

Mendocino-Lake Community College District
Ukiah, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2016



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Mendocino-Lake Community College District

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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 Mendocino-Lake Community College District (the District), as of and for the year ended June 30, 2016; 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 of 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, 2016; 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 65 to 70 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 72 to 92 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 72 to 92 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 5, 2016, 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 Team, LLP

December 5, 2016

Redding, California

FINANCIAL SECTION

Mendocino-Lake Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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

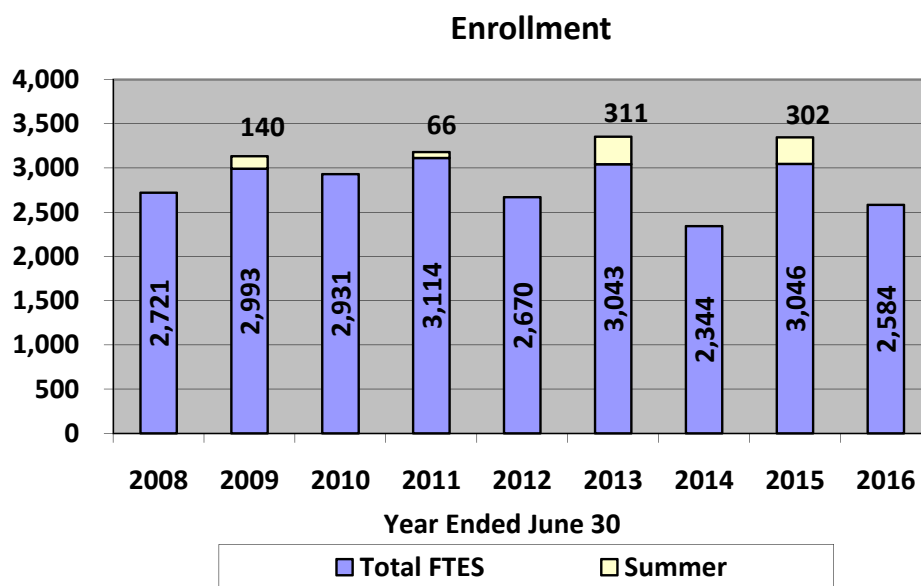
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General Obligation Bonds

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, and the purchase of land and the construction of new centers in Willits and Lakeport. On September 15, 2016, 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 2,584 total full-time equivalent students (FTES) on the 2015-16 Final Apportionment Attendance Report (CCFS-320). This is a decrease of 462 FTES from the 2014-15 FTES of 3,046. This decrease is partially the result of reporting 302 of summer 2015 FTES in 2014-15 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 and liabilities 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 liabilities – is one way to measure the financial health of the District.

June 30	2016 (in thousands)	2015 (in thousands)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,977	\$ 1,103
Restricted cash and cash equivalents	2,338	1,031
Investments	1,153	1,148
Receivables	2,978	3,144
Total Current Assets	10,446	6,426
Noncurrent Assets		
Capital assets - non-depreciable	7,546	7,545
Capital assets - depreciable	85,246	88,077
Restricted cash and cash equivalents	3,380	2,407
Total Noncurrent Assets	96,172	98,029
TOTAL ASSETS	\$ 106,618	\$ 104,455
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss of refunding	\$ 3,537	\$ -
Deferred outflows related to pensions	1,973	1,306
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 5,510	\$ 1,306

Mendocino-Lake Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30	2016 (in thousands)	2015 (in thousands)
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,522	\$ 1,515
Advances from grantors and students	2,191	982
Amounts held for others	491	446
Long-term debt -current portion	1,145	846
Total Current Liabilities	5,349	3,789
Noncurrent Liabilities		
Pension liabilities	16,502	14,599
Compensated absences and capital lease	3,546	3,631
General obligation bonds	78,134	71,325
Total Noncurrent Liabilities	98,182	89,555
TOTAL LIABILITIES	\$ 103,531	\$ 93,344
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	\$ 2,034	\$ 4,303
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,034	\$ 4,303
NET POSITION		
Invested in capital assets	\$ 13,862	\$ 27,866
Restricted - expendable	8,113	7,463
Unrestricted	(15,412)	(28,753)
TOTAL NET POSITION	\$ 6,563	\$ 6,576

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, 2016, 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 consists 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, 2015	Additions	Deductions	Transfers	June 30, 2016
Non-Depreciable Assets	\$ 7,545,440	\$ -	\$ -	\$ -	\$ 7,545,440
Depreciable assets	119,334,435	63,534	-	-	119,397,969
Accumulated depreciation	31,257,238	2,894,109	-	-	34,151,347
Depreciable Assets -Net	\$ 95,622,637	\$ (2,830,575)	\$ -	\$ -	\$ 92,792,062

- Accounts payable consist primarily of payables to vendors and accrued payroll (\$1.52 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 (\$78.8 million), capital lease (\$1.5 million), and accrued vacation and load banking payable (\$0.90 million), OPEB obligation (\$1.2 million), the Energy Projects loan (\$0.18 million), and PERS and STRS pension liability (\$16.5 million).

Net Position is classified into three categories: Capital Assets, Restricted Assets, and Unrestricted Assets. Capital Assets consist of land, buildings, construction in progress, and equipment. Restricted Assets include \$1.8 million designated in the Special Reserve fund to cover accrued vacation liability, load banking, and a self-insurance reserve.

Statement of Revenues, Expenditures, and Changes in Net Position

The Statement of Revenues, Expenditures, and Changes in Net Position presents the operating results of the District, as well as the non-operating revenues and expenses. State general apportionment, while budgeted for operations, is considered non-operating 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	2016 (in thousands)	2015 (in thousands)
REVENUE		
Operating revenues		
Net tuition and fees	\$ 1,244	\$ 1,146
Grants and contracts - non-capital	6,588	4,806
Auxiliary enterprise sales and charges	61	44
Total operating revenues	7,893	5,996
Total operating expenses	29,269	27,455
OPERATING LOSS	(21,376)	(21,459)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments - non-capital	13,188	11,821
Local property taxes	9,260	8,753
State taxes and other revenues	2,469	481
Investment income - non-capital	18	9
Other non-operating revenues (expenses) - net	663	894
NON-OPERATING INCOME	25,598	21,958
Income before other revenues	4,222	499
Local property taxes - capital	12	171
Interest expense - capital assets related debt	(3,495)	(4,120)
Cost of bond issuance	(756)	-
Investment income - capital	4	-
NET POSITION		
Net position - beginning of year	6,576	10,026
Net position - end of year	\$ 6,563	\$ 6,576

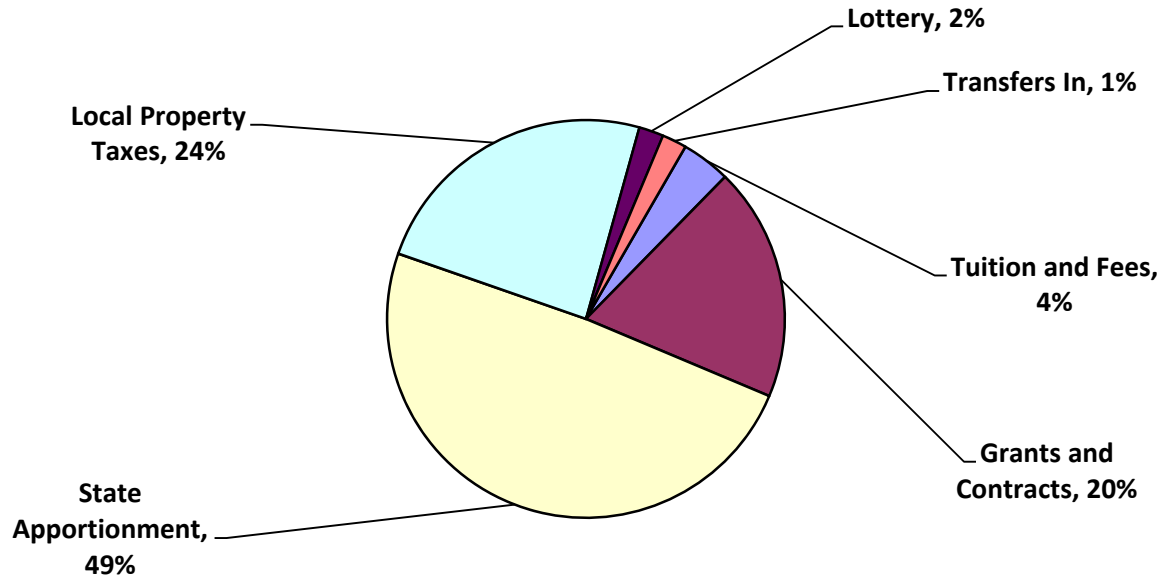
Mendocino-Lake Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

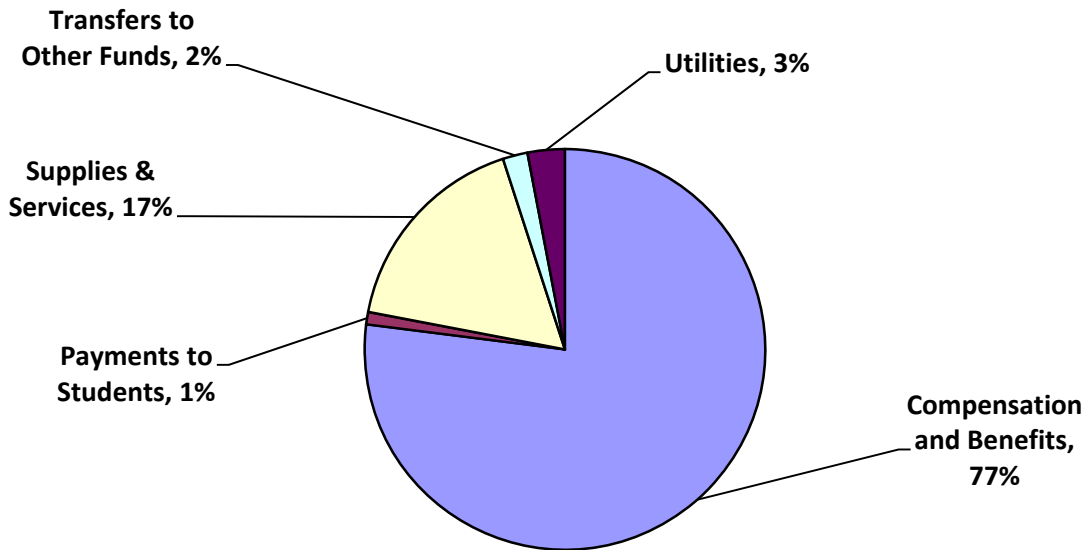
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- Net tuition and fees total \$1.2 million and consist of enrollment fees, non-resident tuition, and all other fees. Enrollment fees are set by the state for all community colleges.
- Grants and contracts, non-capital consists of revenues provided for restricted purposes from federal, state, and local sources.
- State apportionments, non-capital revenue consists of general state apportionment and Proposition 30 Education Protection Account funds (\$13.1 million). State apportionment revenue reported is exclusive of regular enrollment fees and property taxes, which are reported separately.
- Local property tax revenues totaled \$6.5 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 (\$730,000).
- 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	2016 (in thousands)	2015 (in thousands)
Net Cash Provided (Used) By		
Operating activities	\$ (17,553)	\$ (19,386)
Non-capital financing activities	25,341	23,929
Capital and related financing activities	(2,650)	(3,582)
Investing activities	16	6
Net increase in cash	5,154	967
Cash - beginning of the fiscal year	4,540	33,873
Cash - end of the fiscal year	\$ 9,694	\$ 34,840

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 50% of its unrestricted general fund revenue funding through state general apportionments and 33% 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 2016-17 budget for community colleges does not contain a Cost of Living Adjustment (COLA); this is the first time in three years the community colleges have not received a COLA.
- The Governor's 2016-17 Budget for community college is favorable. The Governor's Budget includes a reserve of \$8.5 billion. However, the Governor's 2017-18 budget is still unclear. More information will be released in January 2017 in the Governor's Budget.

Mendocino-Lake Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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 \$2,845,643 during 2015-16 to \$4,971,004 or 23.1% 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 three years has resulted in a \$1.8 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	-	-

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 2015-16. The 2016-17 adopted budget reflects a reserve of 20.3% without transfers in from other funds.

Mendocino-Lake Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

2) ESCALATION OF HEALTH BENEFIT COSTS

The cost of our Health Benefit program has increased at a much higher rate than our COLA revenue has in recent years. COLA revenue is provided to districts in order to support increases in operating expenses, including health benefit costs.

Fiscal Year	% Change in Health Costs	% COLA Received
1999-00	28.2%	1.41%
2000-01	18.8%	4.17%
2001-02	12.1%	3.82%
2002-03	8.3%	2.00%
2003-04	2.8%	0%
2004-05	22.3%	2.41%
2005-06	16.1%	4.23%
2006-07	-5.15%	5.92%
2007-08	26.7%	4.53%
2008-09	7.11%	0%
2009-10	16.94%	0%
2010-11	-6.03%	0%
2011-12	-15.55%	0%
2012-13	11.22%	0%
2013-14	-9.39%	1.57%
2014-15	0.2%	0.85%
2015-16	2%	1.02%
TOTAL INCREASE (Compounded)	136.65%	31.93%

For the years 1999-00 through 2015-16, the compound increase in Health Benefit costs was 136.65% while the COLA revenue provided to fund those and other costs has had a compound increase of 31.93%. Health Benefit costs has increased over that period four times the rate at which the COLA has increased.

The District experienced favorable health claims in recent years with contributions exceeding expenditures, resulting in an ending fund balance in the Health Fund of \$1.8 million. For this reason, health benefits are budgeted in 2016-17 at \$1,600 per employee per month, at the same level as the amount budgeted in 2015-16.

3) APPORTIONMENT BASE FUNDING

The college reported 2,584 FTES in 2015-16. This was 462 FTES less than the 3,046 FTES the college reported in 2014-15. The College received stability funding in 2015-16 for 462 FTES below its base of 3,046 FTES. In 2016-17 the college must serve 3,046 FTES in order to not lose apportionment funding. Based on current enrollments, including an increase in enrolment at the Coast Center, the college chose to budget revenue based on 3,185 FTES.

Mendocino-Lake Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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 2013 and included an actuarial accrued liability (AAL) of \$6,342,577. 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, 2016, the District has not made a deposit to the CCLC GASB 45 (irrevocable) Trust Fund for Retiree Health Benefits.

As of June 30, 2016, the District does have \$1,286,197 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015, 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, 2016, the District's proportion of PERS and STRS liability was \$16,502,353.

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, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,977,108
Restricted cash and cash equivalents	2,337,827
Investments	1,153,204
Accounts receivable	2,977,865

Total Current Assets 10,446,004

Noncurrent Assets

Restricted cash and cash equivalents	3,379,565
Nondepreciable capital assets	7,545,440
Depreciable capital assets - net	85,246,622

Total Noncurrent Assets 96,171,627

TOTAL ASSETS 106,617,631

Deferred Outflows of Resources

Deferred loss on refunding	3,536,630
Deferred outflows related to pensions	1,973,644

Total Deferred Outflows of Resources 5,510,274

LIABILITIES

Current Liabilities

Accounts payable	1,522,269
Advances from grantors and students	2,190,483
Amounts held in trust for others	491,308
Long-term debt - current portion	763,255
Other long-term liabilities - current portion	382,000

Total Current Liabilities 5,349,315

Noncurrent Liabilities

Net pension liabilities	16,502,353
Long-term debt - noncurrent portion	78,133,575
Other long-term liabilities	3,545,987

Total Noncurrent Liabilities 98,181,915

TOTAL LIABILITIES 103,531,230

Deferred Inflows of Resources

Deferred inflows related to pensions	2,033,916
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NET POSITION

Net investment in capital assets	13,862,462
Restricted - expendable	8,112,510
Unrestricted	(15,412,213)

TOTAL NET POSITION \$ 6,562,759

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, 2016

Operating Revenues	
Tuition and fees	\$ 3,197,804
Less: Scholarship discounts and allowances	1,954,080
Net Tuition and Fees	
1,243,724	
Grants and contracts - noncapital:	
Federal	1,284,630
State	4,907,269
Local	395,686
Auxiliary enterprise sales and charges	61,460
Total Operating Revenues	
7,892,769	
Operating Expenses	
Salaries	16,188,784
Employee benefits	4,571,125
Supplies, materials, and other operating expenses and services	4,484,323
Utilities	736,702
Payments to students	394,014
Depreciation	2,894,109
Total Operating Expenses	
29,269,057	
Operating Loss	
(21,376,288)	
Nonoperating Revenues (Expenses)	
State apportionments - noncapital	9,923,542
Education protection account revenues - noncapital	3,264,356
Local property taxes - noncapital	9,259,565
State taxes and other state revenues	2,469,268
Financial aid revenues - federal	6,725,315
Financial aid revenues - state	520,906
Financial aid disbursements	(7,246,221)
Investment income - noncapital	17,905
Other nonoperating revenues - noncapital	663,974
Total Nonoperating Revenues (Expenses)	
25,598,610	
Income Before Other Revenues and Expenses	
4,222,322	
Other Revenues, Expenses, Gains, or Losses	
Cost of bond issuance	(755,907)
State apportionments - capital	11,587
Interest expense - capital asset-related debt	(3,494,682)
Investment income - capital	3,324
Total Other Revenues, Expenses, Gains, or Losses	
(4,235,678)	
Change in Net Position	
(13,356)	
Net Position - Beginning of Year	
6,576,115	
Net Position - End of Year	
\$ 6,562,759	

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 1,379,024
Federal grants and contracts	1,457,896
State grants and contracts	6,105,073
Local grants and contracts	395,686
Payments to/on behalf of employees	(15,781,431)
Payments for benefits	(5,605,150)
Payments for scholarships and grants	(394,014)
Payments to suppliers	(4,587,908)
Payments for utilities	(736,702)
Auxiliary enterprise sales and charges	61,460
Other receipts (payments)	152,564

NET CASH USED BY OPERATING ACTIVITIES (17,553,502)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments - noncapital	10,304,563
Education protection account revenues - noncapital	3,264,356
Local property taxes - noncapital	9,259,565
State taxes and other revenues	1,848,519
Other receipts (payments)	663,974

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 25,340,977

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(50,289)
Principal paid on long-term debt	(1,184,431)
Interest paid on long-term debt	(1,426,586)
State apportionments - capital	11,587

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (2,649,719)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(4,882)
Interest on investments	21,229

NET CASH PROVIDED BY INVESTING ACTIVITIES 16,347

Net Increase in Cash and Cash Equivalents 5,154,103

Cash and Cash Equivalents - Beginning of Year 4,540,397

Cash and Cash Equivalents - End of Year \$ 9,694,500

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, 2016

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (21,376,288)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	2,894,109
Other postemployment benefit/obligation	264,110
Deferred outflows related to pensions	(667,463)
Net pension liabilities	1,902,614
Deferred inflows related to pensions	(2,269,176)
Changes in:	
Accounts receivable	405,852
Accounts payable	22,505
Advances from grantors and students	1,207,916
Amounts held in trust for others	45,166
Compensated absences	17,153

NET CASH USED BY OPERATING ACTIVITIES	\$ (17,553,502)
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COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 3,977,108
Restricted cash and cash equivalents - current	2,337,827
Restricted cash and cash equivalents - noncurrent	3,379,565

Total Cash and Cash Equivalents	\$ 9,694,500
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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, 2016

ASSETS

Cash and cash equivalents	\$	26,617
Investments		7,030,007
Assets held by others		339,049
Note receivable		353,319
Other assets		3,831
Land		1,273,090
Infrastructure		33,278

TOTAL ASSETS \$ 9,059,191

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	4,943
Deferred revenue		24,500

Total Liabilities 29,443

Net Assets

Unrestricted net assets		6,573,151
Temporarily restricted net assets		764,653
Permanently restricted net assets		1,691,944

Total Net Assets 9,029,748

TOTAL LIABILITIES AND NET ASSETS \$ 9,059,191

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

Mendocino-Lake Community College District
STATEMENT OF ACTIVITIES – FOUNDATION

Year Ended June 30, 2016

CHANGES IN UNRESTRICTED NET ASSETS

Revenues, Gains, and Other Support

Special events (Gala):

Gross revenue	\$	145,369
Less: Event expenses		45,051

Total Special Events 100,318

Contributions	25,634
Interest and dividends	241,563
Net investment realized and unrealized losses	(46,902)
Realized loss on sale of land	(12,578)

Total Revenues, Gains, and Other Support 308,035

Net Assets Released From Restriction 322,079

Expenses

Program services:

Scholarships	273,448
Support of District	266,905

Total Program Services 540,353

Supporting services:

Management and general	205,043
Fundraising	178,647

Total Supporting Services 383,690

Total Expenses 924,043

Change in Unrestricted Net Assets \$ (293,929)

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, 2016

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Revenues and Gains

Contributions	\$	345,577
Interest and dividends		78,175
Net investment realized and unrealized gains		1,543

Total Revenues and Gains		425,295
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Net Assets Released From Restriction		(322,079)
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Change in Temporarily Restricted Net Assets		103,216
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions		70,989
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Change in Net Assets		(119,724)
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Net Assets - Beginning of Year		9,149,472
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Net Assets - End of Year	\$	9,029,748
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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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (119,724)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Reinvested dividends	(319,854)
Realized and unrealized (gain) loss on investments	47,184
Realized gain on sale of land	12,578
Changes in:	
Other assets	611
Assets held by others	(14,189)
Accounts payable	2,083
Deferred revenue	(23,310)

NET CASH USED BY OPERATING ACTIVITIES (414,621)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of land	967,422
Purchase of land	(351,725)
Payments received on note receivable	1,031
Proceeds from sale of investments	859,594
Purchase of investments	(1,105,673)

NET CASH PROVIDED BY INVESTING ACTIVITIES 370,649

Net Change in Cash (43,972)

Cash - Beginning of Year 70,589

Cash - End of Year \$ 26,617

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

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

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.

Implementation of New Accounting Standards The District adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the fiscal year ended June 30, 2016. This statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. As a result, assets subject to fair value measurement have been reported in accordance with the guidance of this statement.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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 being reported in the fiscal year in which the program is predominantly conducted.

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.

All other investments are reported at fair value based on quoted market prices with realized and unrealized gains or losses reported in the statement of activities.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2016, as management believes all accounts are fully collectible.

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 financial 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 includes amounts received from grant and contract sponsors that have not yet been earned.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Amounts Held in Trust for Others Amounts held in trust for others represents 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.

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.

Long-Term Liabilities Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 general accepted accounting principles. 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.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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, as defined by GASB Statement No. 35, 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.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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, 2016, was \$65,336.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Discretely Presented Component Unit – Foundation

Organization The Foundation was founded during the 1984-1985 year to strengthen student services by providing student scholarships, enriching instruction and basic skills, as well as enhancing program and staff development. Its goal is to promote and develop a mutually beneficial relationship between the College and the community. Because of the education nature of its activities, it 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 generally accepted accounting principles 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)

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 generally accepted accounting principles. 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)

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 inflation-protected rate of return, over time, of approximately 8% for the Foundation Trust Fund and 7% for the Evelyn Foote Fund, annually. 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)

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).

FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Foundation's financial statements in accordance with FASB ASC 740 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740-10 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return.

The Foundation files exempt organization returns in the U.S. federal jurisdiction and the State of California. The Foundation's federal exempt organization returns for tax years 2013 and beyond remain subject to examination by the Internal Revenue Service. The Foundation's California exempt organization returns for tax years 2012 and beyond remain subject to examination by the Franchise Tax Board.

The Foundation did not have unrecognized tax benefits as of June 30, 2016, and does not expect this to change significantly over the next 12 months. In connection with the adoption of FASB ASC 740-10, the Foundation will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2016, the Foundation did not accrue interest or penalties related to uncertain tax positions.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

June 30, 2016

Current

Cash and cash equivalents	\$	3,977,108
Restricted cash and cash equivalents		2,337,827
Investments		1,153,204

Noncurrent

Restricted cash and cash equivalents		3,379,565
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Total Cash and Investments	\$	10,847,704
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Foundation

Cash and cash equivalents	\$	26,617
Investments		7,030,007

Total Cash and Investments	\$	7,056,624
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Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

June 30, 2016

District	
Cash in county treasury	\$ 7,300,813
Cash on hand and in banks	2,393,687
Total Deposits	\$ 9,694,500
Foundation	
Cash in county treasury	\$ 26,617

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 Treasury's Pooled Money Investment account's weighted average maturities was less than one year at June 30, 2016.

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, \$573,964 of the District bank balances at June 30, 2016, 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 it to invest 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)

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, 2016

District		
Investment in LAIF	\$	1,153,204
Foundation		
Money market funds	\$	148,903
Mutual funds		6,881,104
Total Investments	\$	7,030,007

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, 2016, 2.81% 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, CA 94209. PMIA's weighted average maturities was 213.36 days at June 30, 2016.

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 its 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)

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) to a transaction, a government 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 investment in LAIF and the County treasurer's investment pool is measured at fair value. At June 30, 2016, the LAIF value of \$1,153,204 and the County treasurer's pool value of \$7,300,813 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, 2016

Tuition and fees	\$	189,384
Federal grants and contracts		607,565
State grants and contracts		425,116
State apportionment		305,921
State taxes and other revenue		1,449,879
Total	\$	2,977,865

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

Capital assets activity is summarized as follows:

	Balance June 30, 2015	Additions	Deductions	Transfers	Balance June 30, 2016
Nondepreciated Capital Assets					
Land	\$ 7,545,440	\$ -	\$ -	\$ -	7,545,440
Total Nondepreciated Capital Assets	7,545,440	-	-	-	7,545,440
Depreciated Capital Assets					
Buildings and improvements	112,990,898	-	-	-	112,990,898
Equipment	6,343,537	63,534	-	-	6,407,071
Total Depreciated Capital Assets	119,334,435	63,534	-	-	119,397,969
Less: Accumulated depreciation	31,257,238	2,894,109	-	-	34,151,347
Total Capital Assets - Net	\$ 88,077,197	\$ (2,830,575)	\$ -	\$ -	85,246,622

Foundation

As of June 30, 2016, the Foundation owns approximately 422 acres of real property which surrounds the main campus of Mendocino-Lake Community College District at 1000 Hensley Creek Road, Ukiah CA. In April of 2016 the Foundation sold 550 acres for approximately \$1 million which was previously classified in the statement of financial position as investment property held for sale. As of June 30, 2016, the Foundation has no investment property held for sale. Additionally, in January of 2016 the Foundation purchased 44 acres for approximately \$353,000 and recorded the purchase as a capital asset at the original cost. The carrying value of the total 422 acres of real property is \$1,273,090 and is recorded in capital assets at original cost or value at the original date of donation. The 422 acres will be retained for the future growth of the college. In addition, a road has been built on the retained property totaling \$33,278 that has been capitalized as infrastructure.

5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2016

Accrued payroll and related liabilities	\$ 395,769
Accrued interest	792,311
Construction projects	40,184
Vendor and other payables	294,005
Total	\$ 1,522,269

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, 2016

Tuition and fees	\$	318,590
Trust account		105,955
State grants and contracts		1,628,296
Other		137,642
Total	\$	2,190,483

7. LONG-TERM LIABILITIES

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Long-Term Debt					
General Obligation Bonds - Series A	\$ 27,987,714	\$ -	\$ 26,837,714	\$ 1,150,000	\$ 525,000
General Obligation Bonds - Series B	45,349,890	763,233	21,245,614	24,867,509	48,255
2015 Refunding Bonds	-	52,948,817	69,496	52,879,321	190,000
Total Long-Term Debt	\$ 73,337,604	\$ 53,712,050	\$ 48,152,824	\$ 78,896,830	\$ 763,255
Other Long-Term Liabilities					
Capital lease	\$ 1,854,044	\$ -	\$ 257,941	\$ 1,596,103	\$ 285,220
Compensated absences	883,895	17,153	-	901,048	-
Other postemployment benefit obligation	981,242	584,575	320,465	1,245,352	-
Net pension liabilities	14,599,739	1,902,614	-	16,502,353	-
Energy projects loan	282,258	-	96,774	185,484	96,780
Total Other Long-Term Liabilities	\$ 18,601,178	\$ 2,504,342	\$ 675,180	\$ 20,430,340	\$ 382,000

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Long-term liabilities consisted of the following obligations:

June 30, 2016

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%.	\$ 1,150,000
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%.	24,262,256
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%.	49,613,032
Subtotal	75,025,288
Premium on 2011 General Obligation Bonds - Series B	605,253
Premium on 2015 Refunding Bond	3,266,289
GENERAL OBLIGATION BONDS - NET	78,896,830
Less: Current portion	763,255
Total Long-Term Debt - Noncurrent Portion	\$ 78,133,575

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

Year Ending June 30	Bonds			Bond		Total
	Principal	Interest	Total	Premium	Total	
2017	\$ 763,255	\$ 1,895,581	\$ 2,658,836	\$ 109,831	\$ 2,768,667	
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	
2022-2026	6,961,847	10,713,009	17,674,856	549,155	18,224,011	
2027-2031	12,132,905	11,483,796	23,616,701	549,155	24,165,856	
2032-2036	6,341,811	17,937,882	24,279,693	549,155	24,828,848	
2037-2041	13,550,907	22,677,655	36,228,562	549,155	36,777,717	
2042-2046	18,833,002	29,437,357	48,270,359	549,155	48,819,514	
2047-2051	9,545,622	54,976,694	64,522,316	549,155	65,071,471	
2052	1,867,295	13,672,705	15,540,000	27,457	15,567,457	
Total	\$ 73,276,471	\$ 170,331,067	\$ 243,607,538	\$ 3,871,542	247,479,080	
Less: Current interest (excluding accretion of \$1,748,817)					(168,582,250)	
Net Principal					\$ 78,896,830	

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Accretion

General obligation bonds as of June 30, 2016, have been increased by \$1,748,817 to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

Refunded Debt

On September 15, 2015, the District issued \$48,627,448 in 2015 General Obligation Refunding Bonds ("2015 GO Refunding Bonds"). The 2015 GO Refunding Bonds were issued to advance refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series A and the Election of 2006 General Obligation Bonds, Series B. The total gross debt service savings generated as a result of the refunding are \$36,506,861. On a net present value basis, the total savings equaled \$12,120,707. Resources totaling \$51,207,327 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded general obligation bonds. At June 30, 2016, the outstanding balance of the refunded bonds held in the irrevocable trust was \$51,987,259.

The District recognized a financial statement loss of \$3,536,630 on the above refunding and it is being amortized over the life of the new debt.

Capital Lease Obligation

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

	\$	1,596,103
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The annual debt service requirements to maturity on the capital lease obligation are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 285,220	\$ 73,699	\$ 358,919
2018	314,525	58,715	373,240
2019	345,889	42,214	388,103
2020	379,473	24,088	403,561
2021	270,996	5,126	276,122
Total	\$ 1,596,103	\$ 203,842	\$ 1,799,945

Energy Projects Loan Obligation

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

	\$	185,484
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Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Year Ending June 30	
2017	\$ 96,780
2018	80,628
2019	8,070
Total	\$ 185,478

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 Net pension liability is reported in the accompanying statement of net position as follows:

June 30, 2016	
CalSTRS State Teachers' Retirement Plan	\$ 10,221,995
CalPERS School Employer Pool	6,280,358
Total Net Pension Liability	\$ 16,502,353

Deferred Outflows of Resources Deferred outflows of resources are reported in the accompanying statement of net position as follows:

June 30, 2016	CalSTRS	CalPERS	Total
Difference between expected and actual experience	\$ -	\$ 380,773	\$ 380,773
Employer contributions	944,450	648,421	1,592,871
Total Deferred Outflows of Resources	\$ 944,450	\$ 1,029,194	\$ 1,973,644

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Deferred Inflows of Resources Deferred inflows of resources are reported in the accompanying statement of net position as follows:

June 30, 2016	CalSTRS	CalPERS	Total
Net difference between projected and actual earnings on pension plan investments	\$ 932,960	\$ 228,130	\$ 1,161,090
Changes in proportion and differences between District contributions and proportionate share of contributions	-	272,212	272,212
Changes in assumptions	191,250	409,364	600,614
Total Deferred Inflows of Resources	\$ 1,124,210	\$ 909,706	\$ 2,033,916

Pension Expense Pension expense is included in the accompanying statement of revenues, expenses, and changes in net position as follows:

Year Ended June 30, 2016

CalSTRS State Teachers' Retirement Plan	\$ 377,570
CalPERS School Employer Pool	181,276
Total Pension Expense	\$ 558,846

California State Teachers' Retirement System

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

Benefits Provided 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.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- **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 9.20% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 8.56% of their salary. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 7.391% 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, 2016, were \$944,450.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2016, 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, 2016

District's proportionate share of the net pension liability	\$ 10,221,995
State's proportionate share of the net pension liability associated with the District	3,959,197
Total	\$ 14,181,192

The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015, 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, 2016, the District's proportion was 0.017%.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$65,336 and revenue of \$65,336 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 932,960
Change in assumptions	-	191,250
District contributions subsequent to the measurement date	944,450	-
Total	\$ 944,450	\$ 1,124,210

The \$944,450 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2017	\$ 160,601
2018	160,601
2019	160,601
2020	160,601
2021	160,601
Thereafter	321,205
Total	\$ 1,124,210

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Actuarial Assumptions The total pension liability in the June 30, 2014, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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. Based on the model from CalSTRS' consulting actuary's (Milliman) investment practice, a best-estimate range was determined by assuming the portfolio is rebalanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return, and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/Liquidity	1%	0.00%
Total	100%	

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 assumes that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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:

June 30, 2016	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 15,434,417	\$ 10,221,995	\$ 5,890,052

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.

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. With the passage of the Public Employee's Pension Reform Act of 2013 (PEPRA), a second classification of CalPERS employees has been established. The "new member" classification applies to a new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who has no prior membership in any other California public retirement system. CalPERS employees hired prior to January 1, 2013, are now identified as "classic members". Active "classic members" are required to contribute 7% of their salary, while active "new members" under PEPRA are required to contribute 6% of their salary. The required employer contribution rate for the 2015-16 fiscal year was 11.847%. The District's contributions to CalPERS for the fiscal year ended June 30, 2016, was \$648,421.

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, 2016, the District reported a net pension liability of \$6,280,358 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015, 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, 2016, the District's proportion was 0.0452%.

For the year ended June 30, 2016, the District recognized pension expense of \$181,276. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Difference between expected and actual experience	\$ 380,773	\$ -
Net difference between projected and actual earnings on pension plan investments	-	228,130
Change in assumptions	-	409,364
Changes in proportion and differences between District contributions and proportionate share of contributions	-	272,212
District contributions subsequent to the measurement date	648,421	-
Total	\$ 1,029,194	\$ 909,706

The \$648,421 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2017	\$ 132,234
2018	132,234
2019	132,234
2020	132,231
Total	\$ 528,933

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Actuarial Assumptions The total pension liability in the June 30, 2014, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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	7.65%

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, 2014, 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, 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 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	Target Allocation	Rate of Return	
		Years 1 - 10	Years 11+
Global equity	51%	5.25%	5.71%
Global debt securities	19%	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	2%	-0.55%	-1.05%
Total	100%		

Discount Rate The discount rates used to measure the total pension liability was 7.65%. A projection of expected benefit payments and contributions was 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 liability. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on the CalPERS website.

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:

June 30, 2016	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 10,221,806	\$ 6,280,358	\$ 3,002,781

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 \$60,000 specific deductible, in addition to a \$100,000 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, 2014	\$ (187,577)	\$ (2,113,044)	\$ 2,112,000	\$ (188,621)
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)

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Joint Powers Authorities

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

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

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

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

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

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.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2016, the District contributed \$320,465 to the Plan.

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 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, 2016

Annual required contribution	\$	599,990
Interest on net OPEB obligation		46,609
Adjustment to annual required contribution		(62,024)
Annual OPEB Cost		584,575
Contributions made		(320,465)
Increase in Net OPEB Obligation		264,110
Net OPEB Obligation - Beginning of Year		981,242
Net OPEB Obligation - End of Year	\$	1,245,352

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2016, 2015, and 2014, were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2014	\$ 592,165	\$ 427,818	72.25%	\$ 662,399
June 30, 2015	\$ 589,584	\$ 270,741	45.92%	\$ 981,242
June 30, 2016	\$ 584,575	\$ 320,465	54.82%	\$ 1,245,352

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2013, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 4.75% 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 related to the Proposition 39 Bond.

13. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing for those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* (OPEB). This statement will improve the usefulness of information about OPEB included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The scope of this statement includes OPEB plans administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined OPEB through OPEB plans that are not administered through trusts that meet specified criteria. 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 June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will improve 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 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 is required on July 1, 2017, will have on the District's financial statements, if any.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

In March 2016, GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, it addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14. TEMPORARILY RESTRICTED NET ASSETS - FOUNDATION

Temporarily restricted net assets consisted of the following:

June 30, 2016

ADOPT A FIFTH GRADER

The program was established during the 2007-08 fiscal year by donors donating funds to the program. The donors give the Foundation \$700 to adopt a fifth grade student. The student will receive \$25 during fifth grade and \$500 upon graduation from high school, or \$1,000 if they enroll at Mendocino College as a full-time student after graduating high school.

\$ 207,801

KOENINGER FUND

The Koeninger Fund was established during the 2007-08 fiscal year by a donation received from Mary Lou and Wade Koeninger to fund a program whereby each June, a fifth grader attending Hopland Elementary is awarded \$25. The student will then receive \$500 upon graduation from high school, or \$1,000 if they enroll at Mendocino College as a full-time student after graduating high school.

20,000

NURSING SCHOLARSHIP FUND

The Nursing Scholarship Fund was established by donations from the Kathleen Kohn Fetzer Family Foundation and Doug Atkinson, and is restricted for scholarships to nursing students.

15,000

BISTRIN SCHOLARSHIP

The Bistrin Scholarship was created in 2011 when Mendocino College Foundation Director Harry Bistrin passed away and donations were received in his memory. The first Bistrin Scholarship will be awarded for the 2012-13 academic year.

26,073

Balance Forward

\$ 268,874

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2016

Balance Brought Forward	\$ 268,874
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YVONNE SLIGH BOOK AWARD

The Yvonne Sligh Book Award funds student book vouchers in the amount of \$150. Eligible students do not receive financial aid from Mendocino College and have not received a Mendocino College Foundation Scholarship. This program was established in 2002-2003 by the Mendocino College Foundation and honors late librarian Yvonne Sligh who was employed by the college for 16 years.

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FOUNDATION AFFILIATE ORGANIZATIONS

FRIENDS OF MENDOCINO COLLEGE COASTAL FIELD STATION AND NATURAL SCIENCES (FMCCFSNS)	22,453
FRIENDS OF MENDOCINO COLLEGE LIBRARY (FMCL)	1,666
FRIENDS OF MENDOCINO COLLEGE THEATRE (FMCT)	6,386
FRIENDS OF MENDOCINO COLLEGE NURSING PROGRAM (FMCNP)	27,780
NORTH COUNTY FRIENDS OF MENDOCINO COLLEGE (NCFMC)	2,054
LAKE COUNTY FRIENDS OF MENDOCINO COLLEGE	7,464
MENDOCINO COLLEGE ATHLETICS BOOSTERS	15,605

Sub-total Foundation Affiliate Organizations	83,408
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MARY OOSTING FINE ARTS SCHOLARSHIP

Established in memory of Mary Oosting by loving family and friends, this scholarship supports students who are highly motivated in the area of visual arts. Each year art faculty identify a recipient who demonstrates commitment and enthusiasm in fine arts.

25,000

VARIOUS SCHOLARSHIPS

Miscellaneous scholarships.	7,325
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HALLIDAY PERPETUAL SCHOLARSHIP

See note 16 Endowments for explanation.	34,545
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EVELYN FOOTE TRUST

See note 16 Endowments for explanation.	339,257
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SALMEN FAMILY SCHOLARSHIP

See note 16 Endowments for explanation.	6,244
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Total Temporarily Restricted Net Assets	\$ 764,653
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Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

15. PERMANENTLY RESTRICTED NET ASSETS – FOUNDATION

Permanently restricted net assets consisted of the following:

June 30, 2016

EVELYN FOOTE TRUST

Beginning in 1992 and continuing over subsequent years, the Foundation received major contributions from the Evelyn Foote Remainder Annuity Trust for a total amount of \$803,542. The trust stipulated that the contributions shall be used to establish a perpetual fund in Ms. Foote's name, and income from the fund shall be distributed annually to supplement extracurricular programs or scholarships to benefit District students. The Foundation has determined the trust document does not consider unrealized gains and losses as income that becomes available for annual distribution.

\$ 803,542

GIFT ANNUITY

The Foundation is the beneficiary of gift annuities funded during the prior years. At the end of the donor's life, the Foundation will receive the residual of the assets used to create the annuities. The amounts have been restricted by the donors to fund a scholarship endowment.

155,863

HULDA AND ALFRED WEGER SCHOLARSHIP

During fiscal year 2009-10, Hulda Weger donated \$25,000 to be used for annual scholarships. The \$25,000 generates a permanent \$1,000 per year scholarship to benefit Ukiah High School graduates who attend Mendocino College.

25,000

SALMEN FAMILY SCHOLARSHIP

The Salmen Family's Perpetual Scholarship was established in 2010 to support Mendocino College students pursuing a career in one or more of the following sciences: astronomy, chemistry, computer, physics, and math by providing an annual \$1,000 scholarship. Salmen donates \$3,000 annually, and a \$3,000 donation is provided by the New York Life Foundation's matching gift program. The Salmen family formally changed this from a perpetual scholarship to an endowment account. The endowment will continue to fund student scholarships using the same criteria as was originally established.

34,500

Balance Forward

\$ 1,018,905

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2016

Balance Brought Forward	\$ 1,018,905
ALBERT BELTRAMI PERPETUAL INTERNSHIP SCHOLARSHIP	
Established in 2011, this scholarship is for Mendocino College students pursuing a career in local government. The student(s) selected will intern in a local city or county government office and enroll in Mendocino College Work Experience Education for college credit. Participating students receive \$500-\$1,000 for successfully completing the internship and coursework.	50,000
LES GREGG FAMILY SCHOLARSHIP	
Mrs. Catherine Gregg and daughter, Leslie Gregg Banta, established a new perpetual scholarship in memory of their late husband and father, longtime Ukiah restaurant owner, Les Gregg. The scholarship is awarded to students enrolled in 6 or more units in the Culinary Arts Management Program at Mendocino College.	25,000
JOE AND DOROTHY HALLIDAY SCHOLARSHIP	
In 2011, the Mendocino College Foundation received a generous gift through the estate of Joe and Dorothy Halliday. The Hallidays were loyal and hard working Point Arena residents with ancestral ties to the Mendocino Coastal communities dating back to the late 1800s. The gift will fund three scholarships with an internship component. Priority is given to Point Arena High School graduates. Recipients must demonstrate a high level of community volunteerism and have successfully completed a basic geography examination.	174,500
JOE AND DOROTHY HALLIDAY SCHOLARSHIP #2	
Sonoma State University Academic Foundation (SSUAF) is the trustee for the Halliday Trust 2 which will terminate in 2019. The Foundation is a 50% beneficiary of said trust. The amount recorded is based on 50% of the fund balance on an annual fund report provided by SSUAF.	183,185
FETZER NURSING SCHOLARSHIP	
The Kathleen Kohn Fetzer Family Foundation provided \$50,000 in perpetuity which will fund one Nursing Program Scholarship and one Student Scholarship annually. The Foundation funded these scholarships to inspire and assist nursing students in furthering their career.	50,000
Balance Forward	\$ 1,501,590

Mendocino-Lake Community College District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2016

Balance Brought Forward	\$ 1,501,590
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WALLACE MEEK PEREZ SCHOLARSHIP

Established in 2013, this scholarship assists a MESA student in obtaining their educational goals at Mendocino College. Wallace and Virginia Meek believed in everyone having an opportunity to obtain an education. Wallace passed away in late 2012, and Virginia created this award in their names. This is an open-ended fund, and contributions can be made through the Mendocino College Foundation.

38,675

JOHN BOGNER FINE ARTS SCHOLARSHIP

This perpetual scholarship was established by countless donations from our community to honor and remember beloved community leader and advocate, Mr. John Bogner. Theatre and music were a passion of Bogner's, and it is fitting that this award be given to a student pursuing a career in the fine arts.

37,754

ROBERT AND MARLYS BLANC SCHOLARSHIP

This scholarship program was established in 2015 to support a Mendocino College student in reaching their academic goals. The Blanc's reflected on how much a college education has been part of their lives and success, and they wanted to give back in a very direct and personal way.

12,925

LARUE KORBIN SCHOLARSHIP

LaRue Korbin spent her entire life in the service of helping others. She was a loving, caring and giving person who truly believed in doing everything possible to make our world a better place. The impact of Korbin's work and her passion for helping other will live on in perpetuity. In 2014, husband Frank Bender generously created the LaRue Korbin Memorial Scholarships for Mendocino County students enrolled in the nursing program.

101,000

Total Permanently Restricted Net Assets	\$ 1,691,944
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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, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Foundation Trust Fund	\$ 4,889,584	\$ 127,729	\$ 13,675	\$ 5,030,988
Evelyn Foote Fund	-	339,257	803,542	1,142,799
Halliday Fund	-	34,545	174,500	209,045
Halliday Fund #2	-	-	183,185	183,185
Salmen Fund	-	4,244	34,500	38,744
Perpetual Fund	(28,480)	51,077	288,925	311,522
AAFG Fund	51,354	207,801	-	259,155
Bogner Fund	-	-	37,754	37,754
Gift Annuity Fund	-	-	155,863	155,863
Total Endowment at June 30, 2016	\$ 4,912,458	\$ 764,653	\$ 1,691,944	\$ 7,369,055
Endowment Net Assets - Beginning of Year	\$ 4,565,851	\$ 661,437	\$ 1,620,955	\$ 6,848,243
Contributions	25,634	345,577	70,989	442,200
Interest and dividends	241,679	78,175	-	319,854
Net realized and unrealized gains (losses)	(46,902)	1,543	-	(45,359)
Amounts appropriated for expenditures	126,196	(322,079)	-	(195,883)
Endowment Net Assets - End of Year	\$ 4,912,458	\$ 764,653	\$ 1,691,944	\$ 7,369,055

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, 2016.

16. FAIR VALUE MEASUREMENTS – FOUNDATION

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

June 30, 2016	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 148,903	\$ 148,903	\$ -	\$ -
Mutual funds:				
Large-cap value funds	1,488,801	1,488,801	-	-
Large-cap blend funds	3,101,343	3,101,343	-	-
Large-cap growth funds	185,963	185,963	-	-
Small-cap value funds	236,983	236,983	-	-
Short-term bond funds	1,068,246	1,068,246	-	-
Intermediate-term bond funds	799,768	799,768	-	-
Total	\$ 7,030,007	\$ 7,030,007	\$ -	\$ -

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
Actuarial accrued liability (AAL)	\$ 6,236,312	\$ 6,342,577
Actuarial value of plan assets	-	-
Unfunded Actuarial Accrued Liability	\$ 6,236,312	\$ 6,342,577
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	\$ 10,218,222	\$ 9,992,370
UAAL as a percentage of covered payroll	61.03%	63.47%

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

Years Ended June 30	2016		2015	
District's proportion of the net pension liability (asset)	0.017%		0.017%	
District's proportionate share of the net pension liability (asset)	\$	10,221,995	\$	9,237,911
State's proportionate share of the net pension liability (asset) associated with the District		3,959,197		3,740,260
Total	\$	14,181,192	\$	12,978,171
District's covered-employee payroll	\$	5,596,892	\$	5,286,430
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		182.64%		174.75%
Plan fiduciary net position as a percentage of the total pension liability		74.00%		77.00%

See the accompanying note to the required supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM

Years Ended June 30	2016		2015	
Contractually required contribution	\$	944,450	\$	705,105
Contributions in relation to the contractually required contribution		(944,450)		(705,105)
Contribution Deficiency (Excess)	\$	-	\$	-
District's covered-employee payroll	\$	5,596,892	\$	5,286,430
Contributions as a percentage of covered-employee payroll		16.87%		13.34%

See the accompanying note 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**

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

See the accompanying note to the required supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

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

See the accompanying note to the required supplementary information.

CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

There were no significant changes of benefit terms from the June 30, 2013, actuarial valuation.

California Public Employees' Retirement System

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions used for a specific plan can be found in the plan's annual valuation report.

CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no changes in major assumptions from the June 30, 2013, actuarial valuation.

California Public Employees' Retirement System

No changes have occurred to the actuarial assumptions since the CalPERS Board adopted new actuarial assumptions in February 2014. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and they will be better at predicting future experiences resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013.

GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for the pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015, measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

OTHER SUPPLEMENTARY INFORMATION SECTION

Mendocino-Lake Community College District

ORGANIZATION STRUCTURE

June 30, 2016

GOVERNING BOARD

Name	Office	Area	Term Expires
Mr. John Tomkins	President	Lakeport	December 2017
Dr. Ed Haynes	Member	Ukiah	December 2017
Mr. Joel Clark	Member	Hopland	December 2019
Ms. Janet Chaniot	Member	Potter Valley	December 2017
Ms. Marie Myers	Clerk	Ukiah	December 2019
Mr. Dave Geck	Vice President	Kelseyville	December 2019
Mr. Paul Ubelhart	Member	Willits	December 2019

DISTRICT ADMINISTRATION

Mr. Arturo Reyes
Superintendent/President

Ms. Eileen Cichocki
Vice President, Administrative Services

Ms. Virginia Guleff
Vice President, Education and Student Services

Mendocino-Lake Community College District

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

June 30, 2016

The full-time equivalent resident students (FTES) eligible for 2015-16 state apportionment reported to the State of California are summarized below:

	Reported Data
<hr/>	
Summer Intersession (Summer 2015 Only)	
Noncredit	8.42
Credit	17.01
Summer Intersession (Summer 2015 - Prior to July 1, 2016)	
Noncredit	-
Credit	2.74
Primary Terms (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	1,644.24
Daily Census Contact Hours	201.78
Actual Hours of Attendance Procedure Courses	
Noncredit	73.21
Credit	95.29
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	449.95
Daily Census Contact Hours	91.67
Noncredit Independent Study/Distance Education Courses	-
<hr/>	
Total FTES	2,584.31
<hr/>	
Total Credit FTES	2,502.68
Total Noncredit FTES	81.63
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SUPPLEMENTARY INFORMATION (Subset of above information)	
IN-SERVICE TRAINING COURSES (FTES)	-
Basic Skills Courses And Immigrant Education	
Noncredit	69.57
Credit	154.27
CDCP Noncredit FTES	43.10
Centers FTES	
Noncredit	25.27
Credit	930.56
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See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants		84.007	\$ 63,841
Federal Direct Student Loans		84.268	1,194,826
Federal Work-Study Program		84.033	75,529
Federal Pell Grant Program		84.063	5,449,788
Total Student Financial Assistance Cluster			6,783,984
Passed Through State Department of Education			
Vocational Education - Basic Grants to States	13-112-140	84.048	180,319
Indian Education	91-0101-0-1-501	84.060	1,000
Subtotal			181,319
Migrant Education College Assistance Program		84.149A	433,348
Migrant Education High School Equivalency Program		84.141	399,486
TOTAL U.S. DEPARTMENT OF EDUCATION			7,798,137
U.S. DEPARTMENT OF TRANSPORTATION			
Eisenhower Transportation Fellowship Program		20.215	5,000
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			5,000
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
Child and Adult Care Food Program	04391-CACFP-23-CC-IC	10.558	41,683
Forest Reserve	1500339A	10.665	33,011
TOTAL U.S. DEPARTMENT OF AGRICULTURE			74,694
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed Through State Department of Education			
AmeriCorps	95550001	94.006	23,130
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			23,130
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	97,976
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			97,976
NATIONAL SCIENCE FOUNDATION			
Biological Sciences		47.074	10,479
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Promotion of the Humanities - Public Programs		45.164	529
Total Expenditures of Federal Awards			\$ 8,009,945

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2016

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Disabled Student Programs and Services	\$ 319,281	\$ -	\$ -	\$ 319,281
Extended Opportunity Programs and Services	479,500	-	-	479,500
Child Development Center	428,737	45,754	-	474,491
RN Capacity Grant	103,488	8,999	-	112,487
CalGrant	529,711	(117,105)	-	412,606
SFAA	215,167	-	-	215,167
Full Time Student Success Grant	115,942	-	(7,642)	108,300
CalWORKS	160,247	-	-	160,247
MESA	50,500	-	-	50,500
Foster Parent	84,092	-	-	84,092
Cooperative Agency Resource Education	68,764	-	-	68,764
Staff Diversity	111,794	-	-	111,794
CTE	184,652	41,345	(55,263)	170,734
TANF	37,108	-	-	37,108
Basic Skills	90,000	-	-	90,000
Instructional Equipment Block Grant	193,547	-	(12,280)	181,267
Student Equity	436,383	50,000	(150,121)	336,262
Student Success and Support Program	789,076	-	(127,366)	661,710
Prop 39 - Clean Energy Workforce Grant	1,179,630	(139,794)	-	1,039,836
Prop 39 - Energy Project	116,011	-	(104,424)	11,587
AEBG	873,711	-	(857,667)	16,044
Scheduled Maintenance	193,547	-	(33,218)	160,329
AB 86 Adult Education	-	20,194	107,097	127,291
All other aid programs	3,625	7,493	1,972	13,090
Total State Grants - Noncapital	\$ 6,764,513	\$ (83,114)	\$ (1,238,912)	\$ 5,442,487

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, 2016

	General Unrestricted Fund	General Restricted Fund	Bond Debt Service Fund	Balance Forward
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 4,971,004	\$ 233,105	\$ -	\$ 5,204,109
Adjustment and reclassifications increasing (decreasing) the fund balance:				
Adjustment to record Debt Service Fund for financial statement purposes	-	-	1,920,241	1,920,241
Adjustment to remove amounts held for others	-	-	-	-
Rounding	-	1	-	1
Net Adjustments and Reclassifications	-	1	1,920,241	1,920,242
June 30, 2016 - District Accounting Records Fund Balance	\$ 4,971,004	\$ 233,106	\$ 1,920,241	\$ 7,124,351

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 5,204,109	\$ -	\$ 935,697	\$ -	\$ 6,139,806
Adjustment and reclassifications increasing (decreasing) the fund balance:					
Adjustment to record Debt Service Fund for financial statement purposes	1,920,241	-	-	-	1,920,241
Adjustment to remove amounts held for others	-	-	-	-	-
Rounding	1	(1)	-	-	-
Net Adjustments and Reclassifications	1,920,242	(1)	-	-	1,920,241
June 30, 2016 - District Accounting Records Fund Balance	\$ 7,124,351	\$ (1)	\$ 935,697	\$ -	\$ 8,060,047

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, 2016

(Continued)

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Self- Insurance Fund	Balance Forward
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 6,139,806	\$ 118,633	\$ 24,480	\$ 3,140,900	\$ 9,423,819
Adjustment and reclassifications increasing (decreasing the fund balance):					
Adjustment to record Debt Service Fund for financial statement purposes	1,920,241	-	-	-	1,920,241
Adjustment to remove amounts held for others	-	(118,633)	(24,480)	-	(143,113)
Rounding	-	-	-	-	-
Net Adjustments and Reclassifications	1,920,241	(118,633)	(24,480)	-	1,777,128
June 30, 2016 - District Accounting Records Fund Balance	\$ 8,060,047	\$ -	\$ -	\$ 3,140,900	\$ 11,200,947

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 9,423,819	\$ 325,690	\$ -	\$ 22,506	\$ 9,772,015
Adjustment and reclassifications increasing (decreasing the fund balance):					
Adjustment to record Debt Service Fund for financial statement purposes	1,920,241	-	-	-	1,920,241
Adjustment to remove amounts held for others	(143,113)	(325,690)	-	(22,505)	(491,308)
Rounding	-	-	-	(1)	(1)
Net Adjustments and Reclassifications	1,777,128	(325,690)	-	(22,506)	1,428,932
June 30, 2016 - District Accounting Records Fund Balance	\$ 11,200,947	\$ -	\$ -	\$ -	\$ 11,200,947

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District
RECONCILIATION OF 50% LAW CALCULATION
June 30, 2016

	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
ACADEMIC SALARIES							
Instructional Salaries							
Contract or regular	1100	\$ 3,554,761	\$ -	\$ 3,554,761	\$ 3,578,279	\$ -	\$ 3,578,279
Other	1300	3,975,934	-	3,975,934	3,994,109	-	3,994,109
Total Instructional Salaries		7,530,695	-	7,530,695	7,572,388	-	7,572,388
Non-Instructional Salaries							
Contract or regular	1200	-	-	-	1,121,509	-	1,121,509
Other	1400	-	-	-	61,493	-	61,493
Total Non-Instructional Salaries		-	-	-	1,183,002	-	1,183,002
TOTAL ACADEMIC SALARIES		7,530,695	-	7,530,695	8,755,390	-	8,755,390
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular status	2100	-	-	-	3,327,352	-	3,327,352
Other	2300	-	-	-	367,875	-	367,875
Total Non-Instructional Salaries		-	-	-	3,695,227	-	3,695,227
Instructional Aides							
Regular status	2200	385,853	-	385,853	484,541	-	484,541
Other	2400	51,976	-	51,976	55,242	-	55,242
Total Instructional Aides		437,829	-	437,829	539,783	-	539,783
TOTAL CLASSIFIED SALARIES		437,829	-	437,829	4,235,010	-	4,235,010
Other							
Employee benefits	3000	1,979,890	-	1,979,890	4,689,523	-	4,689,523
Supplies and materials	4000	-	-	-	293,620	-	293,620
Other operating expenses	5000	-	-	-	1,929,289	-	1,929,289
Equipment replacement	6420	-	-	-	-	-	-
Total Other		1,979,890	-	1,979,890	6,912,432	-	6,912,432
Total Expenditures Prior to Exclusions		\$ 9,948,414	\$ -	\$ 9,948,414	\$ 19,902,832	\$ -	\$ 19,902,832

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF 50% LAW CALCULATION

June 30, 2016

(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
EXCLUSIONS							
Activities To Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Total Instructional Salaries		-	-	-	-	-	-
Objects To Exclude							
Rents and leases	5060	-	-	-	23,572	-	23,572
Lottery expenditures:							
Academic salaries	1000	-	-	-	240,844	-	240,844
Classified salaries	2000	-	-	-	109,475	-	109,475
Employee benefits	3000	-	-	-	131,370	-	131,370
Subtotal		-	-	-	505,261	-	505,261
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	10,947	-	10,947
Subtotal		-	-	-	10,947	-	10,947
Other operating expenses and services	5000	-	-	-	54,737	-	54,737
Capital outlay:							
Library books	6300	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
TOTAL EXCLUSIONS		-	-	-	570,945	-	570,945
Total for ECS 84362 - 50% Law		\$ 9,948,414	\$ -	\$ 9,948,414	\$ 19,331,887	\$ -	\$ 19,331,887
Percentage of CEE (Instructional Salary Cost/Total CEE)		51.46%	0.00%	51.46%			
50% of Current Expense of Education					\$ 9,665,944	\$ -	\$ 9,665,940

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES

June 30, 2016

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
EPA Proceeds	8630			\$	3,264,356
Activity Classification:					
Instructional activities	0100-5900	\$ 3,264,356	\$ -	\$ -	3,264,356
Total Expenditures for EPA		\$ 3,264,356	\$ -	\$ -	3,264,356
Total Revenue Less Expenditures				\$	-

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, 2016	General Unrestricted Fund	General Restricted Fund	Debt Service Fund	Bond Debt Service Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 3,844,115	\$ -	\$ -	\$ -	3,844,115
Restricted cash and cash equivalents	-	835,709	-	-	835,709
Investments	-	-	-	-	-
Accounts receivable	1,696,155	1,131,243	-	-	2,827,398
Due from other funds	13,746	97	818	-	14,661
Total Current Assets	5,554,016	1,967,049	818	-	7,521,883
Noncurrent Assets					
Restricted cash and cash equivalents	-	-	(818)	1,920,241	1,919,423
Total Noncurrent Assets	-	-	(818)	1,920,241	1,919,423
TOTAL ASSETS	\$ 5,554,016	\$ 1,967,049	\$ -	\$ 1,920,241	\$ 9,441,306
LIABILITIES					
Accounts payable	\$ 157,582	\$ 105,647	\$ -	\$ -	263,229
Advances from grantors and students	424,545	1,628,296	-	-	2,052,841
Amounts held in trust for others	-	-	-	-	-
Due to other funds	885	-	-	-	885
Total Liabilities	583,012	1,733,943	-	-	2,316,955
FUND EQUITY					
Fund balances:					
Reserved for special purposes	-	233,106	-	1,920,241	2,153,347
Unreserved	4,971,004	-	-	-	4,971,004
Total Fund Equity	4,971,004	233,106	-	1,920,241	7,124,351
TOTAL LIABILITIES AND FUND EQUITY	\$ 5,554,016	\$ 1,967,049	\$ -	\$ 1,920,241	\$ 9,441,306

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, 2016	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 3,844,115	\$ -	\$ -	\$ -	\$ 3,844,115
Restricted cash and cash equivalents	835,709	(33,706)	1,038,320	-	1,840,323
Investments	-	-	-	-	-
Accounts receivable	2,827,398	75,264	75,203	-	2,977,865
Due from other funds	14,661	67	-	-	14,728
Total Current Assets	7,521,883	41,625	1,113,523	-	8,677,031
Noncurrent Assets					
Restricted cash and cash equivalents	1,919,423	-	-	-	1,919,423
Total Noncurrent Assets	1,919,423	-	-	-	1,919,423
TOTAL ASSETS	\$ 9,441,306	\$ 41,625	\$ 1,113,523	\$ -	\$ 10,596,454
LIABILITIES					
Accounts payable	\$ 263,229	\$ 27,880	\$ 40,184	\$ -	\$ 331,293
Advances from grantors and students	2,052,841	-	137,642	-	2,190,483
Amounts held in trust for others	-	-	-	-	-
Due to other funds	885	13,746	-	-	14,631
Total Liabilities	2,316,955	41,626	177,826	-	2,536,407
FUND EQUITY					
Fund balances:					
Reserved for special purposes	2,153,347	(1)	935,697	-	3,089,043
Unreserved	4,971,004	-	-	-	4,971,004
Total Fund Equity	7,124,351	(1)	935,697	-	8,060,047
TOTAL LIABILITIES AND FUND EQUITY	\$ 9,441,306	\$ 41,625	\$ 1,113,523	\$ -	\$ 10,596,454

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, 2016	Balance Brought Forward	Self- Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 3,844,115	\$ 132,993	\$ -	\$ -	\$ 3,977,108
Restricted cash and cash equivalents	1,840,323	-	118,633	24,810	1,983,766
Investments	-	1,153,204	-	-	1,153,204
Accounts receivable	2,977,865	-	-	-	2,977,865
Due from other funds	14,728	-	-	-	14,728
Total Current Assets	8,677,031	1,286,197	118,633	24,810	10,106,671
Noncurrent Assets					
Restricted cash and cash equivalents	1,919,423	1,854,800	-	-	3,774,223
Total Noncurrent Assets	1,919,423	1,854,800	-	-	3,774,223
TOTAL ASSETS	\$ 10,596,454	\$ 3,140,997	\$ 118,633	\$ 24,810	\$ 13,880,894
LIABILITIES					
Accounts payable	\$ 331,293	\$ -	\$ -	\$ 330	\$ 331,623
Advances from grantors and students	2,190,483	-	-	-	2,190,483
Amounts held in trust for others	-	-	118,633	24,480	143,113
Due to other funds	14,631	97	-	-	14,728
Total Liabilities	2,536,407	97	118,633	24,810	2,679,947
FUND EQUITY					
Fund balances:					
Reserved for special purposes	3,089,043	3,140,900	-	-	6,229,943
Unreserved	4,971,004	-	-	-	4,971,004
Total Fund Equity	8,060,047	3,140,900	-	-	11,200,947
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,596,454	\$ 3,140,997	\$ 118,633	\$ 24,810	\$ 13,880,894

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, 2016	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 3,977,108	\$ -	\$ -	\$ -	\$ 3,977,108
Restricted cash and cash equivalents	1,983,766	331,556	-	22,505	2,337,827
Investments	1,153,204	-	-	-	1,153,204
Accounts receivable	2,977,865	-	-	-	2,977,865
Due from other funds	14,728	-	-	-	14,728
Total Current Assets	10,106,671	331,556	-	22,505	10,460,732
Noncurrent Assets					
Restricted cash and cash equivalents	3,774,223	-	-	-	3,774,223
Total Noncurrent Assets	3,774,223	-	-	-	3,774,223
TOTAL ASSETS	\$ 13,880,894	\$ 331,556	\$ -	\$ 22,505	\$ 14,234,955
LIABILITIES					
Accounts payable	\$ 331,623	\$ 5,866	\$ -	\$ -	\$ 337,489
Advances from grantors and students	2,190,483	-	-	-	2,190,483
Amounts held in trust for others	143,113	325,690	-	22,505	491,308
Due to other funds	14,728	-	-	-	14,728
Total Liabilities	2,679,947	331,556	-	22,505	3,034,008
FUND EQUITY					
Fund balances:					
Reserved for special purposes	6,229,943	-	-	-	6,229,943
Unreserved	4,971,004	-	-	-	4,971,004
Total Fund Equity	11,200,947	-	-	-	11,200,947
TOTAL LIABILITIES AND FUND EQUITY	\$ 13,880,894	\$ 331,556	\$ -	\$ 22,505	\$ 14,234,955

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, 2016	General Unrestricted Fund	General Restricted Fund	Debt Service Fund	Bond Debt Service Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 3,082,873	\$ 114,931	\$ -	\$ -	\$ 3,197,804
Less: Scholarship discount and allowance	1,954,080	-	-	-	1,954,080
Net Tuition and Fees	1,128,793	114,931	-	-	1,243,724
Grants and contracts - noncapital:					
Federal	40,281	1,202,666	-	-	1,242,947
State	111,794	4,164,580	-	-	4,276,374
Local	271,963	20,449	-	-	292,412
Auxiliary enterprise sales and charges	61,460	-	-	-	61,460
Total Operating Revenues	1,614,291	5,502,626	-	-	7,116,917
Operating Expenditures/Expenses					
Salaries	13,477,774	2,328,925	-	-	15,806,699
Employee benefits	4,819,461	877,060	-	-	5,696,521
Supplies, materials, and other services	1,748,086	1,376,255	-	-	3,124,341
Capital outlay	125,439	717,948	-	-	843,387
Utilities	720,799	2,353	-	-	723,152
Payments to students	2,689	391,325	-	-	394,014
Total Operating Expenditures/Expenses	20,894,248	5,693,866	-	-	26,588,114
Operating Income (Loss)	(19,279,957)	(191,240)	-	-	(19,471,197)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	9,923,542	-	-	-	9,923,542
State apportionments - capital	-	-	-	-	-
Education protection account revenues - noncapital	3,264,356	-	-	-	3,264,356
Local property taxes	6,611,394	-	-	2,648,171	9,259,565
State taxes and other revenues - noncapital	2,284,044	185,224	-	-	2,469,268
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	6,722	-	(817)	2,637	8,542
Investment income - capital	-	-	-	-	-
Interest expense - capital assets related debt	-	-	(87,268)	(1,694,034)	(1,781,302)
Other nonoperating revenues - noncapital	569,762	8,219	-	-	577,981
Total Nonoperating Revenues (Expenditures)	22,659,820	193,443	(88,085)	956,774	23,721,952
Excess of Revenues Over (Under) Expenditures/Expenses					
	3,379,863	2,203	(88,085)	956,774	4,250,755
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	51,963,233	51,963,233
Costs of bond issuance	-	-	-	(755,907)	(755,907)
Debt service - principal	-	-	(354,715)	(51,682,327)	(52,037,042)
Operating transfers in	-	-	442,800	-	442,800
Operating transfers out	(534,220)	-	-	-	(534,220)
Total Other Financing Sources (Uses)	(534,220)	-	88,085	(475,001)	(921,136)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses					
	2,845,643	2,203	-	481,773	3,329,619
Fund Equity - Beginning of Year	2,125,361	230,903	-	1,438,468	3,794,732
Fund Equity - End of Year	\$ 4,971,004	\$ 233,106	\$ -	\$ 1,920,241	\$ 7,124,351

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, 2016	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 3,197,804	\$ -	\$ -	\$ -	\$ 3,197,804
Less: Scholarship discount and allowance	1,954,080	-	-	-	1,954,080
Net Tuition and Fees	1,243,724	-	-	-	1,243,724
Grants and contracts - noncapital:					
Federal	1,242,947	41,683	-	-	1,284,630
State	4,276,374	470,566	160,329	-	4,907,269
Local	292,412	-	103,274	-	395,686
Auxiliary enterprise sales and charges	61,460	-	-	-	61,460
Total Operating Revenues	7,116,917	512,249	263,603	-	7,892,769
Operating Expenditures/Expenses					
Salaries	15,806,699	370,420	-	-	16,177,119
Employee benefits	5,696,521	142,774	-	-	5,839,295
Supplies, materials, and other services	3,124,341	52,429	51,082	-	3,227,852
Capital outlay	843,387	24,329	452,289	-	1,320,005
Utilities	723,152	13,550	-	-	736,702
Payments to students	394,014	-	-	-	394,014
Total Operating Expenditures/Expenses	26,588,114	603,502	503,371	-	27,694,987
Operating Income (Loss)	(19,471,197)	(91,253)	(239,768)	-	(19,802,218)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	9,923,542	-	-	-	9,923,542
State apportionments - capital	-	-	11,587	-	11,587
Education protection account revenues - noncapital	3,264,356	-	-	-	3,264,356
Local property taxes	9,259,565	-	-	-	9,259,565
State taxes and other revenues - noncapital	2,469,268	-	-	-	2,469,268
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	8,542	(168)	-	-	8,374
Investment income - capital	-	-	3,324	-	3,324
Interest expense - capital assets related debt	(1,781,302)	-	-	-	(1,781,302)
Other nonoperating revenues - noncapital	577,981	-	66,205	-	644,186
Total Nonoperating Revenues (Expenditures)	23,721,952	(168)	81,116	-	23,802,900
Excess of Revenues Over (Under) Expenditures/Expenses	4,250,755	(91,421)	(158,652)	-	4,000,682
Other Financing Sources (Uses)					
Bond proceeds	51,963,233	-	-	-	51,963,233
Costs of bond issuance	(755,907)	-	-	-	(755,907)
Debt service - principal	(52,037,042)	-	-	-	(52,037,042)
Operating transfers in	442,800	91,420	-	-	534,220
Operating transfers out	(534,220)	-	-	-	(534,220)
Total Other Financing Sources (Uses)	(921,136)	91,420	-	-	(829,716)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	3,329,619	(1)	(158,652)	-	3,170,966
Fund Equity - Beginning of Year	3,794,732	-	1,094,349	-	4,889,081
Fund Equity - End of Year	\$ 7,124,351	\$ (1)	\$ 935,697	\$ -	\$ 8,060,047

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, 2016	Balance Brought Forward	Self- Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 3,197,804	\$ -	\$ -	\$ -	3,197,804
Less: Scholarship discount and allowance	1,954,080	-	-	-	1,954,080
Net Tuition and Fees	1,243,724	-	-	-	1,243,724
Grants and contracts - noncapital:					
Federal	1,284,630	-	-	-	1,284,630
State	4,907,269	-	-	-	4,907,269
Local	395,686	-	-	-	395,686
Auxiliary enterprise sales and charges	61,460	-	-	-	61,460
Total Operating Revenues	7,892,769	-	-	-	7,892,769
Operating Expenditures/Expenses					
Salaries	16,177,119	11,665	-	-	16,188,784
Employee benefits	5,839,295	(534,685)	-	-	5,304,610
Supplies, materials, and other services	3,227,852	-	-	-	3,227,852
Capital outlay	1,320,005	-	-	-	1,320,005
Utilities	736,702	-	-	-	736,702
Payments to students	394,014	-	-	-	394,014
Total Operating Expenditures/Expenses	27,694,987	(523,020)	-	-	27,171,967
Operating Income (Loss)	(19,802,218)	523,020	-	-	(19,279,198)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	9,923,542	-	-	-	9,923,542
State apportionments - capital	11,587	-	-	-	11,587
Education protection account revenues - noncapital	3,264,356	-	-	-	3,264,356
Local property taxes	9,259,565	-	-	-	9,259,565
State taxes and other revenues - noncapital	2,469,268	-	-	-	2,469,268
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	8,374	9,531	-	-	17,905
Investment income - capital	3,324	-	-	-	3,324
Interest expense - capital assets related debt	(1,781,302)	-	-	-	(1,781,302)
Other nonoperating revenues - noncapital	644,186	19,788	-	-	663,974
Total Nonoperating Revenues (Expenditures)	23,802,900	29,319	-	-	23,832,219
Excess of Revenues Over (Under) Expenditures/Expenses	4,000,682	552,339	-	-	4,553,021
Other Financing Sources (Uses)					
Bond proceeds	51,963,233	-	-	-	51,963,233
Costs of bond issuance	(755,907)	-	-	-	(755,907)
Debt service - principal	(52,037,042)	-	-	-	(52,037,042)
Operating transfers in	534,220	-	-	-	534,220
Operating transfers out	(534,220)	-	-	-	(534,220)
Total Other Financing Sources (Uses)	(829,716)	-	-	-	(829,716)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	3,170,966	552,339	-	-	3,723,305
Fund Equity - Beginning of Year	4,889,081	2,588,561	-	-	7,477,642
Fund Equity - End of Year	\$ 8,060,047	\$ 3,140,900	\$ -	\$ -	11,200,947

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, 2016	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
Operating Revenues					
Tuition and fees	\$ 3,197,804	\$ -	\$ -	\$ -	\$ 3,197,804
Less: Scholarship discount and allowance	1,954,080	-	-	-	1,954,080
Net Tuition and Fees	1,243,724	-	-	-	1,243,724
Grants and contracts - noncapital:					
Federal	1,284,630	-	-	-	1,284,630
State	4,907,269	-	-	-	4,907,269
Local	395,686	-	-	-	395,686
Auxiliary enterprise sales and charges	61,460	-	-	-	61,460
Total Operating Revenues	7,892,769	-	-	-	7,892,769
Operating Expenditures/Expenses					
Salaries	16,188,784	-	-	-	16,188,784
Employee benefits	5,304,610	-	-	-	5,304,610
Supplies, materials, and other services	3,227,852	-	-	-	3,227,852
Capital outlay	1,320,005	-	-	-	1,320,005
Utilities	736,702	-	-	-	736,702
Payments to students	394,014	-	-	-	394,014
Total Operating Expenditures/Expenses	27,171,967	-	-	-	27,171,967
Operating Income (Loss)	(19,279,198)	-	-	-	(19,279,198)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	9,923,542	-	-	-	9,923,542
State apportionments - capital	11,587	-	-	-	11,587
Education protection account revenues - noncapital	3,264,356	-	-	-	3,264,356
Local property taxes	9,259,565	-	-	-	9,259,565
State taxes and other revenues - noncapital	2,469,268	-	-	-	2,469,268
Financial aid revenues - federal	-	-	6,725,315	-	6,725,315
Financial aid revenues - state	-	-	520,906	-	520,906
Financial aid expenses	-	-	(7,246,221)	-	(7,246,221)
Investment income - noncapital	17,905	-	-	-	17,905
Investment income - capital	3,324	-	-	-	3,324
Interest expense - capital assets related debt	(1,781,302)	-	-	-	(1,781,302)
Other nonoperating revenues - noncapital	663,974	-	-	-	663,974
Total Nonoperating Revenues (Expenditures)	23,832,219	-	-	-	23,832,219
Excess of Revenues Over (Under) Expenditures/Expenses	4,553,021	-	-	-	4,553,021
Other Financing Sources (Uses)					
Bond proceeds	51,963,233	-	-	-	51,963,233
Costs of bond issuance	(755,907)	-	-	-	(755,907)
Debt service - principal	(52,037,042)	-	-	-	(52,037,042)
Operating transfers in	534,220	-	-	-	534,220
Operating transfers out	(534,220)	-	-	-	(534,220)
Total Other Financing Sources (Uses)	(829,716)	-	-	-	(829,716)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	3,723,305	-	-	-	3,723,305
Fund Equity - Beginning of Year	7,477,642	-	-	-	7,477,642
Fund Equity - End of Year	\$ 11,200,947	\$ -	\$ -	\$ -	\$ 11,200,947

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District
RECONCILIATION OF FUND EQUITY TO NET POSITION
 June 30, 2016

Total Fund Equity - District Funds Included in the Reporting Entity	\$	11,200,947
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:		
Nondepreciable capital assets		7,545,440
Depreciable capital assets	\$ 119,397,969	
Accumulated depreciation	(34,151,347)	85,246,622
Deferred outflows of resources		5,510,274
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:		
Accounts payable - interest payable		(792,311)
Claims payable		(787,127)
Net pension liabilities		(16,502,353)
Long-term debt		(78,896,830)
Capital lease		(1,596,103)
Loan		(185,484)
Compensated absences		(901,048)
Other postemployment benefit obligations		(1,245,352)
Deferred inflows of resources		(2,033,916)
Net Assets Reported Within the GASB 35 Statement of Net Position	\$	6,562,759

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, 2016

Change in Fund Equity - District Funds Included in the Reporting Entity	\$ 3,723,305
Amortization of bond premium and accretion on bonds	(1,741,690)
Cost of bond issuance	(755,907)
Claims expense	(19,277)
Compensated absence expense	(17,153)
Depreciation expense	(2,894,109)
Expenses capitalized	63,534
Accrued interest expense	28,310
Debt service principal	829,716
Pension expense difference	1,034,025
Additional expenses of other postemployment benefits	(264,110)
<hr/>	
Net Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position	\$ (13,356)

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

NOTES TO THE SUPPLEMENTARY INFORMATION

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, 2016, 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, 2016. 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, 2016. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2015-16*.

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)

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

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

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, 2016.

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, 2016; 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 5, 2016.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's 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 over financial reporting 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 Jam, LLP

December 5, 2016
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, 2016. 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, 2016.

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 5, 2016
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 2015-16*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2016. 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 2015-16*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2015-16* 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)

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW
APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS
STATE GENERAL APPORTIONMENT FUNDING SYSTEM
RESIDENCY DETERMINATION FOR CREDIT COURSES
STUDENTS ACTIVELY ENROLLED
CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES
STUDENT SUCCESS AND SUPPORT PROGRAMS (SSSP)
SCHEDULED MAINTENANCE PROGRAM
GANN LIMIT CALCULATION
OPEN ENROLLMENT
STUDENT FEES - HEALTH FEES AND USE OF HEALTH FEE FUNDS
PROPOSITION 39 CLEAN ENERGY
INTERSESSION EXTENSION PROGRAM
DISABLED STUDENT PROGRAMS AND SERVICES (DSPTS)
TO BE ARRANGED HOURS (TBA)
PROPOSITION 1D STATE BOND FUNDED PROJECTS
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT FUNDS

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, 2016.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the state compliance requirements referred to above that are required to be reported in accordance with the *California Community Colleges Contracted District Audit Manual 2015-16*, which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on state compliance is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

KCoe Jam, LLP

December 5, 2016
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

Mendocino-Lake Community College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

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, 2016

(Continued)

SECTION II FINDINGS

FINANCIAL STATEMENTS AUDIT

None.

Mendocino-Lake Community College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

(Continued)

SECTION III FINDINGS

FEDERAL AWARDS AUDIT

None.

Mendocino-Lake Community College District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

(Continued)

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 recommend that the District ensures that all agreements related to instructional service agreements be fully executed prior to the commencement of instruction.

Response The Deans in charge of scheduling dual enrollment classes will ensure that Instructional Services Agreements (ISAs) are signed before the beginning of course delivery. This will be accomplished by preparing all documents for signature before the end of the preceding semester. For example, ISAs for Spring semester courses will be prepared and available for signature before the end of the Fall 2016 semester in December, 2016. Deans will be clear with K12 districts that no course can commence without the retrieval of signed ISAs.

Mendocino-Lake Community College District

CORRECTIVE ACTION PLAN

June 30, 2016

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, 2016

SECTION IV FINDINGS

STATE AWARDS AUDIT

STATE COMPLIANCE (475 – Disabled Student Programs and Services – DSPS)

2015-001

Significant Deficiency

Condition During our eligibility testing over DSPS students, we discovered 4 of the 25 student files selected for testing did not contain verification of disability. As a result of our finding, the District reviewed 213 files, which is 100% of the active DSPS files for such verification. Such review produced an additional 2 files (6 files in total) that were missing the required documentation of verification of disability.

Criteria To demonstrate compliance with *California Code of Regulations*, Title 5, Section 56006, the District should maintain documentation of verification of disability. Verification may be obtained in one of the following ways as outlined by the Chancellor:

- 1) Observation by certificated DSPS staff;
- 2) assessment by certificated DSPS staff; or
- 3) review of documentation by certificated staff provided by appropriate agencies or certified or licensed professionals outside of DSPS.

Effect There is a potential for noncompliance with the Chancellors' Office *Implementing Guidelines for Title 5 Regulations – DSPS*, due to lack of effective monitoring and documentation of required disability verification.

Recommendation We recommended that the District maintain a verification of disability form in each DSPS students' file. The form should contain all required information as outlined by the Chancellors' Office in *Implementing Guidelines for Title 5 Regulations – DSPS*.

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