result in a corresponding loss of apportionment revenue below prior funding levels.

### **4. GASB 45 – RETIREE HEALTH BENEFITS**

The actuarial study required by GASB 45 to project the District's future Retiree Health funding obligations was updated in December 2016 and included an actuarial accrued liability (AAL) of \$4,419,247. The District was required to comply with GASB 45 beginning with the 2008/09 fiscal year. The District has established membership in the Community College League of California (CCLC) GASB 45 Joint Powers Authority (JPA). As of June 30, 2017, the District has not made a deposit to the CCLC GASB 45 (irrevocable) Trust Fund for Retiree Health Benefits.

As of June 30, 2017, the District does have \$1,295,665 reserved for all self-insurance issues in the District's Special Reserve Fund. Any portion of these funds could be deposited in the CCLC GASB 45 Trust Fund in the future.

### **5. PENSIONS**

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 school districts and the state, actuarially determined. At June 30, 2017, the District's portion of PERS and STRS liability was \$21,927,238.

# **Mendocino-Lake Community College District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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### **PURPOSE OF THIS DISCUSSION AND ANALYSIS**

This financial report is designed to provide interested parties with a general overview of the District's finances in GASB 35 format and to demonstrate the District's accountability for the money it receives. If you have questions about this report or desire additional financial information, contact the Vice President of Administrative Services, Mendocino-Lake Community College District at 1000 Hensley Creek Road, Ukiah, California, 95482.

**Mendocino-Lake Community College District**  
STATEMENT OF NET POSITION – DISTRICT

June 30, 2017

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	4,968,483
Restricted cash and cash equivalents		3,297,510
Investments		1,161,807
Accounts receivable		2,941,367
Prepaid expenses		11,244

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**Total Current Assets** 12,380,411

**Noncurrent Assets**

Restricted cash and cash equivalents		3,628,336
Nondepreciable capital assets		7,574,958
Depreciable capital assets - net		82,555,081

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**Total Noncurrent Assets** 93,758,375

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**TOTAL ASSETS** 106,138,786

**Deferred Outflows of Resources**

Deferred loss on refunding		3,436,300
Deferred outflows related to pensions		4,645,542

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**Total Deferred Outflows of Resources** \$ 8,081,842

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

# Mendocino-Lake Community College District

## STATEMENT OF NET POSITION – DISTRICT

(Continued)

June 30, 2017

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### LIABILITIES

#### Current Liabilities

Accounts payable	\$	2,705,288
Advances from grantors and students		2,593,391
Amounts held in trust for others		533,003
Long-term debt - current portion		637,661
Other long-term liabilities - current portion		403,235

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<b>Total Current Liabilities</b>		<b>6,872,578</b>
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#### Noncurrent Liabilities

Net pension liabilities		21,927,238
Long-term debt - noncurrent portion		79,676,180
Other long-term liabilities		3,106,175

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<b>Total Noncurrent Liabilities</b>		<b>104,709,593</b>
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<b>TOTAL LIABILITIES</b>		<b>111,582,171</b>
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#### Deferred Inflows of Resources

Deferred inflows related to pensions		1,433,864
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#### NET POSITION

Net investment in capital assets		16,517,802
Restricted - expendable		5,224,927
Unrestricted		(20,538,136)

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<b>TOTAL NET POSITION</b>	\$	<b>1,204,593</b>
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*The accompanying notes are an integral part of these financial statements.*

# Mendocino-Lake Community College District

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – DISTRICT

Year Ended June 30, 2017

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<b>Operating Revenues</b>	
Tuition and fees	\$ 3,062,266
Less: Scholarship discounts and allowances	1,757,522
<b>Net Tuition and Fees</b>	<b>1,304,744</b>
Grants and contracts - noncapital:	
Federal	1,238,226
State	6,395,343
Local	317,044
Auxiliary enterprise sales and charges	49,532
<b>Total Operating Revenues</b>	<b>9,304,889</b>
<b>Operating Expenses</b>	
Salaries	16,941,163
Employee benefits	7,049,268
Supplies, materials, and other operating expenses and services	5,149,766
Utilities	736,417
Payments to students	485,656
Depreciation	2,909,838
<b>Total Operating Expenses</b>	<b>33,272,108</b>
<b>Operating Loss</b>	<b>(23,967,219)</b>
<b>Nonoperating Revenues (Expenses)</b>	
State apportionments - noncapital	10,345,924
Education protection account revenues - noncapital	3,087,760
Local property taxes - noncapital	9,457,094
State taxes and other state revenues	731,447
Financial aid revenues - federal	5,985,826
Financial aid revenues - state	531,520
Financial aid disbursements	(6,517,346)
Investment income - noncapital	53,606
Other nonoperating revenues - noncapital	683,244
<b>Total Nonoperating Revenues (Expenses)</b>	<b>24,359,075</b>
<b>Income Before Other Revenues and Expenses</b>	<b>\$ 391,856</b>

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

## Mendocino-Lake Community College District

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – DISTRICT

(Continued)

Year Ended June 30, 2017

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<b>Other Revenues, Expenses, Gains, or Losses</b>	
State apportionments - capital	\$ 103,617
Interest expense - capital asset-related debt	(4,255,187)
Investment income - capital	6,800
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>(4,144,770)</b>
<b>Change in Net Position</b>	<b>(3,752,914)</b>
<b>Net Position - Beginning of Year, As Previously Reported</b>	<b>6,562,759</b>
Prior-period adjustment	(1,605,252)
<b>Net Position - Beginning of Year, As Restated</b>	<b>4,957,507</b>
<b>Net Position - End of Year</b>	<b>\$ 1,204,593</b>

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

# Mendocino-Lake Community College District

## STATEMENT OF CASH FLOWS – DISTRICT

Year Ended June 30, 2017

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 796,353
Federal grants and contracts	1,473,943
State grants and contracts	6,581,896
Local grants and contracts	317,044
Payments to/on behalf of employees	(16,925,480)
Payments for benefits	(6,501,585)
Payments for scholarships and grants	(485,656)
Payments to suppliers	(4,070,174)
Payments for utilities	(736,417)
Auxiliary enterprise sales and charges	49,532
Other receipts (payments)	131,091

---

**NET CASH USED IN OPERATING ACTIVITIES** (19,369,453)

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments - noncapital	10,199,327
Education protection account revenues - noncapital	3,087,760
Local property taxes - noncapital	9,457,094
State taxes and other revenues	1,314,175
Other receipts (payments)	683,244

---

**NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES** 24,741,600

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(213,179)
Principal paid on long-term debt	(1,145,279)
Interest paid on long-term debt	(1,969,280)
State apportionments - capital	103,617

---

**NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES** (3,224,121)

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(8,603)
Interest on investments	60,406

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**NET CASH PROVIDED BY INVESTING ACTIVITIES** 51,803

**Net Increase in Cash and Cash Equivalents** 2,199,829

**Cash and Cash Equivalents - Beginning of Year** 9,694,500

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**Cash and Cash Equivalents - End of Year** \$ 11,894,329

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



# Mendocino-Lake Community College District

## STATEMENT OF CASH FLOWS – DISTRICT

(Continued)

Year Ended June 30, 2017

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### RECONCILIATION OF OPERATING LOSS TO NET

#### CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating loss	\$ (23,967,219)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,909,838
Other postemployment benefit obligation	(110,208)
Deferred outflows related to pensions	(2,671,898)
Net pension liabilities	3,819,633
Deferred inflows related to pensions	(600,052)
Changes in:	
Accounts receivable	(399,633)
Prepaid expenses	(11,244)
Accounts payable	1,143,072
Advances from grantors and students	402,908
Amounts held in trust for others	41,695
Compensated absences	73,655

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<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (19,369,453)</b>
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#### COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 4,968,483
Restricted cash and cash equivalents - current	3,297,510
Restricted cash and cash equivalents - noncurrent	3,628,336

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<b>Total Cash and Cash Equivalents</b>	<b>\$ 11,894,329</b>
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*The accompanying notes are an integral part of these financial statements.*

**Mendocino-Lake Community College District**  
STATEMENT OF FINANCIAL POSITION – FOUNDATION

June 30, 2017

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**ASSETS**

Cash and cash equivalents	\$	26,954
Investments		7,630,483
Assets held by others		348,619
Note receivable		350,674
Other assets		14,441
Land		1,298,090
Infrastructure		33,278

---

**TOTAL ASSETS** \$ 9,702,539

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**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$	12,468
Deferred revenue		38,340

---

**Total Liabilities** 50,808

**Net Assets**

Unrestricted net assets		6,628,432
Temporarily restricted net assets		957,674
Permanently restricted net assets		2,065,625

---

**Total Net Assets** 9,651,731

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**TOTAL LIABILITIES AND NET ASSETS** \$ 9,702,539

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

**Mendocino-Lake Community College District**  
STATEMENT OF ACTIVITIES – FOUNDATION

Year Ended June 30, 2017

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**CHANGES IN UNRESTRICTED NET ASSETS**

**Revenues, Gains, and Other Support**

Special events (Gala):

Gross revenue	\$	105,309
Less: Event expenses		45,143

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**Total Special Events** 60,166

Contributions 3,220

Interest and dividends 115,265

Net investment realized and unrealized gains 392,894

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**Total Revenues, Gains, and Other Support** 571,545

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**Net Assets Released From Restriction** 330,116

**Expenses**

Program services:

Scholarships	240,767
Support of District	187,936

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**Total Program Services** 428,703

Supporting services:

Management and general	222,260
Fundraising	195,417

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**Total Supporting Services** 417,677

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**Total Expenses** 846,380

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**Change in Unrestricted Net Assets** \$ 55,281

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

# Mendocino-Lake Community College District

## STATEMENT OF ACTIVITIES – FOUNDATION

(Continued)

Year Ended June 30, 2017

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### CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

#### Revenues and Gains

Contributions	\$	326,681
Interest and dividends		37,849
Net investment realized and unrealized gains		158,607

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<b>Total Revenues and Gains</b>		523,137
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<b>Net Assets Released From Restriction</b>		(330,116)
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<b>Change in Temporarily Restricted Net Assets</b>		193,021
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### CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

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Contributions		373,681
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<b>Change in Net Assets</b>		621,983
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<b>Net Assets - Beginning of Year</b>		9,029,748
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<b>Net Assets - End of Year</b>	\$	9,651,731
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*The accompanying notes are an integral part of these financial statements.*

# Mendocino-Lake Community College District

## STATEMENT OF CASH FLOWS – FOUNDATION

Year Ended June 30, 2017

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### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	621,983
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Reinvested dividends		(153,114)
Realized and unrealized gain on investments		(551,501)
Changes in:		
Other assets		(10,610)
Assets held by others		(9,574)
Accounts payable		7,529
Deferred revenue		13,840

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<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(81,447)</b>
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### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of land		(25,000)
Payments received on note receivable		2,645
Proceeds from sale of investments		8,784,067
Purchase of investments		(8,679,928)

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<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		<b>81,784</b>
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<b>Net Change in Cash</b>		<b>337</b>
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<b>Cash - Beginning of Year</b>		<b>26,617</b>
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<b>Cash - End of Year</b>	<b>\$</b>	<b>26,954</b>
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*The accompanying notes are an integral part of these financial statements.*

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** Mendocino-Lake Community College District (the District) is a community college governed by an elected seven-member Board of Trustees. The District provides educational services in the counties of Mendocino and Lake in the state of California. The District consists of one community college located in Ukiah, California, and centers in Lakeport and Willits.

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by, or dependent on, the District's executive and legislative branches. Control by, or dependence on, the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The District identified the Mendocino College Foundation (the Foundation) as its only potential component unit. The District and the Foundation have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation as a component unit have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Foundation as the component unit that satisfies the GASB:

*Accountability:* The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits, or imposes specific financial burdens, on the District.

*Scope of Public Service:* The Foundation is a nonprofit public benefit corporation incorporated under the laws of the state of California. The Foundation was formed to promote and assist the educational services of the District.

*Discrete Presentation:* For financial presentation purposes, the Foundation's financial activities have been discretely presented with the financial activities of the District.

**Basis of Presentation and Accounting** The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to follow GASB pronouncements and not Financial Accounting Standards Board (FASB) pronouncements after November 30, 1989.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

Exceptions to the accrual basis of accounting are as follows:

In accordance with industry standards provided by the California Community Colleges Chancellor's Office, summer session tuition and fees received before year end are recorded as deferred revenue as of June 30 with the revenue reported in the fiscal year in which the program is predominantly conducted. Summer session expenditures through June 30 are recorded as prepaid expenses.

The financial accounts of the District are recorded and maintained in accordance with the *California Community Colleges Budget and Accounting Manual*.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

**Restricted Cash and Cash Equivalents** Restricted cash and cash equivalents include amounts restricted for the repayment of debt, for use in the acquisition or construction of capital assets, for restricted programs, for any other restricted purpose, or in any funds restricted in purpose per the *California Community Colleges Budget and Accounting Manual*.

**Investments** GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County treasury and investments in the Local Agency Investment Fund (LAIF) are recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pools.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Accounts Receivable** Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Losses on uncollectible accounts receivable are recognized when such losses become known or indicated. No allowance for losses has been reflected at June 30, 2017, as management believes all accounts are fully collectible.

**Prepaid Expenses** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Deposits/Claims Payable** As discussed more fully in note 10, the District is partially self-insured for health benefits provided to employees and retirees. The District uses a third party to administer the health benefits plan. Claims are expensed as incurred. The District deposits funds with the third-party administrator to pay claims, to the extent cumulative payments to the administrator are less than cumulative paid and unpaid claims, payments are recorded as a reduction of claims payable. Alternatively, should cumulative payments to the administrator exceed cumulative paid and unpaid claims, the excess is reported as deposits. Claims payables are included in accounts payable in the statement of net position.

**Capital Assets** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Where historical cost is not available, estimated historical cost is based on replacement cost reduced for inflation. Capitalized equipment includes all items with a unit cost of \$20,000 or more and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for site improvements, and 3 - 10 years for equipment.

**Advances From Grantors and Students** Advances from grantors and students include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period. Advances from grantors and students also include amounts received from grant and contract sponsors that have not yet been earned.

**Amounts Held in Trust for Others** Amounts held in trust for others represent funds held by the District for the associated student trust fund and the scholarship and loan trust fund.

**Compensated Absences** Compensated absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. Compensated absences are included in other long-term liabilities in the statement of net position.



# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires, if the employee is a member of California Public Employees' Retirement System (CalPERS) or California State Teachers' Retirement System (CalSTRS).

**Long-Term Liabilities** Bond premiums are deferred and amortized over the life of the bonds using the straight-line method, which does not differ materially from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. Amortization of bond premium and discount costs was \$109,831 for the year ended June 30, 2017.

**Pension** For purposes of measuring the net pension liability, deferred outflows of resources/deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and California Public Employees' Retirement System (CalPERS) and additions to/deductions from STRP's and CalPERS's fiduciary net position have been determined on the same basis as they are reported by California State Teachers' Retirement System (CalSTRS) and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

**Fair Value Measurements** The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. District pension contributions, subsequent to the measurement date, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions, subsequent to the measurement date, will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between District contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District expected and actual experience are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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The District also has a deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Net Position** The District's net position is classified as follows:

*Net Investment in Capital Assets:* This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted Net Position - Expendable:* Restricted expendable net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

*Unrestricted Net Position:* Unrestricted net position represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

**Classification of Revenues** The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, local property taxes, and investment income. Revenues are classified according to the following criteria:

*Operating Revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as; (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts, and federal appropriations.

*Nonoperating Revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as state appropriations, financial aid, and investment income.

**Scholarship Discounts and Allowances** Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**State Apportionments** Certain current-year apportionments from the state are based on various financial and statistical information of the previous year, as well as state budgets and other factors outside the District's control. In February, subsequent to the year end, the state performs a recalculation based on actual financial and statistical information for the year just completed. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors it can reasonably determine such as local property tax revenue received and reductions in FTES. Any additional corrections determined by the state are recorded in the year computed by the state.

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

**Property Taxes** Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Mendocino and the County of Lake bill and collect the taxes for the District.

**Budget and Budgetary Accounting** By state law, the District's governing board must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

**On-Behalf Payments** GASB Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires that direct on-behalf payments for fringe benefits, and salaries made by one entity to a third-party recipient for the employees of another legally separate entity, be recognized as revenue and expenditures by the employer government. The state of California makes direct on-behalf payments for retirement benefits to CalSTRS and CalPERS on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2017, was \$144,365.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### **Discretely Presented Component Unit – Foundation**

**Organization** The Foundation was founded during the 1984-85 year to strengthen student services by providing student scholarships, enriching instruction and basic skills, as well as enhancing program and staff development. The goal is to promote and develop a mutually beneficial relationship between the College and the community. Because of the education nature of activities, the District has been granted tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code*.

**Basis of Presentation and Accounting** These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes: unrestricted, temporarily restricted, or permanently restricted, as follows:

*Unrestricted Net Assets:* Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets:* Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When the time restriction stipulation ends or when funds are expended for intended purposes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents and are recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

## Mendocino-Lake Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Investments** Investments held in brokerage accounts are reported at fair value based on quoted market prices and investments in property held for sale are reported at fair value based on property appraisals. All realized and unrealized gains or losses are reported in the statement of activities.

**Fair Value Measurements** The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

**Capital Assets** Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized. Property and equipment are recorded at cost on the date of acquisition or fair value at time of donation.

**Assets Held by Others** Assets held by others represent amounts held by the Community College League of California (the League) and Sonoma State University Academic Foundation (SSUAF) for the Foundation. The League facilitated three gift annuities for the Foundation. The amount recorded approximates the net present value of the future benefit to be received by the Foundation. The SSUAF is the trustee for the Halliday Trust which will terminate in 2019. The Foundation is a 50% beneficiary of the trust.

**Endowment Investment and Spending Policy** The Foundation's endowment consists of the Evelyn Foote Fund and gift annuities that will create a perpetual scholarship fund when the Foundation receives the residual of the annuities, sometime in the future. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the state of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Investment Return Objectives, Risk Parameters, and Strategies** The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent annual inflation-protected rate of return, over time, of approximately 8% for the Foundation Trust Fund and 7% for the Evelyn Foote Fund. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy** The Foundation has a policy of appropriating for distribution each year 5% for the Foundation Trust Fund and 4% for the Evelyn Foote Fund. These percentages are applied to each fund's 12-quarter rolling average fair market value. In establishing this policy, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**Contributions** The Foundation recognizes contributions from unconditional promises to give when such promises are made if the amounts can be reasonably determined. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are to be received in future years are discounted at the Foundation's risk-free rate of return.

**Donated Assets** Donated marketable securities and other noncash donations (gift annuities) are recorded as contributions at their estimated fair values at the date of donation.

**Donated Services** Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification (ASC) Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, if the services: (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

During the year, the Foundation received services meeting these criteria from the District in the form of accounting and administrative services as well as use of facilities. The value of these services is not included in the financial statements as management believes the value is not material to the financial statements as a whole. The Foundation did not receive any other services during the year that met the criteria for recognition in these financial statements.

Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with specific program services and fundraising. Although such donated services do not meet the aforementioned criteria for recognition in the financial statements, they are essential to the success of the Foundation's mission and programs.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Income Taxes** The Foundation operates under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code* and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The cash and cash equivalents are displayed on the statement of net position as follows:

June 30, 2017

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### Current

Cash and cash equivalents	\$	4,968,483
Restricted cash and cash equivalents		3,297,510
Investments		1,161,807

### Noncurrent

Restricted cash and cash equivalents		3,628,336
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### Total Cash and Investments

\$ 13,056,136

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### Foundation

Cash and cash equivalents	\$	26,954
Investments		7,630,483

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### Total Cash and Investments

\$ 7,657,437

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# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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The carrying amounts of the District's and Foundation's deposits are summarized as follows:

June 30, 2017

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**District**

Cash in county treasury	\$	9,196,361
Cash on hand and in banks		2,697,968

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<b>Total Deposits</b>	\$	<b>11,894,329</b>
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**Foundation**

Cash in county treasury	\$	26,954
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As provided for by *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Mendocino County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasurer's Pooled Money Investment account's weighted average maturities was less than one year at June 30, 2017.

Copies of the County's audited financial statements can be obtained from the Mendocino County Auditor-Controller's Office, 501 Low Gap Road, Ukiah, California 95482.

The pooled treasury has regulatory oversight from the Mendocino County Treasury Oversight Committee in accordance with *California Government Code* requirements.

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. In addition, \$934,984 of the District bank balances at June 30, 2017, is insured.

### Investments

The District's investment policy is consistent with *California Government Code* as it relates to investment vehicles. The District's investment policy authorizes investing in the following:

- Local Agency Investment Fund (LAIF)  
County Treasurer

- Time Certificates of Deposit further limited to:  
\$100,000 per financial institution

- Financial institutions insured by:  
Federal Savings and Loan Insurance Corporation and/or  
Federal Deposit Insurance Corporation

- Financial institutions that are licensed  
Financial institutions with offices within California

- Other high quality investments as allowed by state law



# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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The Foundation's investment policy specifies the following allowable assets:

Cash Equivalents:

- Treasury Bills
- Money Market Funds
- Commercial Paper
- Bankers' Acceptance
- Repurchase Agreements
- Certificates of Deposits

Fixed Income Securities:

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations

Equity Securities:

- Common Stock
- Convertible Notes and Bonds
- Convertible Preferred Stock
- Stocks of Non U.S. Companies

Mutual Funds:

- Mutual Funds which invest in securities allowed in this policy

REITs (Real Estate Investment Trusts)

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The Foundation's policy limits investments in bonds to those rated BBB (or equivalent) or better, and commercial paper investments to those with A1 (or equivalent) or better ratings. Both of these limits can be overridden by approval of the Foundation's Finance Committee. Money market funds selected shall contain securities whose credit ratings at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

The District's and Foundation's investments are as follows:

June 30, 2017

<b>District</b>	
Investment in LAIF	\$ 1,161,807
<b>Foundation</b>	
Money market funds	\$ 293,756
Fixed income	1,089,001
Equities	5,311,673
Exchange traded funds	612,155
Other assets	323,898
<b>Total Investments</b>	<b>\$ 7,630,483</b>

The District invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the LAIF, a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house investment committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the District's position in the pool is materially equivalent to the value of pool shares.

In accordance with authorized investment laws, the LAIF invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2017, 2.89% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities. Copies can be obtained from the Local Agency Investment Fund, P.O. Box 942809, Sacramento, California 94209. PMIA's weighted average maturities was 251 days at June 30, 2017.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. *California Government Code*, Section 53601, limits the District's investments to maturities of five years.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally recognized organizations. The District's investment policy addresses credit risk by limiting investment types as noted above to investments authorized by *California Government Code*. The District's investment in the County investment pool and LAIF funds are unrated.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### Concentration of Credit Risk

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District's investment policy allows investments in a single issuer greater than 5%. However, the District complies with *California Government Codes* related to the concentration of investments and there are no investments with any one issuer greater than 5% of total investments.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer), the District will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party.

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, 2017, the LAIF value of \$1,161,807 and the County treasurer's pool value of \$9,196,361 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).

## 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2017

Tuition and fees	\$	678,491
Federal grants and contracts		371,848
State grants and contracts		571,359
State apportionment		452,518
State taxes and other revenue		867,151
<b>Total</b>	<b>\$</b>	<b>2,941,367</b>

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 4. CAPITAL ASSETS

Capital assets activity is summarized as follows:

	Balance June 30, 2016	Additions	Deductions	Transfers	Balance June 30, 2017
<b>Nondepreciable Capital Assets</b>					
Land	\$ 7,545,440	\$ -	\$ -	-	\$ 7,545,440
Construction in Progress	-	29,518	-	-	29,518
<b>Total Nondepreciable Capital Assets</b>	<b>7,545,440</b>	<b>29,518</b>	<b>-</b>	<b>-</b>	<b>7,574,958</b>
<b>Depreciable Capital Assets</b>					
Buildings and improvements	112,990,898	60,680	-	-	113,051,578
Equipment	6,407,071	157,617	-	-	6,564,688
<b>Total Depreciable Capital Assets</b>	<b>119,397,969</b>	<b>218,297</b>	<b>-</b>	<b>-</b>	<b>119,616,266</b>
Less: Accumulated depreciation	34,151,347	2,909,838	-	-	37,061,185
<b>Total Capital Assets - Net</b>	<b>\$ 85,246,622</b>	<b>\$ (2,691,541)</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 82,555,081</b>

### Foundation

As of June 30, 2017, the Foundation owns approximately 423 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 total 423 acres of real property is \$1,298,090 and is recorded in capital assets at original cost or value at the original date of donation. The 423 acres will be retained for the future growth of the college. In addition, a road has been built on the retained property at a cost of \$33,278 that has been capitalized as infrastructure.

### 5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2017	
Accrued payroll and related liabilities	\$ 448,005
Accrued interest	797,622
Construction projects	74,820
Vendor and other payables	1,384,841
<b>Total</b>	<b>\$ 2,705,288</b>

**Mendocino-Lake Community College District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**6. ADVANCES FROM GRANTORS AND STUDENTS**

Advances from grantors and students consisted of the following:

June 30, 2017

Tuition and fees	\$	299,306
Trust account		150,133
State grants and contracts		1,961,092
Other		182,860
<b>Total</b>	<b>\$</b>	<b>2,593,391</b>

**7. LONG-TERM LIABILITIES**

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
<b>Long-Term Debt</b>					
General Obligation Bonds - Series A	\$ 1,150,000	\$ -	\$ 525,000	\$ 625,000	\$ 625,000
General Obligation Bonds - Series B	24,867,509	941,312	65,425	25,743,396	12,661
2016 Refunding Bonds	52,879,321	1,348,785	282,661	53,945,445	-
<b>Total Long-Term Debt</b>	<b>\$ 78,896,830</b>	<b>\$ 2,290,097</b>	<b>\$ 873,086</b>	<b>\$ 80,313,841</b>	<b>\$ 637,661</b>
<b>Other Long-Term Liabilities</b>					
Solar loan	\$ 1,596,103	\$ -	\$ 285,250	\$ 1,310,853	\$ 314,525
Compensated absences	901,048	73,655	-	974,703	-
Other postemployment benefit obligation	1,245,352		110,208	1,135,144	-
Net pension liabilities	18,107,605	3,819,633	-	21,927,238	-
Energy projects loan	185,484	-	96,774	88,710	88,710
<b>Total Other Long-Term Liabilities</b>	<b>\$ 22,035,592</b>	<b>\$ 3,893,288</b>	<b>\$ 492,232</b>	<b>\$ 25,436,648</b>	<b>\$ 403,235</b>
<b>Net Pension Liabilities</b>	<b>\$ 100,932,422</b>	<b>\$ 6,183,385</b>	<b>\$ 1,365,318</b>	<b>\$ 105,750,489</b>	<b>\$ 1,040,896</b>

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Long-term liabilities consisted of the following obligations:

June 30, 2017

### GENERAL OBLIGATION BONDS

2007 General Obligation Bond, Series A, issued in the original amount of \$30,000,000. Final maturity in 2031. Interest rates range from 4.00% to 5.00%.	\$ 625,000
2011 General Obligation Bond, Series B, issued in the original amount of \$37,499,792, including current interest bonds and capital appreciation bonds. Final maturity in 2051. Interest rates range from 2.00% to 11.750%.	25,155,313
2015 Refunding Bond, issued in the original amount of \$48,627,448, including current interest bonds and capital appreciation bonds. Final maturity in 2051. Interest rates range from 8.00% to 16.00%.	50,771,817
<b>Subtotal</b>	<b>76,552,130</b>
Premium on 2011 General Obligation Bonds - Series B	588,083
Premium on 2015 Refunding Bond	3,173,628
<b>GENERAL OBLIGATION BONDS - NET</b>	<b>80,313,841</b>
Less: Current portion	637,661
<b>Total Long-Term Debt - Noncurrent Portion</b>	<b>\$ 79,676,180</b>

The annual debt service requirements to maturity on the long-term debt issues are as follows:

Years Ending June 30	Principal	Interest	Bonds Total	Bond Premium	Total
2018	\$ 637,661	\$ 1,886,330	\$ 2,523,991	\$ 109,831	\$ 2,633,822
2019	705,181	1,899,985	2,605,166	109,831	2,714,997
2020	932,092	1,826,874	2,758,966	109,831	2,868,797
2021	1,004,893	1,923,199	2,928,092	109,831	3,037,923
2022	1,142,081	2,160,235	3,302,316	109,831	3,412,147
2023-2027	7,754,448	11,107,308	18,861,756	549,155	19,410,911
2028-2032	13,734,542	10,904,911	24,639,453	549,155	25,188,608
2033-2037	5,910,839	20,293,092	26,203,931	549,155	26,753,086
2038-2042	20,020,560	18,592,156	38,612,716	549,155	39,161,871
2043-2047	11,549,409	38,206,436	49,755,845	549,155	50,305,000
2048-2052	9,121,510	59,634,961	68,756,471	466,781	69,223,252
<b>Total</b>	<b>\$ 72,513,216</b>	<b>\$ 168,435,487</b>	<b>\$ 240,948,703</b>	<b>\$ 3,761,711</b>	<b>244,710,414</b>
Current interest (excluding accretion of \$4,038,914)					(164,396,573)
<b>Net Principal</b>					<b>\$ 80,313,841</b>

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### Accretion

General obligation bonds as of June 30, 2017, have been increased by \$4,038,914 to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

### 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. At June 30, 2017, \$51M of defeased bonds remain outstanding.

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.

### Solar Loan

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

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	\$	1,310,853
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The annual debt service requirements to maturity on the solar loan obligation are as follows:

Years Ending June 30	Principal	Interest	Total
2018	\$ 314,525	\$ 58,715	\$ 373,240
2019	345,889	42,214	388,103
2020	379,473	24,088	403,561
2021	270,966	5,126	276,092
<b>Total</b>	<b>\$ 1,310,853</b>	<b>\$ 130,143</b>	<b>\$ 1,440,996</b>

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### Energy Projects Loan Obligation

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2013 loan issued in the original amount of \$500,000. Final maturity in 2018.  
The loan is noninterest bearing.

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	\$	88,710
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# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The annual debt service requirement to maturity on the loan obligation is as follows:

Year Ending June 30

2018	\$	88,710
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### 8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

#### Summary

Net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2017	Net Pension Liability	Deferred Outflows Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 12,940,960	\$ 2,054,486	\$ 949,506	\$ 211,140
CalPERS School Employer Pool	8,986,278	2,591,056	484,358	336,543
<b>Total</b>	<b>\$ 21,927,238</b>	<b>\$ 4,645,542</b>	<b>\$ 1,433,864</b>	<b>\$ 547,683</b>

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of revenues, expenses, and changes in net position.

#### California State Teachers' Retirement System

**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](http://www.calstrs.com).



# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Benefits Provided** STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** CalSTRS 2% at 60 members are eligible for normal retirement at age 60 with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirement after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.
- **CalSTRS 2% at 62** CalSTRS 2% at 62 members are eligible for normal retirement at age 62 with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

**Contributions** Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 9.205% of their salary. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 8.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal years ended June 30, 2017, were \$1,025,686.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2017, 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:

June 30, 2017

District's proportionate share of the net pension liability	\$	12,940,960
State's proportionate share of the net pension liability associated with the District		4,694,980
<b>Total</b>	<b>\$</b>	<b>17,635,940</b>

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 employers and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.016%.

For the year ended June 30, 2017, the District recognized pension expense of \$144,365 and revenue of \$144,365 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows Resources</b>
Difference between expected and actual experience	\$ -	\$ 315,760
Net difference between projected and actual earnings on pension plan investments	1,028,800	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	633,746
District contributions subsequent to the measurement date	1,025,686	-
<b>Total</b>	<b>\$ 2,054,486</b>	<b>\$ 949,506</b>

The \$1,025,686 reported as 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 year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2018	\$ (140,781)
2019	(140,781)
2020	434,741
2021	222,619
2022	(163,251)
2023	(133,253)
<b>Total</b>	<b>\$ 79,294</b>

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**Actuarial Assumptions** The total pension liability in the June 30, 2015, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.60%
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS' consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return, and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
<b>Total</b>	<b>100%</b>	

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.60%. 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 (7.60%) 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 7.60%, 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 (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
June 30, 2017			
District's proportionate share of the net pension liability	\$ 18,624,960	\$ 12,940,960	\$ 8,220,160

**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).

### California Public Employees' Retirement System

**Plan Description** Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits Provided** The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions** Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employee's Pension Reform Act are required to contribute 6.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2016-17 fiscal year was 13.888%. The District's contributions to CalPERS for the fiscal year ended June 30, 2017, was \$810,178.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** At June 30, 2017, the District reported a net pension liability of \$8,986,278 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.0455%.

For the year ended June 30, 2017, the District recognized pension expense of \$336,543. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows Resources</b>
Difference between expected and actual experience	\$ 386,496	\$ -
Net difference between projected and actual earnings on pension plan investments	1,394,382	-
Change in assumptions	-	269,984
Changes in proportion and differences between District contributions and proportionate share of contributions	-	214,374
District contributions subsequent to the measurement date	810,178	-
<b>Total</b>	<b>\$ 2,591,056</b>	<b>\$ 484,358</b>

The \$810,178 reported as 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 year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2018	\$ 126,045
2019	136,423
2020	670,130
2021	363,922
<b>Total</b>	<b>\$ 1,296,520</b>

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Actuarial Assumptions** The total pension liability in the June 30, 2015, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

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Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

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CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries, Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

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. In determining the long-term expected rate of return, CalPERS staff 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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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. 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.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Rate of Return	
		Years 1 - 10	Years 11+
Global equity	51%	5.25%	5.71%
Global debt securities	20%	0.99%	2.43%
Inflation assets	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
<b>Total</b>	<b>100%</b>		

**Discount Rate** The discount rates used to measure the total pension liability was 7.65%. 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 7.65%, 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 (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
June 30, 2017			
District's proportionate share of the net pension liability	\$ 13,407,577	\$ 8,986,278	\$ 5,304,677

**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

(Continued)

### 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.

### 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, 2015	\$ (188,621)	\$ (2,142,629)	\$ 2,063,604	\$ (267,646)
June 30, 2016	\$ (267,646)	\$ (2,318,929)	\$ 2,194,106	\$ (392,469)
June 30, 2017	\$ (392,469)	\$ (2,559,947)	\$ 2,403,393	\$ (549,023)



# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 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.

### 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 (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consisted of 30 retirees receiving benefits and 153 active plan members.

#### 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, 2017, the District contributed \$426,710 to the Plan.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### Annual OPEB Cost and Net OPEB Obligation

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

The actuarial accrued liability for benefits was \$3,981,397, resulting in an unfunded actuarial accrued liability of \$4,419,247. The covered payroll (annual payroll of active employees covered by the plan) was \$11,315,722, and the ratio of the overfunded actuarial accrued liability to the covered payroll was 39.05%.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

June 30, 2017

Annual required contribution	\$	348,486
Interest on net OPEB obligation		56,041
Adjustment to annual required contribution		(88,025)
<b>Annual OPEB Cost</b>		<b>316,502</b>
Contributions made		(426,710)
<b>Decrease in Net OPEB Obligation</b>		<b>(110,208)</b>
<b>Net OPEB Obligation - Beginning of Year</b>		<b>1,245,352</b>
<b>Net OPEB Obligation - End of Year</b>	\$	<b>1,135,144</b>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015, were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2015	\$ 589,584	\$ 270,741	45.92%	\$ 981,242
June 30, 2016	\$ 584,575	\$ 320,465	54.82%	\$ 1,245,352
June 30, 2017	\$ 316,502	\$ 426,710	134.82%	\$ 1,135,144

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

In the September 1, 2016, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 4.50% discount rate based on the assumption that a substantial portion of the ARC is funded. A 2.75% price inflation and a 2.75% wage inflation assumption was used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

### 12. COMMITMENTS

The District has no outstanding construction commitments.

### 13. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The District's management has not yet determined the impact that implementation of these standards, which was required on July 1, 2017, will have on the District's financial statements, if any.

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses timing of the measurement of pension or OPEB liabilities and expenditures recognized, recognizing on-behalf payments for pensions of OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

### 14. TEMPORARILY RESTRICTED NET ASSETS - FOUNDATION

Temporarily restricted net assets consisted of the following:

June 30, 2017	
Adopt a Fifth Grader	\$ 288,136
Koeninger Fund	20,000
Nursing Scholarship Fund	15,000
Bistrin Scholarship	26,073
Yvonne Sligh Book Award	-
Foundation Affiliate Organizations	99,050
Mary Oosting Fine Arts Scholarship	25,000
Various Scholarships	18,960
Halliday Perpetual Scholarship	46,069
Evelyn Foote Trust	403,811
Salmen Family Scholarship	8,670
Boger	4,051
Coast Center	2,854
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 957,674</b>

# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 15. PERMANENTLY RESTRICTED NET ASSETS – FOUNDATION

Permanently restricted net assets consisted of the following:

June 30, 2017

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Evelyn Foote Trust	\$	803,542
Gift Annuity		165,434
Hulda and Alfred Weger Scholarship		25,000
Salmen Family Scholarship		34,500
Albert Beltrami Perpetual Intership Schlarship		50,000
Les Gregg Family Scholarship		25,000
Joe and Dorothy Halliday Scholarship		174,500
Joe and Dorothy Halliday Scholarship #2		183,185
Fetzer Nursing Scholarship		50,000
Wallace Meek Perez Scholarship		26,600
John Bogner Fine Arts Scholarship		37,754
Robert and Maryls Blanc Scholarship		25,000
Laure Korbin Scholarship		101,000
Coast Center		206,550
Coast Center Perpetual Scholarship		27,233
Siveria-Cleary Family Scholarship		25,000
Mendocino College Coast Center Art and Science Scholarships		25,000
Natalie McCoy Scholarships		5,000
Tom Goforth Perpetual Scholarship		37,827
Jeff Banks Perpetual Scholarship		37,500
<b>Total Permanently Restricted Net Assets</b>	<b>\$</b>	<b>2,065,625</b>

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# Mendocino-Lake Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Endowment net asset composition by type of fund is as follows:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Foundation Trust Fund	\$ 4,906,769	\$ 143,373	\$ 13,675	\$ 5,063,817
Evelyn Foote Fund	-	403,810	803,542	1,207,352
Halliday Fund	-	46,069	174,500	220,569
Halliday Fund #2	-	-	183,185	183,185
Salmen Fund	-	8,671	34,500	43,171
Perpetual Fund	-	60,712	446,485	507,197
AAFG Fund	49,034	288,136	-	337,170
Bogner Fund	-	4,050	37,754	41,804
Coast Center Fund	-	2,853	206,550	209,403
Gift Annuity Fund	-	-	165,434	165,434
<b>Total Endowment at June 30, 2017</b>	<b>\$ 4,955,803</b>	<b>\$ 957,674</b>	<b>\$ 2,065,625</b>	<b>\$ 7,979,102</b>
<b>Endowment Net Assets - Beginning of Year</b>	<b>\$ 4,912,342</b>	<b>\$ 764,653</b>	<b>\$ 1,691,944</b>	<b>\$ 7,368,939</b>
Contributions	3,220	326,681	373,681	703,582
Interest and dividends	115,265	37,849	-	153,114
Net realized and unrealized gains	392,894	158,607	-	551,501
Amounts appropriated for expenditures	(467,918)	(330,116)	-	(798,034)
<b>Endowment Net Assets - End of Year</b>	<b>\$ 4,955,803</b>	<b>\$ 957,674</b>	<b>\$ 2,065,625</b>	<b>\$ 7,979,102</b>

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, 2017.

### 16. 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, 2017.

*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.

*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.

## Mendocino-Lake Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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:

June 30, 2017	Fair Value	Level 1	Level 2	Level 3
Money market deposit	\$ 293,756	\$ 293,756	\$ -	\$ -
U. S. treasuries	148,765	-	148,765	-
Corporate bond	428,454	-	428,454	-
Municipal bond	511,782	-	511,782	-
Equity securities	5,311,673	5,311,673	-	-
Exchange traded funds:				
Equities	612,155	612,155	-	-
Other	323,898	323,898	-	-
<b>Total</b>	<b>\$ 7,630,483</b>	<b>\$ 6,541,482</b>	<b>\$ 1,089,001</b>	<b>\$ -</b>

#### 17. PRIOR-PERIOD ADJUSTMENTS

Net position in the statement of net position as of July 1, 2016, decreased by \$1,605,252 as a result of an understatement of net pension liability as of June 30, 2016. This adjustment has no effect on revenue or expenses during the 2016-17 fiscal year, but increased expenses in the statement of activities by \$738,310 during the 2015-16 fiscal year and by \$866,942 during the 2014-15 fiscal year, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**



# Mendocino-Lake Community College District

## SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Dates	January 1, 2011	September 1, 2013	September 1, 2016
Actuarial accrued liability (AAL)	\$ 6,236,312	\$ 6,342,577	\$ 3,981,397
Actuarial value of plan assets	-	-	(437,850)
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ 6,236,312</b>	<b>\$ 6,342,577</b>	<b>\$ 4,419,247</b>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%	11.00%
Covered payroll (active members)	\$ 10,218,222	\$ 9,992,370	\$ 11,315,722
UAAL as a percentage of covered payroll	61.03%	63.47%	39.05%

See the accompanying notes to the required supplementary information.

## Mendocino-Lake Community College District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2017	2016	2015
District's proportion of the net pension liability (asset)	0.016%	0.017%	0.017%
District's proportionate share of the net pension liability (asset)	\$ 12,940,960	\$ 10,221,995	\$ 9,237,911
State's proportionate share of the net pension liability (asset) associated with the District	4,694,980	3,959,197	3,740,260
<b>Total</b>	<b>\$ 17,635,940</b>	<b>\$ 14,181,192</b>	<b>\$ 12,978,171</b>
District's covered-employee payroll	\$ 6,003,471	\$ 5,596,892	\$ 5,286,430
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	215.56%	182.64%	174.75%
Plan fiduciary net position as a percentage of the total pension liability	70.00%	74.00%	77.00%

*See the accompanying notes to the required supplementary information.*

## Mendocino-Lake Community College District

### SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2017		2016		2015	
Contractually required contribution	\$	1,025,686	\$	944,450	\$	705,105
Contributions in relation to the contractually required contribution		(1,025,686)		(944,450)		(705,105)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	6,003,471	\$	5,596,892	\$	5,286,430
Contributions as a percentage of covered-employee payroll		17.08%		16.87%		13.34%

*See the accompanying notes to the required supplementary information.*

**Mendocino-Lake Community College District****SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

<b>Years Ended June 30</b>	<b>2017</b>		<b>2016</b>		<b>2015</b>	
District's proportion of the net pension liability (asset)		0.0455%		0.0452%		0.0476%
District's proportionate share of the net pension liability (asset)	\$	8,986,278	\$	6,280,358	\$	5,361,828
District's covered-employee payroll	\$	5,312,256	\$	5,098,436	\$	4,695,673
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		169.16%		123.18%		114.19%
Plan fiduciary net position as a percentage of the total pension liability		73.90%		79.40%		83.50%

*See the accompanying notes to the required supplementary information.*

# Mendocino-Lake Community College District

## SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

Years Ended June 30	2017		2016		2015	
Contractually required contribution	\$	810,178	\$	648,421	\$	591,245
Contributions in relation to the contractually required contribution		(810,178)		(648,421)		(591,245)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	5,312,256	\$	5,098,436	\$	4,695,673
Contributions as a percentage of covered-employee payroll		15.25%		12.72%		12.59%

See the accompanying notes to the required supplementary information.

**1. SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**

This schedule provides trend information for the other postemployment benefits plan of the District, displaying actuarial accrued liability, actuarial value of plan assets, and covered payroll for the most recent valuation study and the preceding two studies.

**2. CHANGES OF BENEFIT TERMS**

**California State Teachers' Retirement System**

There were no significant changes of benefit terms during the measurement period ended June 30, 2016.

**California Public Employees' Retirement System**

There were no significant changes of benefit terms during the measurement period ended June 30, 2016.

**3. CHANGES OF ASSUMPTIONS**

**California State Teachers' Retirement System**

There were no changes in major assumptions during the measurement period ended June 30, 2016.

**California Public Employees' Retirement System**

There were no changes in major assumptions during the measurement period ended June 30, 2016.

**OTHER SUPPLEMENTARY INFORMATION SECTION**

# Mendocino-Lake Community College District

## ORGANIZATION STRUCTURE

June 30, 2017

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### GOVERNING BOARD

<b>Name</b>	<b>Office</b>	<b>Area</b>	<b>Term Expires</b>
Mr. John Tomkins	Member	Lakeport	December 2018
Dr. Ed Haynes	Member	Ukiah	December 2018
Mr. Jason Pinoli	Clerk	Hopland	December 2018
Ms. Janet Chaniot	Member	Potter Valley	December 2018
Ms. Marie Myers	Vice President	Redwood Valley	December 2020
Mr. Dave Geck	President	Kelseyville	December 2020
Mr. Paul Ubelhart	Member	Willits	December 2020

### DISTRICT ADMINISTRATION

Mr. Arturo Reyes  
Superintendent/President

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

Ms. Debra Polak  
Interim Vice President, Education and Student Services



# Mendocino-Lake Community College District

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

June 30, 2017

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The full-time equivalent resident students (FTES) eligible for 2016-17 state apportionment reported to the State of California are summarized below:

	<b>Reported Data</b>
<hr/>	
<b>Summer Intersession (Summer 2016 Only)</b>	
Noncredit	5.08
Credit	304.27
<b>Summer Intersession (Summer 2017 - Prior to July 1, 2017)</b>	
Noncredit	0.59
Credit	268.08
<b>Primary Terms (Exclusive of Summer Intersession)</b>	
Census Procedure Courses:	
Weekly Census Contact Hours	1,606.15
Daily Census Contact Hours	129.08
Actual Hours of Attendance Procedure Courses:	
Noncredit	76.05
Credit	125.87
Alternative Attendance Accounting Procedure:	
Weekly Census Contact Hours	421.60
Daily Census Contact Hours	128.26
Noncredit Independent Study/Distance Education Courses	-
<hr/>	
<b>Total FTES</b>	<b>3,065.03</b>
<hr/>	
<b>Total Credit FTES</b>	<b>2,983.31</b>
<b>Total Noncredit FTES</b>	<b>81.72</b>
<hr/>	
<b>SUPPLEMENTARY INFORMATION (Subset of Above Information)</b>	
IN-SERVICE TRAINING COURSES (FTES)	-
<b>Basic Skills Courses And Immigrant Education</b>	
Noncredit	65.96
Credit	186.84
<b>CDCP Noncredit FTES</b>	<b>39.60</b>
<b>Centers FTES</b>	
Noncredit	12.06
Credit	1,307.25
<hr/>	

*See the accompanying notes to the supplementary information.*

**Mendocino-Lake Community College District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Assistance Cluster</b>			
Federal Supplemental Educational Opportunity Grants		84.007	\$ 73,100
Federal Direct Student Loans		84.268	1,100,153
Federal Work-Study Program		84.033	71,849
Federal Pell Grant Program		84.063	4,798,641
<b>Total Student Financial Assistance Cluster</b>			<b>6,043,743</b>
<b>Passed Through State Department of Education</b>			
Vocational Education - Basic Grants to States	13-112-140	84.048	185,389
Migrant Education College Assistance Program		84.149A	353,572
Migrant Education High School Equivalency Program		84.141	375,467
Hispanic Serving Institution Program		84.031s	86,118
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>7,044,289</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Eisenhower Transportation Fellowship Program		20.215	15,000
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through State Department of Education</b>			
Child and Adult Care Food Program	04391-CACFP-23-CC-IC	10.558	38,665
Forest Reserve	1500339A	10.665	16,272
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>54,937</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
<b>Passed Through State Department of Education</b>			
AmeriCorps	95550001	94.006	21,162
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	84,406
<b>NATIONAL SCIENCE FOUNDATION</b>			
Biological Sciences		47.074	1,786
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			
Promotion of the Humanities - Public Programs		45.164	2,472
<b>Total Expenditures of Federal Awards</b>			<b>\$ 7,224,052</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2017

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Disabled Student Programs and Services	\$ 361,635	\$ -	\$ -	\$ 361,635
Extended Opportunity Programs and Services	511,745	-	-	511,745
Child Development Center	355,833	103	-	355,936
RN Capacity Grant	173,144	15,056	-	188,200
CalGrant	405,312	14,608	-	419,920
SFAA	178,523	-	-	178,523
Full Time Student Success Grant	141,276	-	(29,676)	111,600
CalWORKS	207,713	-	-	207,713
MESA	30,300	32,606	-	62,906
Foster Parent	40,275	36,255	-	76,530
Cooperative Agency Resource Education	70,760	-	-	70,760
Staff Diversity	103,287	-	-	103,287
CTE	50,000	-	(46,850)	3,150
TANF	41,425	-	-	41,425
Basic Skills	90,000	-	-	90,000
Instructional Equipment Block Grant	216,927	-	(45,747)	171,180
Student Equity	809,556	-	(259,672)	549,884
Student Success and Support Program	784,859	-	107,254	892,113
Prop 39 - Clean Energy Workforce Grant	310,037	446,762	-	756,799
Prop 39 - Energy Project	92,862	-	10,755	103,617
AEBG	2,280,246	-	(1,023,909)	1,256,337
Scheduled Maintenance	237,864	-	(64,192)	173,672
Strong Workforce	293,167	15,902	(239,851)	69,218
All other aid programs	114,944	9,953	(1,767)	123,130
<b>Total State Programs</b>	<b>\$ 7,901,690</b>	<b>\$ 571,245</b>	<b>\$ (1,593,655)</b>	<b>\$ 6,879,280</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2017

	General Unrestricted Fund	General Restricted Fund	Bond Debt Service Fund	Balance Forward
<b>June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 5,749,761	\$ 231,661	\$ -	\$ 5,981,422
Adjustment and reclassifications increasing (decreasing) the fund balance:				
Adjustment to record debt Service Fund for financial statement purposes	-	-	1,727,884	1,727,884
Adjustment to remove amounts held for others	-	-	-	-
Rounding	-	-	-	-
<b>Net Adjustments and Reclassifications</b>	-	-	1,727,884	1,727,884
<b>June 30, 2017 - District Accounting Records Fund Balance</b>	\$ 5,749,761	\$ 231,661	\$ 1,727,884	\$ 7,709,306

	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
<b>June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 5,981,422	\$ -	\$ 1,019,216	\$ -	\$ 7,000,638
Adjustment and reclassifications increasing (decreasing) the fund balance:					
Adjustment to record debt Service Fund for financial statement purposes	1,727,884	-	-	-	1,727,884
Adjustment to remove amounts held for others	-	-	-	-	-
Rounding	-	-	1	-	1
<b>Net Adjustments and Reclassifications</b>	1,727,884	-	1	-	1,727,885
<b>June 30, 2017 - District Accounting Records Fund Balance</b>	\$ 7,709,306	\$ -	\$ 1,019,217	\$ -	\$ 8,728,523

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2017

(Continued)

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Self- Insurance Fund	Balance Forward
<b>June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 7,000,638	\$ 131,651	\$ 26,887	\$ 3,196,397	\$ 10,355,573
Adjustment and reclassifications increasing (decreasing) the fund balance:					
Adjustment to record debt Service Fund for financial statement purposes	1,727,884	-	-	-	1,727,884
Adjustment to remove amounts held for others	-	(131,651)	(26,887)	-	(158,538)
Rounding	1	-	-	-	1
<b>Net Adjustments and Reclassifications</b>	<b>1,727,885</b>	<b>(131,651)</b>	<b>(26,887)</b>	<b>-</b>	<b>1,569,347</b>
<b>June 30, 2017 - District Accounting Records Fund Balance</b>	\$ 8,728,523	\$ -	\$ -	\$ 3,196,397	\$ 11,924,920

	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
<b>June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 10,355,573	\$ 347,403	\$ -	\$ 27,061	\$ 10,730,037
Adjustment and reclassifications increasing (decreasing) the fund balance:					
Adjustment to record debt Service Fund for financial statement purposes	1,727,884	-	-	-	1,727,884
Adjustment to remove amounts held for others	(158,538)	(347,403)	-	(27,062)	(533,003)
Rounding	1	-	-	1	2
<b>Net Adjustments and Reclassifications</b>	<b>1,569,347</b>	<b>(347,403)</b>	<b>-</b>	<b>(27,061)</b>	<b>1,194,883</b>
<b>June 30, 2017 - District Accounting Records Fund Balance</b>	\$ 11,924,920	\$ -	\$ -	\$ -	\$ 11,924,920

See the accompanying notes to the supplementary information.

**Mendocino-Lake Community College District**  
**RECONCILIATION OF 50% LAW CALCULATION**  
 June 30, 2017

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>ACADEMIC SALARIES</b>							
<b>Instructional Salaries</b>							
Contract or regular	1100	\$ 3,728,992	\$ -	\$ 3,728,992	\$ 3,772,891	\$ -	\$ 3,772,891
Other	1300	3,974,854	-	3,974,854	3,992,685	-	3,992,685
<b>Total Instructional Salaries</b>		<b>7,703,846</b>	<b>-</b>	<b>7,703,846</b>	<b>7,765,576</b>	<b>-</b>	<b>7,765,576</b>
<b>Non-Instructional Salaries</b>							
Contract or regular	1200	-	-	-	1,239,117	-	1,239,117
Other	1400	-	-	-	145,061	-	145,061
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,384,178</b>	<b>-</b>	<b>1,384,178</b>
<b>TOTAL ACADEMIC SALARIES</b>		<b>7,703,846</b>	<b>-</b>	<b>7,703,846</b>	<b>9,149,754</b>	<b>-</b>	<b>9,149,754</b>
<b>CLASSIFIED SALARIES</b>							
<b>Non-Instructional Salaries</b>							
Regular status	2100	-	-	-	3,253,843	-	3,253,843
Other	2300	-	-	-	439,398	-	439,398
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,693,241</b>	<b>-</b>	<b>3,693,241</b>
<b>Instructional Aides</b>							
Regular status	2200	405,191	-	405,191	523,300	-	523,300
Other	2400	22,955	-	22,955	24,458	-	24,458
<b>Total Instructional Aides</b>		<b>428,146</b>	<b>-</b>	<b>428,146</b>	<b>547,758</b>	<b>-</b>	<b>547,758</b>
<b>TOTAL CLASSIFIED SALARIES</b>		<b>428,146</b>	<b>-</b>	<b>428,146</b>	<b>4,240,999</b>	<b>-</b>	<b>4,240,999</b>
<b>Other</b>							
Employee benefits	3000	2,222,242	-	2,222,242	5,167,172	-	5,167,172
Supplies and materials	4000	-	-	-	348,820	-	348,820
Other operating expenses	5000	69,165	-	69,165	2,040,712	-	2,040,712
Equipment replacement	6420	-	-	-	-	-	-
<b>Total Other</b>		<b>2,291,407</b>	<b>-</b>	<b>2,291,407</b>	<b>7,556,704</b>	<b>-</b>	<b>7,556,704</b>
<b>Total Expenditures Prior to Exclusions</b>		<b>\$ 10,423,399</b>	<b>\$ -</b>	<b>\$ 10,423,399</b>	<b>\$ 20,947,457</b>	<b>\$ -</b>	<b>\$ 20,947,457</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## RECONCILIATION OF 50% LAW CALCULATION

June 30, 2017

(Continued)

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
<b>Activities To Exclude</b>							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	1,811	-	1,811
Non-instructional staff retirees' benefits and retirement incentives	6740	-	-	-	-	-	-
<b>Total Instructional Salaries</b>		-	-	-	1,811	-	1,811
<b>Objects To Exclude</b>							
Rents and leases	5060	-	-	-	21,011	-	21,011
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
<b>Subtotal</b>		-	-	-	21,011	-	21,011
Supplies and materials:	4000						
Software	4100	-	-	-	52,367	-	52,367
Books, magazines, and periodicals	4200	-	-	-	18,924	-	18,924
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	202,105	-	202,105
<b>Subtotal</b>		-	-	-	273,396	-	273,396
Other operating expenses and services	5000	-	-	-	46,463	-	46,463
Capital outlay:	6000						
Library books	6300	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Capital Outlay</b>		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
<b>TOTAL EXCLUSIONS</b>		-	-	-	342,681	-	342,681
<b>Total for ECS 84362 - 50% Law</b>		\$ 10,423,399	\$ -	\$ 10,423,399	\$ 20,604,776	\$ -	\$ 20,604,776
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		50.59%	0.00%	50.59%			
<b>50% of Current Expense of Education</b>					\$ 10,302,388	\$ -	\$ 10,302,390

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES

June 30, 2017

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
<b>EPA Proceeds</b>	8630			\$	3,087,760
<b>Activity Classification</b>					
Instructional activities	0100-5900	\$ 3,087,760	\$ -	\$ -	3,087,760
<b>Total Expenditures for EPA</b>		\$ 3,087,760	\$ -	\$ -	3,087,760
<b>Total Revenue Less Expenditures</b>				\$	-

See the accompanying notes to the supplementary information.



# Mendocino-Lake Community College District

## COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

June 30, 2017	General Unrestricted Fund	General Restricted Fund	Debt Service Fund	Bond Debt Service Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,834,625	\$ -	\$ -	\$ -	4,834,625
Restricted cash and cash equivalents	-	1,494,262	-	-	1,494,262
Investments	-	-	-	-	-
Accounts receivable	1,899,922	1,039,350	-	-	2,939,272
Prepaid expenses	-	11,244	-	-	11,244
Due from other funds	20,264	-	749	-	21,013
<b>Total Current Assets</b>	<b>6,754,811</b>	<b>2,544,856</b>	<b>749</b>	<b>-</b>	<b>9,300,416</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	-	(749)	1,727,884	1,727,135
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>(749)</b>	<b>1,727,884</b>	<b>1,727,135</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,754,811</b>	<b>\$ 2,544,856</b>	<b>\$ -</b>	<b>\$ 1,727,884</b>	<b>\$ 11,027,551</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 536,244	\$ 328,953	\$ -	\$ -	865,197
Advances from grantors and students	449,439	1,984,242	-	-	2,433,681
Amounts held in trust for others	-	-	-	-	-
Due to other funds	19,367	-	-	-	19,367
<b>Total Liabilities</b>	<b>1,005,050</b>	<b>2,313,195</b>	<b>-</b>	<b>-</b>	<b>3,318,245</b>
<b>FUND EQUITY</b>					
Fund balances:					
Reserved for special purposes	-	231,661	-	1,727,884	1,959,545
Unreserved	5,749,761	-	-	-	5,749,761
<b>Total Fund Equity</b>	<b>5,749,761</b>	<b>231,661</b>	<b>-</b>	<b>1,727,884</b>	<b>7,709,306</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 6,754,811</b>	<b>\$ 2,544,856</b>	<b>\$ -</b>	<b>\$ 1,727,884</b>	<b>\$ 11,027,551</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

(Continued)

June 30, 2017	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,834,625	\$ -	\$ -	\$ -	\$ 4,834,625
Restricted cash and cash equivalents	1,494,262	18,078	1,251,897	-	2,764,237
Investments	-	-	-	-	-
Accounts receivable	2,939,272	2,095	-	-	2,941,367
Prepaid expenses	11,244	-	-	-	11,244
Due from other funds	21,013	18,618	-	-	39,631
<b>Total Current Assets</b>	<b>9,300,416</b>	<b>38,791</b>	<b>1,251,897</b>	<b>-</b>	<b>10,591,104</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	1,727,135	-	-	-	1,727,135
<b>Total Noncurrent Assets</b>	<b>1,727,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,727,135</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,027,551</b>	<b>\$ 38,791</b>	<b>\$ 1,251,897</b>	<b>\$ -</b>	<b>\$ 12,318,239</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 865,197	\$ 16,678	\$ 74,820	\$ -	\$ 956,695
Advances from grantors and students	2,433,681	1,849	157,860	-	2,593,390
Amounts held in trust for others	-	-	-	-	-
Due to other funds	19,367	20,264	-	-	39,631
<b>Total Liabilities</b>	<b>3,318,245</b>	<b>38,791</b>	<b>232,680</b>	<b>-</b>	<b>3,589,716</b>
<b>FUND EQUITY</b>					
Fund balances:					
Reserved for special purposes	1,959,545	-	1,019,217	-	2,978,762
Unreserved	5,749,761	-	-	-	5,749,761
<b>Total Fund Equity</b>	<b>7,709,306</b>	<b>-</b>	<b>1,019,217</b>	<b>-</b>	<b>8,728,523</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 11,027,551</b>	<b>\$ 38,791</b>	<b>\$ 1,251,897</b>	<b>\$ -</b>	<b>\$ 12,318,239</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

(Continued)

June 30, 2017	Balance Brought Forward	Self- Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,834,625	\$ 133,858	\$ -	\$ -	\$ 4,968,483
Restricted cash and cash equivalents	2,764,237	-	131,651	26,888	2,922,776
Investments	-	1,161,807	-	-	1,161,807
Accounts receivable	2,941,367	-	-	-	2,941,367
Prepaid expenses	11,244	-	-	-	11,244
Due from other funds	39,631	-	-	-	39,631
<b>Total Current Assets</b>	<b>10,591,104</b>	<b>1,295,665</b>	<b>131,651</b>	<b>26,888</b>	<b>12,045,308</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	1,727,135	1,901,201	-	-	3,628,336
<b>Total Noncurrent Assets</b>	<b>1,727,135</b>	<b>1,901,201</b>	<b>-</b>	<b>-</b>	<b>3,628,336</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,318,239</b>	<b>\$ 3,196,866</b>	<b>\$ 131,651</b>	<b>\$ 26,888</b>	<b>\$ 15,673,644</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 956,695	\$ 469	\$ -	\$ -	\$ 957,164
Advances from grantors and students	2,593,390	-	-	-	2,593,390
Amounts held in trust for others	-	-	131,651	26,888	158,539
Due to other funds	39,631	-	-	-	39,631
<b>Total Liabilities</b>	<b>3,589,716</b>	<b>469</b>	<b>131,651</b>	<b>26,888</b>	<b>3,748,724</b>
<b>FUND EQUITY</b>					
Fund balances:					
Reserved for special purposes	2,978,762	3,196,397	-	-	6,175,159
Unreserved	5,749,761	-	-	-	5,749,761
<b>Total Fund Equity</b>	<b>8,728,523</b>	<b>3,196,397</b>	<b>-</b>	<b>-</b>	<b>11,924,920</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 12,318,239</b>	<b>\$ 3,196,866</b>	<b>\$ 131,651</b>	<b>\$ 26,888</b>	<b>\$ 15,673,644</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

(Continued)

June 30, 2017	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,968,483	\$ -	\$ -	\$ -	\$ 4,968,483
Restricted cash and cash equivalents	2,922,776	347,673	-	27,061	3,297,510
Investments	1,161,807	-	-	-	1,161,807
Accounts receivable	2,941,367	-	-	-	2,941,367
Prepaid expenses	11,244	-	-	-	11,244
Due from other funds	39,631	-	-	-	39,631
<b>Total Current Assets</b>	<b>12,045,308</b>	<b>347,673</b>	<b>-</b>	<b>27,061</b>	<b>12,420,042</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	3,628,336	-	-	-	3,628,336
<b>Total Noncurrent Assets</b>	<b>3,628,336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,628,336</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,673,644</b>	<b>\$ 347,673</b>	<b>\$ -</b>	<b>\$ 27,061</b>	<b>\$ 16,048,378</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 957,164	\$ 270	\$ -	\$ -	\$ 957,434
Advances from grantors and students	2,593,390	-	-	-	2,593,390
Amounts held in trust for others	158,539	347,403	-	27,061	533,003
Due to other funds	39,631	-	-	-	39,631
<b>Total Liabilities</b>	<b>3,748,724</b>	<b>347,673</b>	<b>-</b>	<b>27,061</b>	<b>4,123,458</b>
<b>FUND EQUITY</b>					
Fund balances:					
Reserved for special purposes	6,175,159	-	-	-	6,175,159
Unreserved	5,749,761	-	-	-	5,749,761
<b>Total Fund Equity</b>	<b>11,924,920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,924,920</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 15,673,644</b>	<b>\$ 347,673</b>	<b>\$ -</b>	<b>\$ 27,061</b>	<b>\$ 16,048,378</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

Year Ended June 30, 2017	General Unrestricted Fund	General Restricted Fund	Debt Service Fund	Bond Debt Service Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 2,945,680	\$ 116,586	\$ -	\$ -	\$ 3,062,266
Less: Scholarship discount and allowance	1,757,522	-	-	-	1,757,522
<b>Net Tuition and Fees</b>	<b>1,188,158</b>	<b>116,586</b>	<b>-</b>	<b>-</b>	<b>1,304,744</b>
Grants and contracts - noncapital:					
Federal	23,502	1,176,058	-	-	1,199,560
State	157,863	5,611,248	-	-	5,769,111
Local	192,678	18,718	-	-	211,396
Auxiliary enterprise sales and charges	49,532	-	-	-	49,532
<b>Total Operating Revenues</b>	<b>1,611,733</b>	<b>6,922,610</b>	<b>-</b>	<b>-</b>	<b>8,534,343</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	13,911,132	2,622,264	-	-	16,533,396
Employee benefits	5,285,900	973,680	-	-	6,259,580
Supplies, materials, and other services	1,897,166	2,332,937	1,476	-	4,231,579
Capital outlay	147,662	631,347	-	-	779,009
Utilities	722,910	3,025	-	-	725,935
Payments to students	825	484,831	-	-	485,656
<b>Total Operating Expenditures/Expenses</b>	<b>21,965,595</b>	<b>7,048,084</b>	<b>1,476</b>	<b>-</b>	<b>29,015,155</b>
<b>Operating Income (Loss)</b>	<b>(20,353,862)</b>	<b>(125,474)</b>	<b>(1,476)</b>	<b>-</b>	<b>(20,480,812)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	10,345,924	-	-	-	10,345,924
State apportionments - capital	-	-	-	-	-
Education protection account revenues - noncapital	3,087,760	-	-	-	3,087,760
Local property taxes	6,996,529	-	-	2,460,565	9,457,094
State taxes and other revenues - noncapital	624,955	106,492	-	-	731,447
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	30,864	-	(1,611)	5,914	35,167
Investment income - capital	-	-	-	-	-
Interest expense - capital assets related debt	-	-	(73,699)	(1,895,581)	(1,969,280)
Other nonoperating revenues - noncapital	607,731	17,537	-	-	625,268
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>21,693,763</b>	<b>124,029</b>	<b>(75,310)</b>	<b>570,898</b>	<b>22,313,380</b>
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>1,339,901</b>	<b>(1,445)</b>	<b>(76,786)</b>	<b>570,898</b>	<b>1,832,568</b>
<b>Other Financing Sources (Uses)</b>					
Debt service - principal	-	-	(382,024)	(763,255)	(1,145,279)
Operating transfers in	-	-	458,810	-	458,810
Operating transfers out	(561,144)	-	-	-	(561,144)
<b>Total Other Financing Sources (Uses)</b>	<b>(561,144)</b>	<b>-</b>	<b>76,786</b>	<b>(763,255)</b>	<b>(1,247,613)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>778,757</b>	<b>(1,445)</b>	<b>-</b>	<b>(192,357)</b>	<b>584,955</b>
<b>Fund Equity - Beginning of Year</b>	<b>4,971,004</b>	<b>233,106</b>	<b>-</b>	<b>1,920,241</b>	<b>7,124,351</b>
<b>Fund Equity - End of Year</b>	<b>\$ 5,749,761</b>	<b>\$ 231,661</b>	<b>\$ -</b>	<b>\$ 1,727,884</b>	<b>\$ 7,709,306</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY (Continued)

Year Ended June 30, 2017	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 3,062,266	\$ -	\$ -	\$ -	\$ 3,062,266
Less: Scholarship discount and allowance	1,757,522	-	-	-	1,757,522
<b>Net Tuition and Fees</b>	1,304,744	-	-	-	1,304,744
Grants and contracts - noncapital:					
Federal	1,199,560	38,666	-	-	1,238,226
State	5,769,111	452,560	173,672	-	6,395,343
Local	211,396	1,000	104,648	-	317,044
Auxiliary enterprise sales and charges	49,532	-	-	-	49,532
<b>Total Operating Revenues</b>	8,534,343	492,226	278,320	-	9,304,889
<b>Operating Expenditures/Expenses</b>					
Salaries	16,533,396	396,018	-	-	16,929,414
Employee benefits	6,259,580	141,677	-	-	6,401,257
Supplies, materials, and other services	4,231,579	47,375	92,373	-	4,371,327
Capital outlay	779,009	-	247,245	-	1,026,254
Utilities	725,935	10,482	-	-	736,417
Payments to students	485,656	-	-	-	485,656
<b>Total Operating Expenditures/Expenses</b>	29,015,155	595,552	339,618	-	29,950,325
<b>Operating Income (Loss)</b>	(20,480,812)	(103,326)	(61,298)	-	(20,645,436)
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	10,345,924	-	-	-	10,345,924
State apportionments - capital	-	-	103,617	-	103,617
Education protection account revenues - noncapital	3,087,760	-	-	-	3,087,760
Local property taxes	9,457,094	-	-	-	9,457,094
State taxes and other revenues - noncapital	731,447	-	-	-	731,447
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	35,167	(251)	-	-	34,916
Investment income - capital	-	-	6,800	-	6,800
Interest expense - capital assets related debt	(1,969,280)	-	-	-	(1,969,280)
Other nonoperating revenues - noncapital	625,268	1,244	34,401	-	660,913
<b>Total Nonoperating Revenues (Expenditures)</b>	22,313,380	993	144,818	-	22,459,191
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>					
	1,832,568	(102,333)	83,520	-	1,813,755
<b>Other Financing Sources (Uses)</b>					
Debt service - principal	(1,145,279)	-	-	-	(1,145,279)
Operating transfers in	458,810	102,334	-	-	561,144
Operating transfers out	(561,144)	-	-	-	(561,144)
<b>Total Other Financing Sources (Uses)</b>	(1,247,613)	102,334	-	-	(1,145,279)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>					
	584,955	1	83,520	-	668,476
<b>Fund Equity - Beginning of Year</b>	7,124,351	(1)	935,697	-	8,060,047
<b>Fund Equity - End of Year</b>	\$ 7,709,306	\$ -	\$ 1,019,217	\$ -	\$ 8,728,523

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY (Continued)

Year Ended June 30, 2017	Balance Brought Forward	Self- Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 3,062,266	\$ -	\$ -	\$ -	\$ 3,062,266
Less: Scholarship discount and allowance	1,757,522	-	-	-	1,757,522
<b>Net Tuition and Fees</b>	<b>1,304,744</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,304,744</b>
Grants and contracts - noncapital:					
Federal	1,238,226	-	-	-	1,238,226
State	6,395,343	-	-	-	6,395,343
Local	317,044	-	-	-	317,044
Auxiliary enterprise sales and charges	49,532	-	-	-	49,532
<b>Total Operating Revenues</b>	<b>9,304,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,304,889</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	16,929,414	11,749	-	-	16,941,163
Employee benefits	6,401,257	(26,224)	-	-	6,375,033
Supplies, materials, and other services	4,371,327	-	-	-	4,371,327
Capital outlay	1,026,254	-	-	-	1,026,254
Utilities	736,417	-	-	-	736,417
Payments to students	485,656	-	-	-	485,656
<b>Total Operating Expenditures/Expenses</b>	<b>29,950,325</b>	<b>(14,475)</b>	<b>-</b>	<b>-</b>	<b>29,935,850</b>
<b>Operating Income (Loss)</b>	<b>(20,645,436)</b>	<b>14,475</b>	<b>-</b>	<b>-</b>	<b>(20,630,961)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	10,345,924	-	-	-	10,345,924
State apportionments - capital	103,617	-	-	-	103,617
Education protection account revenues - noncapital	3,087,760	-	-	-	3,087,760
Local property taxes	9,457,094	-	-	-	9,457,094
State taxes and other revenues - noncapital	731,447	-	-	-	731,447
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	34,916	18,691	-	-	53,607
Investment income - capital	6,800	-	-	-	6,800
Interest expense - capital assets related debt	(1,969,280)	-	-	-	(1,969,280)
Other nonoperating revenues - noncapital	660,913	22,331	-	-	683,244
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>22,459,191</b>	<b>41,022</b>	<b>-</b>	<b>-</b>	<b>22,500,213</b>
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>1,813,755</b>	<b>55,497</b>	<b>-</b>	<b>-</b>	<b>1,869,252</b>
<b>Other Financing Sources (Uses)</b>					
Debt service - principal	(1,145,279)	-	-	-	(1,145,279)
Operating transfers in	561,144	-	-	-	561,144
Operating transfers out	(561,144)	-	-	-	(561,144)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,145,279)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,145,279)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>668,476</b>	<b>55,497</b>	<b>-</b>	<b>-</b>	<b>723,973</b>
<b>Fund Equity - Beginning of Year</b>	<b>8,060,047</b>	<b>3,140,900</b>	<b>-</b>	<b>-</b>	<b>11,200,947</b>
<b>Fund Equity - End of Year</b>	<b>\$ 8,728,523</b>	<b>\$ 3,196,397</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,924,920</b>

See the accompanying notes to the supplementary information.

# Mendocino-Lake Community College District

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY (Continued)

Year Ended June 30, 2017	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
<b>Operating Revenues</b>					
Tuition and fees	\$ 3,062,266	\$ -	\$ -	\$ -	\$ 3,062,266
Less: Scholarship discount and allowance	1,757,522	-	-	-	1,757,522
<b>Net Tuition and Fees</b>	<b>1,304,744</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,304,744</b>
Grants and contracts - noncapital:					
Federal	1,238,226	-	-	-	1,238,226
State	6,395,343	-	-	-	6,395,343
Local	317,044	-	-	-	317,044
Auxiliary enterprise sales and charges	49,532	-	-	-	49,532
<b>Total Operating Revenues</b>	<b>9,304,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,304,889</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	16,941,163	-	-	-	16,941,163
Employee benefits	6,375,033	-	-	-	6,375,033
Supplies, materials, and other services	4,371,327	-	-	-	4,371,327
Capital outlay	1,026,254	-	-	-	1,026,254
Utilities	736,417	-	-	-	736,417
Payments to students	485,656	-	-	-	485,656
<b>Total Operating Expenditures/Expenses</b>	<b>29,935,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,935,850</b>
<b>Operating Income (Loss)</b>	<b>(20,630,961)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,630,961)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	10,345,924	-	-	-	10,345,924
State apportionments - capital	103,617	-	-	-	103,617
Education protection account revenues - noncapital	3,087,760	-	-	-	3,087,760
Local property taxes	9,457,094	-	-	-	9,457,094
State taxes and other revenues - noncapital	731,447	-	-	-	731,447
Financial aid revenues - federal	-	-	5,985,826	-	5,985,826
Financial aid revenues - state	-	-	531,520	-	531,520
Financial aid expenses	-	-	(6,517,346)	-	(6,517,346)
Investment income - noncapital	53,607	-	-	-	53,607
Investment income - capital	6,800	-	-	-	6,800
Interest expense - capital assets related debt	(1,969,280)	-	-	-	(1,969,280)
Other nonoperating revenues - noncapital	683,244	-	-	-	683,244
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>22,500,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,500,213</b>
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>1,869,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,869,252</b>
<b>Other Financing Sources (Uses)</b>					
Debt service - principal	(1,145,279)	-	-	-	(1,145,279)
Operating transfers in	561,144	-	-	-	561,144
Operating transfers out	(561,144)	-	-	-	(561,144)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,145,279)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,145,279)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>723,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>723,973</b>
<b>Fund Equity - Beginning of Year</b>	<b>11,200,947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,200,947</b>
<b>Fund Equity - End of Year</b>	<b>\$ 11,924,920</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,924,920</b>

See the accompanying notes to the supplementary information.



**Mendocino-Lake Community College District**  
**RECONCILIATION OF FUND EQUITY TO NET POSITION**  
 June 30, 2017

<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>	\$	11,924,920
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:		
Nondepreciable capital assets		7,574,958
Depreciable capital assets	\$ 119,616,266	
Accumulated depreciation	(37,061,185)	82,555,081
Deferred outflows of resources		8,081,842
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:		
Accounts payable - interest payable		(797,622)
Claims payable		(950,233)
Net pension liabilities		(21,927,238)
Long-term debt		(80,313,841)
Solar loan		(1,310,853)
Loan		(88,710)
Compensated absences		(974,703)
Other postemployment benefit obligations		(1,135,144)
Deferred inflows of resources		(1,433,864)
<b>Net Assets Reported Within the GASB 35 Statement of Net Position</b>	\$	1,204,593

*See the accompanying notes to the supplementary information.*

## Mendocino-Lake Community College District

### RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION

June 30, 2017

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<b>Change in Fund Equity - District Funds Included in the Reporting Entity</b>	\$ 723,973
Amortization of bond premium and accretion on bonds	(2,280,596)
Claims expense	(163,105)
Compensated absence expense	(73,655)
Depreciation expense	(2,909,838)
Expenses capitalized	247,814
Accrued interest expense	(5,311)
Debt service principal	1,145,279
Pension expense difference	(547,683)
Additional expenses of other postemployment benefits	110,208
<hr/>	
<b>Net Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position</b>	<b>\$ (3,752,914)</b>

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*See the accompanying notes to the supplementary information.*

# Mendocino-Lake Community College District

## NOTES TO THE SUPPLEMENTARY INFORMATION

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### 1. PURPOSE OF SCHEDULES

#### **Schedule of Workload Measures for State General Apportionment**

The schedule of workload measures for state general apportionment annual attendance as of June 30, 2017, 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, 2017. 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 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, 2017. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2016-17*.

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

#### **Reconciliation of Annual Financial and Budget Report (Form CCFS-311) With District 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 50% 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.

#### **Reconciliation of 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.

# Mendocino-Lake Community College District

## NOTES TO THE SUPPLEMENTARY INFORMATION

(Continued)

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### **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 supplementary combining financial schedules to the audited financial statements.

## **2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** The accompanying Combining Balance Sheet – District Funds Included in the Reporting Entity, Combining Schedule 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.

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 from grantors and students on its combining balance sheet. Advances from grantors and students arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Advances from grantors and students 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 from grantors and students is removed and revenue is recognized.

## **3. LOAN PROGRAM**

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, 2017.

## **OTHER REPORTS SECTION**

**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**

To 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, 2017; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 4, 2017.

***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.

**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**

(Continued)

***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.

*KCoe Team, LLP*

December 4, 2017  
Redding, California

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

To 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, 2017. 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.



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

(Continued)

***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, 2017.

**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.

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

(Continued)

**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.

*KCoe Jam, LLP*

December 4, 2017  
Redding, California

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To 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 2016-17*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2017. 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 2016-17*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2016-17* 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.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

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Salaries of classroom instructors: 50 percent law  
Apportionment for instructional service agreements/contracts  
State general apportionment funding systems  
Residency determination for credit courses  
Students actively enrolled  
Dual enrollment of K-12 students in community college credit courses  
Student equity  
Student success and support programs (SSSP)  
Scheduled maintenance program  
Gann limit calculation  
Open enrollment  
Proposition 39 clean energy  
Intersession extension program  
Disabled student programs and services (DSPS)  
To be arranged hours (TBA)  
Proposition 1D State bonded funded projects  
Proposition 55 education protection accountant funds

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### **Opinion**

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2017.

*KCoe Jam, LLP*

December 4, 2017  
Redding, California

## **FINDINGS AND QUESTIONED COSTS SECTION**

# Mendocino-Lake Community College District

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

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### SECTION I

#### SUMMARY OF AUDITORS' RESULTS

##### FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

##### FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
CFDA No. 84.007	Federal Supplemental Educational Opportunity Contracts
CFDA No. 84.033	Federal Work-Study Program
CFDA No. 84.063	Federal Pell Grant Program
CFDA No. 84.268	Federal Direct Student Loans
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

##### STATE AWARDS

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

**Mendocino-Lake Community College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2017

(Continued)

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**SECTION II FINDINGS**

**FINANCIAL STATEMENTS AUDIT**

None.

**Mendocino-Lake Community College District**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

(Continued)

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**SECTION III FINDINGS**

**FEDERAL AWARDS AUDIT**

None.



**Mendocino-Lake Community College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2017

(Continued)

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**SECTION IV FINDINGS**

**STATE AWARDS AUDIT**

None.

**Mendocino-Lake Community College District**

CORRECTIVE ACTION PLAN

June 30, 2017

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Not applicable: there are no current-year findings related to federal awards.

# Mendocino-Lake Community College District

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2017

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### SECTION IV FINDINGS

#### STATE AWARDS AUDIT

#### STATE COMPLIANCE (423 – Apportionment for Instructional Service Agreements)

2016-001

**Condition** During our testing of all of the District’s instructional service agreements, we noted one instance of non-compliance. As it relates to the agreement with Fort Bragg High School, we noted that while the District did have a signed agreement with the instructor that contained all the appropriate documentation, such agreement was not signed prior to the commencement of instruction. The District claimed 3.92 FTES for courses conducted under the instructional service agreement with Fort Bragg High School.

**Criteria** California Code of Regulations 58058(b) requires all agreements with instructors under instructional service agreements to be fully executed prior to the commencement of instruction.

**Effect** The District was not in compliance with the apportionment for instructional service agreements requirements.

**Recommendation** We recommended that the District ensure that all agreements related to instructional service agreements be fully executed prior to the commencement of instruction.

**Status** We noted no such items in our current year audit.