MERCED COMMUNITY COLLEGE DISTRICT

MERCED, CALIFORNIA

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2021

MERCED COMMUNITY COLLEGE DISTRICT

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MERCED COMMUNITY COLLEGE DISTRICT

ORGANIZATION
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DESCRIPTION OF DISTRICT

The District, a political subdivision of the State of California, was established on July 1, 1963. Its territories encompass portions of Merced, Madera, and Fresno counties. There were no changes in boundaries during the fiscal year.

The District provides higher education instruction for the first and second years of college education and vocations training at Merced Community College.

BOARD OF TRUSTEES

ADMINISTRATION

Chris Vitelli, Ed.D. ....Superintendent/President, Merced College

Joe Allison, CPA.................... Vice President, Administrative Services

Kelly Fowler – through June 14, 2021....................Vice President, Instruction

Karissa Morehouse – effective June 14, 2021....................Vice President, Instruction

Michael McCandless, Ed.D. .... Vice President, Student Services

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Auxiliary Name	Establishment Date	Current Master Agreement Date	Auxiliary Director's Name
Merced College Foundation	November 9, 1973	January 5, 2010	Jill Cunningham

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Merced Community College District
Merced, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Merced Community College District (the District) as of and for the year ended June 30, 2021, 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

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.

Auditor's 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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.

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

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 Merced Community College District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 the Management's Discussion and Analysis, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedules of the District's Pension Contributions, as listed in the table of contents, 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 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.

Supplementary 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 Supplementary Information Section, as listed in the table of contents, is presented for purposes of additional analysis, and is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office, and is not a required part of the basic financial statements.

This supplementary information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

February 25, 2022

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

Merced Community College District ("the District") was formed in 1962. The District is located in Merced, California and has two campuses for students. The main campus is located in the city of Merced itself, with a satellite campus located in Los Banos, California. The District also has classes available at other locations outside of their two main campuses for students at the high schools in Merced, Atwater, Delhi, Dos Palos, and Mariposa, as well as classes for inmates of the Valley State Prison and the Central California Women's Facility located in Chowchilla. We invite you to learn more about us and our services to students and the community at www.mccd.edu.

ACCOUNTING STANDARDS

The following management's discussion and analysis provides an overview of the financial position and activities of the District's Financial Report for the fiscal year that ended June 30, 2021. This discussion has been prepared by management, and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board Statements (GASB) No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor’s Office, through its Fiscal Accountability Standards Committee, recommended that all community college districts use the reporting standards under the BTA model.

The annual report consists of three basic financial statements, plus notes, that provide information on the District as a whole:

The Statement of Net Position presents the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Changes in total net position are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred by the District.

The Statement of Cash Flows presents information about the cash activities of the District during the year.

Notes to the Basic Financial Statements provide additional information crucial for the review of the financial statements.

Each of these statements will be reviewed and significant events discussed.

FINANCIAL AND ENROLLMENT HIGHLIGHTS

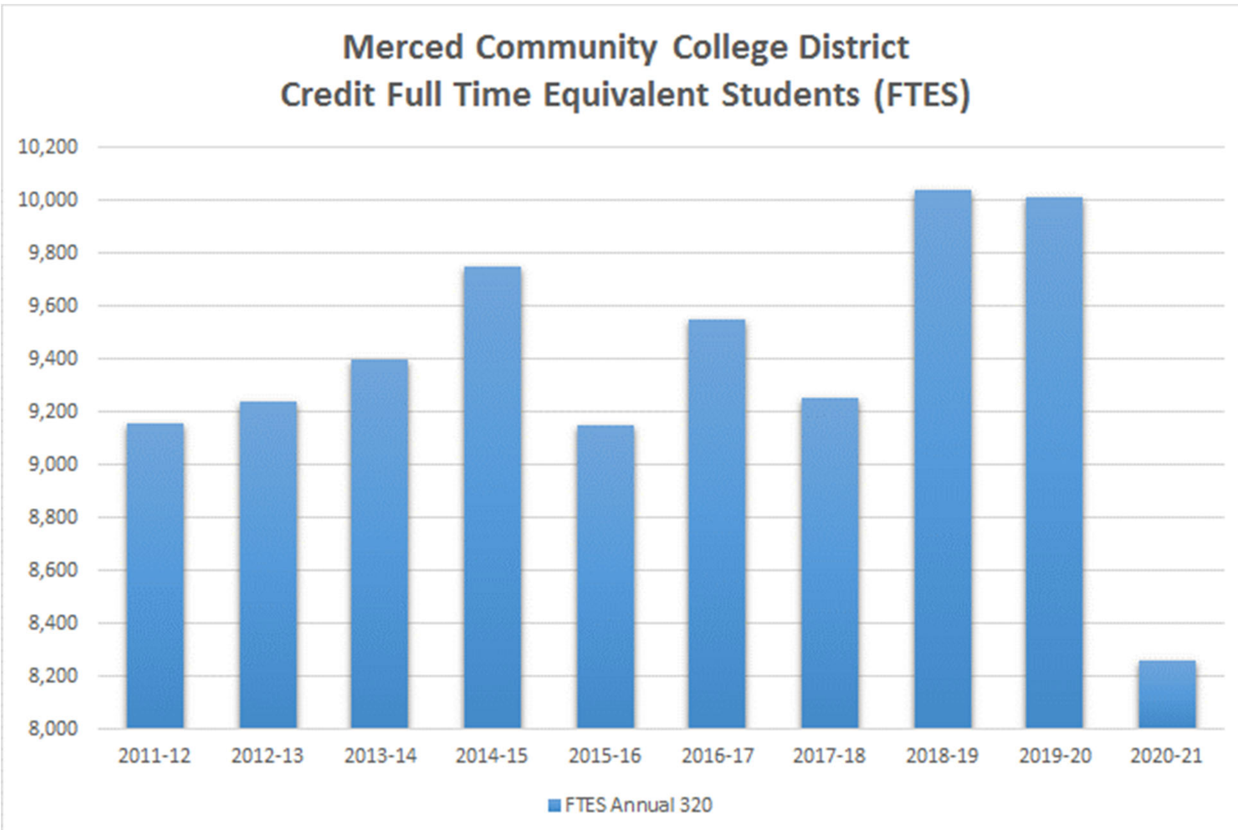
The 2020-21 state budget bill was signed by Governor Gavin Newsom on June 30, 2020. The approved budget assumed total General Fund expenditures of $134 billion, $14 billion less than in 2019-20. This was due primarily to the COVID-19 pandemic and the associated recession. While maintaining fiscal prudence amidst declining revenues and a worldwide pandemic, the budget focuses state spending on providing fiscal stability.

The adopted state budget had the following impact on community colleges:

- No Cost of Living Adjustment (COLA) to the Student Centered Funding Formula (SCFF)
- $1.5 billion in 2020-21 budget deferrals to 2021-22
- $120 million for a COVID-19 Response Block Grant, consisting of state and federal funds, for districts to mitigate COVID-19 effects
- No funding for physical plant and instructional support
- COVID-19 Emergency conditions allowance for districts experiencing declining enrollment due to the pandemic

On September 8, 2020, the District presented to the Board of Trustees its annual budget. The 2020-21 adopted budget estimated Unrestricted Operating General Fund Revenues of $71.3 million and $71.2 million Unrestricted Operating General Fund Expenditures, resulting in a projected net revenue of $138 thousand for the fiscal year. The projected net revenue, coupled with a beginning fund balance of $8.9 million, would result in an ending fund balance of $9 million. At year end, actual figures for revenue was $75.5 million or 5.9% higher and expenditures were $72.7 million or 2.1% higher than the amount estimated at the time of the adopted budget. The net effect of the combined increase in revenues and expenditures resulted in a net increase of $2.8 million, leaving an ending Unrestricted Operating General Fund balance of $11.7 million.

In 2020-21, the District reported 8,256 credit and non-credit resident FTES. See the below chart for a historical perspective on the changes in FTES over the past 10 years.



In 2017-18, the District implemented GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions). GASB 75 improves accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires the District to report an OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was implemented during the fiscal year ended June 30, 2015. The primary objective of these statements are to improve accounting and financial reporting by state and local governments for unfunded pension liabilities and to disclose any financial support for pensions that is provided by entities outside of the District.

GASB 68 establishes standards for measuring and recognizing unfunded pension liabilities, deferred outflows and inflows of resources, and expenses for the State of California's public employee pension systems, CalPERS and CalSTRS. The District's proportionate share of the combined CalPERS and CalSTRS net pension liability was $76.5 million, as of the measurement date of June 30, 2020. The pension liability is one of the primary reasons for the large negative balance in the unrestricted net position shown on the statement of net position for 2021 ($97.7 million).

There is a plan to fully fund the CalSTRS unfunded pension liability. Legislation was enacted to increase employer contribution rates over seven years which began in 2014-15. The rate will more than double going from 8.25% to 18.4%. The employer contribution rate for 2020-21 was 16.15%. Employee contributions increased from the 2014-15 rate of 8.15% to 10.25% in 2016-17. The rate increases will remain in effect for at least thirty years, at which time the liability is projected to be fully funded.

CalPERS sets its own rates and is addressing its unfunded liability by increasing employer contribution rates over the next several years, more than doubling the 2014-15 rate of 11.771%. The employer contribution rate for 2020-21 was 20.70%.

The CalPERS and CalSTRS rates in 2020-21 and 2021-22 were reduced due to a $2.3 billion payment from the state of California.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

STATEMENT OF NET POSITION

	2021	2020	$ Change	% Change
ASSETS				
Current assets:				
Current and other assets	$ 46,672,509	$ 42,012,574	$ 4,659,935	11%
Noncurrent assets:				
Capital assets, net	99,312,085	98,304,966	1,007,119	1%
TOTAL ASSETS	145,984,594	140,317,540	5,667,054	4%
DEFERRED OUTFLOWS OF RESOURCES	25,400,132	24,740,385	659,747	3%
LIABILITIES				
Current liabilities:				
Current liabilities	17,931,803	17,802,720	129,083	1%
Long-term liabilities, noncurrent portion	170,016,727	165,288,554	4,728,173	3%
TOTAL LIABILITIES	187,948,530	183,091,274	4,857,256	3%
DEFERRED INFLOWS OF RESOURCES	1,175,190	2,844,891	(1,669,701)	-59%
NET POSITION				
Net investment in capital assets	68,183,425	66,422,098	1,761,327	3%
Restricted	11,741,945	7,575,792	4,166,153	55%
Unrestricted (deficit)	(97,664,364)	(94,876,130)	(2,788,234)	3%
TOTAL NET POSITION (DEFICIT)	$ (17,738,994)	$ (20,878,240)	$ 3,139,246	15%

Assets

Total Assets increased approximately $5.7 million, a percentage increase of 4%. The major changes affecting total assets are listed below:

Current and Other Assets increased by approximately $4.7 million, a percentage increase of 11%. This increase is primarily due to the 2020-21 state deferred Apportionment accrued at year end.

Net Capital Assets increased by approximately $1 million, a percentage increase of 1%.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources increased by $.7 million and deferred inflows of resources decreased by $1.7 million. The changes to deferred outflows are primarily related to changes in assumptions and changes in proportion for pension reporting with a measurement date of June 30, 2020. The changes to deferred inflows are primarily related to changes in assumptions for pension reporting with a measurement date of June 30, 2020. This is discussed in more detail in Note 8 of the financial statements.

Liabilities

Total Liabilities increased by $4.9 million a percentage increase of 3%. The major changes affecting total liabilities are listed below:

The noncurrent portion of long-term liabilities increased by $4.7 million, a percentage increase of 3%. The primary factor for this increase is the change in the net pension liability, due to changes in assumptions in the current year.

Net Position

The OPEB and Pension liabilities are the primary reasons for the large negative balance in the unrestricted net position shown on the Statement of Net Position for 2021 ($97.7 million).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2021	2020	$ Change	% Change
OPERATING REVENUES				
Net tuition and fees	$ 4,014,896	$ 5,064,761	$ (1,049,865)	-21%
Grants and contracts, noncapital	47,485,849	45,690,457	1,795,392	4%
Auxiliary enterprise sales and charges	471,414	725,480	(254,066)	-35%
TOTAL OPERATING REVENUES	51,972,159	51,480,698	491,461	1%
TOTAL OPERATING EXPENSES	121,793,316	123,169,913	(1,376,597)	-1%
OPERATING LOSS	(69,821,157)	(71,689,215)	1,868,058	-3%
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	36,508,980	46,095,580	(9,586,600)	-21%
Education protection account	15,876,401	4,703,647	11,172,754	238%
Local property taxes	14,850,763	14,330,589	520,174	4%
State taxes and other revenues	2,209,252	1,981,281	227,971	12%
Other non-operating revenues (expenses)	(896,504)	(669,451)	(227,053)	-34%
TOTAL NON-OPERATING REVENUES	68,548,892	66,441,646	2,107,246	3%
GAIN (LOSS) BEFORE CAPITAL REVENUES	(1,272,265)	(5,247,569)	3,975,304	-76%
Local property taxes and revenues, capital	3,944,988	3,924,418	20,570	1%
Local revenues, grants and gifts, capital	193,434	171,131	22,303	13%
INCREASE (DECREASE) IN NET POSITION	2,866,157	(1,152,020)	4,018,177	-349%
NET POSITION (DEFICIT) -- BEGINNING OF YEAR	(20,605,151)	(19,726,220)	(878,931)	4%
NET POSITION (DEFICIT) -- END OF YEAR	$(17,738,994)	$(20,878,240)	$ 3,139,246	15%

Operating Revenues

Total operating revenues increased by $491 thousand, a percentage increase of 1%. The net increase is mostly due to revenue from Coronavirus Aid, Relief, and Economic Security (CARES) Act, and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds under the Higher Education Emergency Relief Fund (HEERF) program, which were offset by a decrease in enrollment revenue.

Operating Expenses

Total operating expenses decreased by $1.4 million, or 1%, primarily due to the reduction in the state's on-behalf contribution to CalSTRS.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the District had approximately $99.3 million invested in net capital assets. Total capital assets of $182.9 million consist of land, construction in progress, buildings and improvements, vehicles, information technology equipment, and other office equipment. These assets have accumulated depreciation of approximately $83.5 million. Depreciation expense of $4.3 million was recorded in 2021.

Note 5 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

	2021	2020	Net Change
Land and construction in progress	$ 5,616,704	$ 5,514,388	$ 102,316
Buildings and equipment	177,244,495	172,081,589	5,162,906
Accumulated Depreciation	(83,549,114)	(79,291,011)	(4,258,103)
Total Capital Assets	$ 99,312,085	$ 98,304,966	$ 1,007,119

Debt Administration

At June 30, 2021, the District had approximately $175.1 million in outstanding debt, an increase of 3% from prior year.

	2021	2020	Net Change
General obligation bonds	$ 32,970,000	$ 35,330,000	$ (2,360,000)
Bond issuance premium	1,274,305	1,422,085	(147,780)
Compensated absences	1,645,312	1,395,658	249,654
Capital leases	1,943,470	2,521,753	(578,283)
Solar Energy Project	1,615,382	1,541,337	74,045
Energy Service Contract	1,208,923	-	1,208,923
Net pension liability	76,461,489	69,329,822	7,131,667
Net OPEB obligation	58,030,395	58,229,620	(199,225)
Total Long-term Liabilities	$175,149,276	$169,770,275	$ 5,379,001

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The state budget outlook has continued to improve since the 2021 Budget Act, with rapidly growing revenues related to strong growth in retail sales and stock prices. State revenues are higher than predicted by over $10 million in 2021-22 compared to estimates in the Budget Act. The Legislative Analyst's Office (LAO) attributes much of the revenue gains to sales taxes and income tax withholding, which are historically more stable revenue streams.

The Governor's 2022-23 Proposed January Budget is based on a projected surplus of $45.7 billion and nearly $35 billion in reserves, including $21 billion in the state's Rainy Day Fund. Revenue projections continue to far outpace projections. While the recovery has been fairly robust to date, risks and uncertainties remain. The state's economic forecast does not consider the surge of the Omicron variant, so the COVID-19 pandemic remains a risk to the forecast. These pandemic related risks include another disruptive surge in cases, persistent labor market frictions, sustained high inflation, and ongoing global supply chain disruptions.

In response to the disruptions of the COVID-19 pandemic, the state made providing fiscal stability a top priority. While the temporary protections under the COVID-19 Emergency Conditions Allowance expire at the end of 2021-22, the Governor's Budget proposes to extend the revenue protections in a modified form to avoid creating sharp fiscal declines in future years. Under the proposal, a district's 2024-25 funding would represent its new "floor", or minimum revenue amount.

The state legislature continues its investment in student equity, access and success by continuing to provide funding for the California Promise Program. This program allows for the waiver of enrollment fees for first-time, full-time students for each of their first and second academic years.

The state implemented the new SCFF in 2018-19 to replace the decades-old apportionment formula, which relied entirely on the number of students enrolled at a particular point in time. In addition to student enrollment, the new formula provides funding for additional factors, such as the number of low-income students enrolled plus the number of students who meet certain student success metrics. The funding split will continue to be transitioned in phases to eventually reflect 60% for student enrollment, 20% for low-income students, and 20% for student success, plus additional funding for those low-income students who meet the student success metrics. Revisions were made to the formula in 2019-20, including implementation of a three-year average for all student success metrics, and clarifying the definition of a transfer student. The 2022-23 proposed budget intends to integrate an unduplicated first-generation student metric within the SCFF's supplemental allocation as well as permanently resetting the hold harmless base year from 2017-18 to 2024-25.

In order to maintain fiscal stability and guard against FTES declines in 2021-22, the state will continue to provide the COVID-19 Emergency Conditions Allowance. This protection allows districts the opportunity to elect to use their actual 2019-20 FTES for apportionment funding in 2021-22. Although Merced College continues to support the framework of the SCFF, there is still much uncertainty as to its long-term impact.

Merced College projects to maintain a balanced budget as well as sustain a fund balance that remains above the board required 6% level for the 2021-22 fiscal year.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the Merced Community College District, Director of Business & Fiscal Services, 3600 M St., Merced, CA 95348-2806.

MERCED COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	Primary Institution	Foundation
Current assets:		
Cash and equivalents	$ 14,177,136	$ 1,286,567
Accounts receivable	21,709,326	1,000
Due from the Foundation	3,173	
Pledged receivable, current		200,000
Prepaid expenses and other assets	108,126	
Total current assets	35,997,761	1,487,567
Noncurrent assets:		
Long-term investments		6,930,126
Restricted cash and equivalents	10,674,748	
Pledged receivable, net		1,556,023
Nondepreciable capital assets	5,616,704	
Depreciable capital assets, net	93,695,381	
Total noncurrent assets	109,986,833	8,486,149
TOTAL ASSETS	145,984,594	9,973,716
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	939,309	
Deferred outflows of resources related to pensions	18,510,868	
Deferred outflows of resources related to OPEB	5,949,955	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	25,400,132	
LIABILITIES		
Current liabilities:		
Accounts payable and interest payable	6,634,957	2,757
Due to District		3,173
Unearned revenue	6,164,297	
Long-term liabilities due within one year	5,132,549	
Total current liabilities	17,931,803	5,930
Long-term liabilities due in more than one year		
Net pension liability	76,461,489	
Net OPEB liability	58,030,395	
Other long-term liabilities	35,524,843	
TOTAL LIABILITIES	187,948,530	5,930
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	1,175,190	
NET POSITION (DEFICIT)		
Net investment in capital assets	68,183,425	
Restricted for:		
Nonexpendable: Scholarships		3,045,513
Expendable:		
Scholarships and loans		6,536,333
Capital projects	6,054,214	
Debt service	3,193,543	
Other special purposes	2,494,188	
Unrestricted (deficit)	(97,664,364)	385,940
TOTAL NET POSITION (DEFICIT)	$ (17,738,994)	$ 9,967,786

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

MERCED COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	Primary Institution	Foundation
OPERATING REVENUES		
Tuition and fees (gross)	$ 11,388,348	
Less: scholarship discounts and allowances	(7,373,452)	
Net tuition and fees	4,014,896	
Grants and contracts, noncapital:		
Federal	24,898,307	
State	21,412,819	
Local	1,174,723	
Contributions		$ 1,981,048
Auxiliary enterprise sales and charges	471,414	
TOTAL OPERATING REVENUES	51,972,159	1,981,048
OPERATING EXPENSES		
Salaries	46,239,855	
Employee benefits	34,039,476	
Supplies, materials, and other operating expenses and services	13,680,269	368,367
Depreciation	4,272,013	
Financial aid expenses	23,561,703	
Scholarships and student programs		577,397
TOTAL OPERATING EXPENSES	121,793,316	945,764
OPERATING INCOME (LOSS)	(69,821,157)	1,035,284
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	36,508,980	
Education protection account	15,876,401	
Local property taxes	14,850,763	
State taxes and other revenues	2,209,252	
Investment income	203,859	1,122,495
Interest expense	(1,192,735)	
Other non-operating revenues	92,372	33,285
TOTAL NON-OPERATING REVENUES (EXPENSES)	68,548,892	1,155,780
GAIN (LOSS) BEFORE CAPITAL REVENUES	(1,272,265)	2,191,064
Local property taxes and revenues, capital	3,944,988	
Local revenues, grants and gifts, capital	193,434	
INCREASE IN NET POSITION	2,866,157	2,191,064
NET POSITION (DEFICIT) -- BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	(20,878,240)	7,776,722
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	273,089	
NET POSITION (DEFICIT) -- BEGINNING OF YEAR, AS RESTATED	(20,605,151)	7,776,722
NET POSITION (DEFICIT) -- END OF YEAR	$ (17,738,994)	$ 9,967,786

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

MERCED COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,380,468
Federal grants and contracts	4,739,163
State grants and contracts	15,095,053
Local grants and contracts	2,765,255
Payments to suppliers	(12,691,762)
Payments to/on behalf of employees	(75,574,463)
Auxiliary enterprise sales and charges	288,725
Net cash used by operating activities	(60,997,561)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	27,643,935
Education protection account receipts	15,876,401
Local property and state taxes, lottery and other state receipts	17,060,015
Investment income	203,859
Other noncapital disbursements	125,657
Net cash provided by noncapital financing activities	60,909,867
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(4,070,209)
Proceeds from capital debt	74,045
Principal paid on capital debt	(2,938,283)
Interest paid on capital debt	(1,235,110)
Local property taxes and other revenues for capital	4,138,422
Net cash used by noncapital financing activities	(4,031,135)
NET DECREASE IN CASH AND EQUIVALENTS	(4,118,829)
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	28,970,713
CASH AND EQUIVALENTS -- END OF YEAR	$ 24,851,884

MERCED COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2021

	Primary Institution
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and equivalents	$ 14,177,136
Restricted cash and equivalents	10,674,748
Total cash and equivalents	$ 24,851,884
RECONCILIATION OF NET OPERATING GAIN (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (69,821,157)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	4,272,013
Loss on disposal of capital assets	
Amortization of bond premium	(147,780)
Amortization of deferred amount on refunding	85,391
Changes in assets and liabilities:	
Accounts receivable, net	356,317
Prepaid expenses and other assets	(49,038)
Deferred outflows of resources related to pensions	(986,663)
Deferred outflows of resources related to OPEB	241,525
Accounts payable	1,037,545
Due to the Foundation	86,776
Due to the Fiduciary Fund	(104,392)
Interfund services provided	(33,285)
Unearned revenue	(1,447,208)
Deferred inflows of resources related to pensions	(1,646,104)
Deferred inflows of resources related to OPEB	(23,597)
Compensated absences	249,654
Net OPEB liability	(199,225)
Net pension liability	7,131,667
Net cash used by operating activities	$ (60,997,561)

1. ORGANIZATION AND NATURE OF ACTIVITIES

Definition of the Reporting Entity – The Merced Community College District (the District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB). The District, based on its evaluation of these criteria, identified the Merced College Foundation (the Foundation) as a component unit.

Discretely Presented Component Unit – The Foundation was established as a legally separate non-profit entity to support the District and its students through fundraising activities. In addition, the Foundation develops and maintains student scholarships and trust accounts for the District students. Furthermore, the funds contributed by the Foundation to the District and its students are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's annual financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units*, issued by the American Institute of Certified Public Accountants (AICPA).

Basis of Accounting – For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. All significant interfund transactions have been eliminated.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office of the California Community Colleges' Budget and Accounting Manual, which is consistent with GAAP.

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

The budget is revised during the year to incorporate categorical funds which are awarded during the year and miscellaneous changes to the spending plans. Revisions to the budget are approved by the District's governing board.

Estimates Used in Financial Reporting – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents – For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Restricted Cash and Equivalents – Restricted cash and equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

Accounts Receivable – Accounts receivable consist of amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenses based on a contract or agreement between the District and the funding source. Additionally, accounts receivable consist of tuition and fee charges to students. Accounts receivable at June 30, 2021 are presented net of estimated uncollectable student accounts of $904,851.

Prepaid Expenses – Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Capital Assets – Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Buildings, as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvement of Sites	10
Buildings	50
Vehicles	8
Equipment	10
Library Books	5
Technology	5

Unearned Revenue – Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year, but related to the subsequent accounting period. Unearned revenues also include amounts received from grants, contracts, and certain categorical programs that have not yet been earned.

Compensated Absences – Employee vacation pay is accrued at year-end for financial statement purposes based on vacation time accrued and current pay rates. The liability and expense incurred are recorded at year-end as accrued vacation payable in the balance sheet and as a component of employee benefits. It is the District’s policy to record sick leave in the period taken, since the employee’s right to sick leave payment does not vest upon termination.

Deferred Outflows/Deferred Inflows of Resources – In addition to assets and liabilities, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension and OPEB plan(s) after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability and net OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 8 for further details related to these pension deferred outflows and inflows. See Note 9 for details related to the OPEB deferred outflows and inflows.

Pensions – Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- Unrestricted net position (deficit) – Unrestricted net position (deficit) 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. Unrestricted net position includes amounts internally designated for District obligations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Classification of Revenues – The District has classified its revenues as either operating or non-operating revenues 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; (3) most Federal, State, and local grants and contracts and Federal appropriations.

- Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB, such as State appropriations and investment income.

Scholarship Discounts and Allowances and Financial Aid – Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. The District offers California Community Colleges Promise grants to qualified students and these tuition waivers are reported as scholarship discounts and allowances. Grants, such as Federal, State, or non-governmental programs, are recorded as operating or non-operating revenues in the District's financial statements.

Property Taxes – Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

Change in accounting principle – For the year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*, amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this statement has resulted in changing the presentation of the financial statements by including the previous Associated Students and Student Representation funds in the District's primary institution financial statements as a result of these funds not meeting the definition of a fiduciary activity under the new standards. GASB 84 requires retroactive application resulting in a restatement of the District's net position of $273,089.

Future Accounting Pronouncements – In June 2017, the GASB issued Statement No. 87, *Leases*, amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the required implementation for the District during the year ending June 30, 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management is in the process of evaluating the impact this new statement will have on the District's future financial statements.

3. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2021, are classified in the accompanying financial statements as follows:

Cash and equivalents	$ 14,177,136
Restricted cash and equivalents	10,674,748
Total cash and equivalents	$ 24,851,884

Cash and equivalents as of June 30, 2021, consist of the following:

Cash and equivalents in County Treasury	$ 15,788,867
Deposits with financial institutions	2,307,745
Cash on hand	7,500
Cash and equivalents in CAMP	6,747,772
Total cash and equivalents	$ 24,851,884

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Merced County Treasury (County Treasury). The County Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the County Treasury investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The County Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

California Asset Management Program

California Asset Management Program (CAMP) is a California Joint Powers Authority established to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). The District's cash and equivalents in CAMP represent unspent bond proceeds restricted for specific purposes under terms of the bond offering.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptance	180 days	40%	None
Commercial Paper (pooled and non-pooled)	270 days	25% or 40%	10%
Negotiable Certificates of Deposits	5 years	30%	10%
Non-negotiable Certificates of Deposits	5 years	None	None
Deposit Placement Services	5 years	30%	10%
CD Placement Services	5 years	30%	10%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds & Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through Securities	5 years	20%	None
Joint Powers Authority Pool	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code.

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury and CAMP was not available.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2021, the weighted average maturity of the investments contained in the County Treasury and the CAMP investment pools is approximately 658 and 52 days, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization. The CAMP investment pool is rated AAAm by Standard and Poor's as of June 30, 2021.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by a state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies. As of June 30, 2021, the District's bank balances were exposed to custodial credit risk in the amount of $2,055,111.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2021:

Federal grants and contracts	$ 2,068,210
State grants, contracts and general apportionment	13,470,432
Local grants, contracts and students	6,170,684
Total	$ 21,709,326

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	$ 1,333,366			$ 1,333,366
Construction in progress	4,181,022	$ 2,852,172	$ (2,749,856)	4,283,338
Total capital assets, not being depreciated	5,514,388	2,852,172	(2,749,856)	5,616,704
Capital assets, being depreciated:				
Improvement of sites	14,903,115	1,644,528		16,547,643
Buildings	132,946,299	2,622,680		135,568,979
Furniture and equipment	24,232,175	909,608	(13,910)	25,127,873
Total capital assets, being depreciated	172,081,589	5,176,816	(13,910)	177,244,495
Less accumulated depreciation for:				
Improvement of sites	(11,677,007)	(227,184)		(11,904,191)
Buildings	(51,079,890)	(2,552,910)		(53,632,800)
Furniture and equipment	(16,534,114)	(1,491,919)	13,910	(18,012,123)
Total accumulated depreciation	(79,291,011)	(4,272,013)	13,910	(83,549,114)
Total capital assets, being depreciated, net	92,790,578	904,803		93,695,381
Total capital assets, net	$ 98,304,966	$ 3,756,975	$ (2,749,856)	$ 99,312,085

6. LONG-TERM OBLIGATIONS

General Obligation Bonds

On November 16, 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of $10,740,000, with interest rates ranging from 3.5% to 5.0%. As of June 30, 2021, the principal balance outstanding was $5,775,000.

On February 28, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of $13,070,000, with interest rates ranging from 2.0% to 4.0%, to advance refund a portion of the 2003 Series of the 2002 Schools Facilities Improvement General Obligation Bonds. As of June 30, 2021, the principal balance outstanding was $7,990,000.

On August 1, 2014, the District issued 2014 General Obligation Refunding Bonds (2014 Issue) in the amount of $21,965,000, with interest rates ranging from 2% to 5%, to partially advance refund the 2006 Series of the 2002 School Facilities Improvement District 1 General Obligation Bonds (Defeased Bonds). As of June 30, 2021, the 2014 Issue principal balance outstanding was $19,205,000.

The annual requirements to amortize the general obligation bonds are as follows:

Year Ending June 30, 2021	Principal	Interest	Total
2022	$ 2,645,000	$ 1,229,400	$ 3,874,400
2023	2,935,000	1,101,275	4,036,275
2024	3,250,000	961,175	4,211,175
2025	3,465,000	823,500	4,288,500
2026	3,860,000	672,363	4,532,363
2027-2031	13,700,000	1,702,877	15,402,877
2032	3,115,000	52,565	3,167,565
Totals	$ 32,970,000	$ 6,543,155	$ 39,513,155

Capital Leases

The District leases equipment under agreements which provide for title to pass upon expiration of the lease period. The assets acquired under these agreements are included in capital assets, see Note 5. The interest cost incurred during the year ended June 30, 2021, was charged to expenses. The District entered into a new capital lease agreement during the 2018-2019 fiscal year with a gross amount of $2,168,446 for the new asset. Future minimum lease payments are as follows:

Year Ending June 30, 2021	Payments
2022	$ 676,203
2023	676,203
2024	204,718
2025	204,718
2026	204,718
2027	154,456
Total	2,121,016
Less amount representing interest	(177,546)
Present value of net minimum lease payments	$ 1,943,470

California Energy Commission – Solar Energy Project

During the year ended June 30, 2018, the District signed a contract with the California Energy Commission for a $1,627,600 draw-down loan to finance a solar energy project at the District. The loan carries a 0.00% interest rate. Payments will begin December 2022. The loan payments, and therefore payment term, is based on the estimated energy cost savings to be achieved by the project. As of June 30, 2021, the District had expenditures for the project and therefore had drawdowns totaling $1,615,382 of the loan. The remaining amount of the draw-down loan, $12,218 will not be used. Future minimum lease payments are as follows:

Year Ending June 30,	Payments
2022	$ -
2023	87,318
2024	87,318
2025	87,318
2026	87,318
2027-2031	436,590
2032-2036	436,590
2037-2039	392,930
Total	$ 1,615,382

Energy Service Contract

During the year ended June 30, 2021, the District signed a contract with Johnson Controls Inc. (JCI), whereby JCI will complete several energy-saving capital improvement projects in District buildings, and the District will pay for those improvements over a 20-year period beginning December 1, 2021. As of June 30, 2021, 2 of the 6 projects listed in the contract were complete and in-use by the District. The estimated costs associated with these 2 project, totaling $1,208,923, are included in capital assets, and long-term obligations, as of June 30, 2021. The remaining projects are expected to be completed in the next fiscal year.

The exact payment terms are subject to change depending on any changes in the scope of work, or changes in the timing of completion of the improvement projects. Additionally, the contract stipulates that the obligation of the District to make payments under the contract is subject to the approval of the District's governing body of an annual budget which authorizes appropriated funds for contract payments. If payments are not budgeted, the District must return all improvement measures to JCI, and the agreement will be terminated. The District currently intends to include payments in its annual budgets according to the payment schedule in the contract.

If the projects are completed according to the scope and timing planned, future minimum payments will be as follows:

Year Ending June 30,	Payments
2022	$ 132,069
2023	181,941
2024	203,473
2025	228,295
2026	271,334
2027-2031	1,397,386
2032-2036	1,567,745
2037-2041	1,864,391
2042	101,165
Total	5,947,799
Less amount representing interest	(2,098,604)
Present value of net minimum payments	$ 3,849,195

A schedule of changes in long-term obligations for the year ended June 30, 2021 is shown below:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	$ 35,330,000		$ (2,360,000)	$ 32,970,000	$ 2,645,000
Premium on bonds	1,422,085		(147,780)	1,274,305	147,780
Compensated absences	1,395,658	$ 249,654		1,645,312	1,645,312
Capital leases	2,521,753		(578,283)	1,943,470	602,130
Solar Energy Project	1,541,337	74,045		1,615,382	
Energy Service Contract		1,208,923		1,208,923	4,349
Totals	$ 42,210,833	$ 1,532,622	$ (3,086,063)	$ 40,657,392	$ 5,132,549

7. LEASE REVENUE BONDS

The District and the State of California have entered into a financing arrangement under which the State provided funds for the construction of the Interdisciplinary Academic Center (lAC). The funds are proceeds of lease revenue bonds issued by the State of California, Public Works Board (the Board). The bonds are a special obligation of the Board payable from State General Fund revenues appropriated to the California Community Colleges Board of Governors who therein make adequate provision in the annual budget of the State for the servicing of such bonds. However, in the unlikely event that the State could not pay the semi-annual installment payment, the District would be responsible for the payments attributable to the District's facilities. Approximately $9,028,000 of the project costs were appropriated in the 2001-02 year. Annual installments on the lease range from $195,890 to $617,100 beginning March 15, 2006, through September 15, 2031. No amounts had been accrued for any contingent payments at June 30, 2021.

The IAC is included in the District's capital assets on the Statement of Net Position. The Board leases the facility constructed with these bonds to the District. Upon full repayment of the associated bonds, title to the facility conveys to the District.

8. RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 16.92% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2021, was 16.15% of annual pay. District contributions to the CalSTRS Plan were $3,980,570 for the year ended June 30, 2021.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 5.811% in 2020-21. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2020, was 10.328% of the District's 2014-15 creditable CalSTRS compensation.

In addition to AB1469, California Senate Bill 90 (SB 90) signed June 27, 2019, appropriated from the State's General Fund $1,117,000,000 in contributions on-behalf of school employers for the 2019–20 fiscal year to be transferred to the CalSTRS Plan. California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law June 29, 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed $1,600,000,000 originally allocated by SB 90 to the CalSTRS Defined Benefit Program to further supplant employer contributions through fiscal year 2021-22. SB 90 and AB 84 will appropriate contributions for the 2020-21 and 2021-22 fiscal years, such that it will result in school employers having to contribute 2.95 percentage points less than the statutory rate in the 2020-21 fiscal year and 2.18 percentage points less in the 2021-22 fiscal year, as specified.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to the measurement date of June 30, 2020. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return[(1)]	7.10%
Mortality	CalSTRS' Membership Data
	2% simple for DB (Annually)
	Maintain 85% purchasing power
	Level for DB
Post-Retirement Benefit Increase	Not applicable for DBS /CBB

[(1)] Net of investment expenses, but gross of administrative expenses.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with law as described above under contributions. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan'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.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	42.00%	4.80%
Fixed Income	12.00%	1.30%
Real Estate	15.00%	3.60%
Private Equity	13.00%	6.30%
Risk Mitigating Strategies	10.00%	1.80%
Inflation Sensitive	6.00%	3.30%
Cash / Liquidity	2.00%	-0.40%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees’ Retirement Law (PERL). The benefits are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2021, was 20.70% of annual pay. District contributions to the CalPERS Plan were $3,512,726 for the year ended June 30, 2021.

Actuarial Assumptions

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases[1]	Varies
Investment Rate of Return	7.15%
Mortality[2]	CalPERS' Membership Data
Post-Retirement Benefit Increase[3]	Up to 2.50%

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, refer to the December 2017 CalPERS Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on CalPERS website.

(3) 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the 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[(a)]	New Strategic Allocation	Real Return Years 1 – 10[(b)]	Real Return Years 11+[(c)]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

[(a)] In the Plan's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
[(b)] An expected inflation of 2.00% was used for this period.
[(c)] An expected inflation of 2.92% was used for this period.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability:	
CalSTRS Plan	$ 41,670,870
CalPERS Plan	34,790,619
Total District net pension liability	76,461,489
State's proportionate share of CalSTRS net pension liability associated with the District	22,249,504
Total	$ 98,710,993

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2020, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability for the measurement period June 30, 2020, was 0.043% and 0.1134% for the CalSTRS and CalPERS Plans, respectively, which was an increase of 0.001% and 0.0057%, respectively, from its proportion measured as of June 30, 2019 for CalSTRS and CalPERS Plans, respectively.

For the measurement period June 30, 2020, the District recognized pension expense of $15,104,746 and revenue of $3,112,551 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,799,038	$ (1,175,190)
Changes in assumptions	4,191,079	
Changes in proportion	2,789,400	
Change in proportionate share of contributions	523,965	
Net differences between projected and actual investment earnings of pension plan investments	1,714,090	
District contributions subsequent to measurement date	7,493,296	
Total	$ 18,510,868	$ (1,175,190)

The $7,493,296 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2022	$ 1,862,857
2023	2,954,734
2024	3,125,469
2025	1,301,925
2026	432,189
Thereafter	165,208

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 of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 62,958,880	$ 41,670,870	$ 24,094,620

	Discount Rate –1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 50,017,860	$ 34,790,619	$ 22,152,774

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to the pension benefits described in Note 8, the District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The Merced College Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, vision and dental insurance benefits to eligible retirees and, under certain conditions, their spouses and dependents.

The District is a member of the California Community College League Retiree Health Benefit Program, which is an investment program used to set aside funds for future retiree benefits in an irrevocable trust (the Investment Trust). The Investment Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future other post-employment benefits (OPEB). The Retiree Health Benefit Program issues a separate financial report that may be obtained by contacting the District.

Benefits Provided

	Faculty	Classified	Management	Board
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of benefits	To age 65	To age 65	To age 65	Lifetime
Required service	18 years	15 years	15 years	12 years
Minimum age	55	58	58	None
Dependent coverage	Yes	Yes	Yes	Yes
District contribution %	100%	100%	100%	100%
District cap	None	None	None	None

Employees Covered

As of the June 30, 2019 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	245
Inactive employees entitled to but not receiving benefits	0
Participating active employees	417
Total	662

Contributions

The District provides benefits on a pay-as-you-go basis, and also makes contributions to the OPEB Trust. The contribution requirements of plan members and the District are established and may be amended by the Board and by contractual agreement with employee groups. The District's plan members are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	6.00%
Mortality Rate	CalPERS' and CalSTRS' rates
Medical Trend Rates	4.00%
Dental & Vision Trend Rates	4.00%

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Assumed Gross Return
US Large Cap	29.00%	7.795%
US Small Cap	13.00%	7.795%
All Foreign Stock	9.00%	7.795%
Other Fixed Income	49.00%	3.250%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 16 years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members over a period not to exceed 16 years. Therefore, the long-term assumed investment rate of return was applied to a period not to exceed 16 years of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The changes in the Net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (TOL) (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a)-(b)**
Balance at June 30, 2020 (Measurement date June 30, 2019)	$ 62,060,703	$ 3,831,083	$ 58,229,620
Changes recognized for the measurement period:			
Service cost	1,056,247		1,056,247
Interest on TOL	3,614,178		3,614,178
Expected Investment Income		229,673	(229,673)
Contributions—employer		4,539,450	(4,539,450)
Contributions—employee			
Benefit payments	(4,539,450)	(4,539,450)	
Experience (Gains)/Losses			
Investment (Gains)/Losses		(58,687)	58,687
Administrative expense		(6,393)	6,393
Expected Minus Actual Benefit Payments	(165,607)		(165,607)
Net changes	(34,632)	164,593	(199,225)
Balance at June 30, 2021 (Measurement date June 30, 2020)	$ 62,026,071	$ 3,995,676	$ 58,030,395

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (5.00%)	**Current Discount Rate (6.00%)**	**Discount Rate +1% (7.00%)**
Net OPEB liability	$ 62,942,435	$ 58,030,395	$ 53,709,114

Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Health Care Trend Rate –1% (3.00%)	Health Care Trend Rate (4.00%)	Health Care Trend Rate +1% (5.00%)
Net OPEB liability	$ 53,073,458	$ 58,030,395	$ 63,542,740

OPEB plan fiduciary net position

The Investment Trust issues a separate financial report that may be obtained by contacting the District at 3600 M Street, Merced, CA, 95348.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB Trust investments	5 years
All other amounts	Expected average remaining service lives (EARSL) of plan participants

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $4,511,407. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 4,492,704	
Differences between expected and actual experience	1,426,228	
Net difference between projected and actual earnings on OPEB plan investments	31,023	
Total	$ 5,949,955	$

The $4,492,704 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as follows:

Year Ended June 30	
2022	$ 191,509
2023	191,510
2024	198,595
2025	199,177
2026	187,442
Thereafter	489,018

10. DEFERRED COMPENSATION PLANS

The District also offers its employees deferred compensation plans in accordance with Internal Revenue Code, Section 457 (457 Plans). The Plans, available to eligible District employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying event. The assets of the 457 Plans are held in trust as described in the Internal Revenue Code, Section 457, for the exclusive benefit of the employees and their beneficiaries. The Plan administrators are agents of the employer for purposes of providing directions for the investment of funds held in the employer's account. In accordance with GASB, plan balances and activities are not reflected in the District's financial statements.

11. JOINT POWERS AUTHORITIES AGREEMENTS

The District is a participant in the Schools Excess Liability Fund (SELF). SELF is a joint powers authority (JPA) created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-funded excess liability fund for public educational agencies, which are parties thereto. Should excess liability claims exceed amounts funded to SELF by all participants, the District may be required to provide additional funding.

The District is a participant in the Alliance of Schools for Cooperative Insurance Program (ASCIP). ASCIP is a JPA established for the purpose of providing the services, facilities, and items necessary and appropriate for the establishment, operation, and maintenance of a self-insurance system for property, liability, and workers' compensation claims and losses against public educational agencies who are members thereof. Should claims exceed amounts funded to ASCIP by all participants, the District may be required to provide additional funding. ASCIP also provides for additional insurance and risk management programs and services as well as a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding self-insurance for losses and other insurance and risk management programs and services.

NATURE OF PARTICIPATION

Property

District Deductible: $5,000
JPA's Coverage: $5,001 to $5,000,000 with ASCIP
Excess Insurance: $1,000,001 to $600,000,000 with ASCIP

Liability

District Deductible: $0
JPA's Coverage: $0 to $5,000,000 with ASCIP
Excess Insurance: $5,000,001 to $55,000,000 with SELF

Workers' Compensation

District Deductible: $0
JPA's Coverage: Statuary

The JPAs are independently accountable for their fiscal matters and are not components of the District for financial reporting purposes. The most current condensed financial information available is as follows:

	June 30, 2021 SELF	June 30, 2021 ASCIP
Total Assets and Deferred Outflows	$ 193,883,576	$ 530,515,094
Total Liabilities and Deferred Inflows	(153,714,754)	(303,794,649)
Net Position	$ 40,168,822	$ 226,720,445
Total Revenues	$ 44,573,829	$ 278,849,860
Total Expenses	(38,080,919)	(276,495,128)
Net Increase in Net Position	$ 6,492,910	$ 2,354,732

12. COMMITMENTS AND CONTINGENCIES

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 disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Litigation

The District is a defendant in various pending liability lawsuits arising in the ordinary course of business. The outcome of the litigation is unknown at the present time, however, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

Construction Commitments

The District has construction commitments of approximately $20,403,153 at June 30, 2021. General obligation bonds have been approved for $6,403,153 of such construction commitments.

13. SUBSEQUENT EVENTS

On July 14, 2021 the District issued the Election of 2002 General Obligation Bonds, Series 2021 in the amount of $9,500,000 maturing through August 2032 and bearing interest rates ranging from 2% to 5%. The bonds were issued to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS YEAR ENDED JUNE 30, 2021 LAST 10 YEARS*

	Fiscal year			
	2021	**2020**	**2019**	**2018**
	Measurement date 2020	**Measurement date 2019**	**Measurement date 2018**	**Measurement date 2017**
TOTAL OPEB LIABILITY				
Service cost	$ 1,056,247	$ 786,853	$ 765,794	$ 745,298
Interest on TOL	3,614,178	3,502,094	3,504,490	3,502,044
Experience (Gains)/Losses	(165,607)	1,962,712		
Expected Minus Actual Benefit Payments		21,080		
Benefit payments	(4,539,450)	(4,352,605)	(4,309,964)	(4,144,196)
NET CHANGE IN TOTAL OPEB LIABILITY	(34,632)	1,920,134	(39,680)	103,146
TOTAL OPEB LIABILITY, Beginning	62,060,703	60,140,569	60,180,249	60,077,103
TOTAL OPEB LIABILITY, Ending (a)	62,026,071	62,060,703	60,140,569	60,180,249
PLAN FIDUCIARY NET POSITION				
Contributions—employer	4,539,450	4,352,605	4,309,964	4,563,789
Contributions—employee				
Net investment income	170,986	219,766	238,146	265,219
Benefit payments	(4,539,450)	(4,352,605)	(4,309,964)	(4,144,196)
Administrative expense	(6,393)	(5,276)	(500)	(5,265)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	164,593	214,490	237,646	679,547
PLAN FIDUCIARY NET POSITION, Beginning	3,831,083	3,616,593	3,378,947	2,699,400
PLAN FIDUCIARY NET POSITION, Ending (b)	3,995,676	3,831,083	3,616,593	3,378,947
DISTRICT'S NET OPEB LIABILITY, Ending (a) - (b)	$ 58,030,395	$ 58,229,620	$ 56,523,976	$ 56,801,302
Plan fiduciary net position as a percentage of the total OPEB liability	6.4%	6.2%	6.0%	5.6%
Covered-employee payroll	$ 35,369,847	$ 32,791,744	$ 30,840,458	$ 30,548,193
District's net OPEB liability as a percentage of covered-employee payroll	164.1%	177.6%	183.3%	185.9%

Notes to Schedule:

There were no changes to benefit terms or assumptions during the measurement periods ending June 30, 2017, 2018, 2019 and 2020.

* Fiscal year 2018 was the 1st year of implementation, therefore only four years are presented.

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2021
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year						
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
	Measurement date 2020	**Measurement date 2019**	**Measurement date 2018**	**Measurement date 2017**	**Measurement date 2016**	**Measurement date 2015**	**Measurement date 2014**
District's proportion of the net pension liability	0.043%	0.042%	0.039%	0.040%	0.041%	0.042%	0.043%
District's proportionate share of the net pension liability	$ 41,670,870	$ 37,932,720	$ 35,843,730	$ 36,992,000	$ 33,161,210	$ 28,276,080	$ 25,127,910
State's proportionate share of the net pension liability associated with the District	22,249,504	20,796,658	20,753,098	21,778,811	19,018,100	14,923,484	15,190,963
Total	$ 63,920,374	$ 58,729,378	$ 56,596,828	$ 58,770,811	$ 52,179,310	$ 43,199,564	$ 40,318,873
District's covered-employee payroll	$ 24,775,773	$ 23,934,884	$ 22,179,621	$ 21,690,641	$ 21,110,849	$ 19,627,455	$ 19,262,257
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168%	158%	162%	171%	157%	144%	130%
Plan fiduciary net position as a percentage of the total pension liability	73%	73%	71%	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2020, 2019, 2018, 2016, 2015 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10% and wage growth changed from 3.75% to 3.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2021
LAST 10 YEARS*

CalPERS Plan

	Fiscal Year						
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
	Measurement date 2020	**Measurement date 2019**	**Measurement date 2018**	**Measurement date 2017**	**Measurement date 2016**	**Measurement date 2015**	**Measurement date 2014**
District's proportion of the net pension liability	0.1134%	0.1077%	0.104%	0.106%	0.1047%	0.1053%	0.1107%
District's proportionate share of the net pension liability	$ 34,790,619	$ 31,397,102	$ 27,798,998	$ 25,410,037	$ 20,678,315	$ 15,521,324	$ 12,567,145
District's covered-employee payroll	$ 16,397,178	$ 14,920,807	$ 13,747,179	$ 13,790,329	$ 12,795,195	$ 11,614,639	$ 11,629,858
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212%	210%	202%	184%	162%	134%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2020, 2019, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%. For the measurement date ended June 30, 2018, the demographic assumptions and inflation rates were changed. The inflation rate was lowered from 2.75% to 2.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year						
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 3,980,570	$ 4,236,229	$ 3,896,304	$ 3,200,236	$ 2,718,478	$ 2,268,381	$ 1,739,206
Contributions in relation to the contractually required contributions	(3,980,570)	(4,236,229)	(3,896,304)	(3,200,236)	(2,718,478)	(2,268,381)	(1,739,206)
Contribution deficiency (excess)	$	$	$	$	$	$	$
District's covered-employee payroll	$ 24,646,996	$ 24,775,773	$ 23,934,884	$ 22,179,621	$ 21,690,641	$ 21,110,849	$ 19,627,455
Contributions as a percentage of covered-employee payroll	16.15%	17.10%	16.28%	14.43%	12.53%	10.75%	8.86%

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021
LAST 10 YEARS*

CalPERS Plan

	Fiscal Year						
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 3,512,726	$ 3,224,613	$ 2,694,577	$ 2,135,151	$ 1,911,785	$ 1,464,028	$ 1,381,020
Contributions in relation to the contractually required contributions	(3,512,726)	(3,224,613)	(2,694,577)	(2,135,151)	(1,911,785)	(1,464,028)	(1,381,020)
Contribution deficiency (excess)	$	$	$	$	$	$	$
District's covered-employee payroll	$ 17,082,394	$ 16,397,178	$ 14,920,807	$ 13,747,179	$ 13,790,329	$ 12,795,195	$ 11,614,639
Contributions as a percentage of covered-employee payroll	20.56%	19.67%	18.06%	15.53%	13.86%	11.44%	11.89%

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

SUPPLEMENTARY INFORMATION SECTION

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. Department of Education:			
Student Financial Assistance Programs Cluster:			
Supplemental Educational Opportunity Grant Program	84.007	N/A	$ 379,687
Federal Work Study Program	84.033	N/A	424,699
Direct Student Loan Program	84.268	N/A	152,988
Pell Grant Program	84.063	N/A	14,186,821
Subtotal Student Financial Assistance Programs Cluster			15,144,195
Passed through the California Department of Education (CDE):			
Perkins Title 1, Part C	84.048A	20-C01-530	409,198
Passed through California State University, Stanislaus			
Childcare Access Means Parents in School (Ccampis)	84.355A	P335A170083	102,947
Education Stabilization Funds:			
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Student Portion I	84.425E	N/A	3,405,750
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Institutional Portion I	84.425F	N/A	1,980,460
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Institutional Portion II	84.425F	N/A	1,562,275
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Institutional Portion III	84.425F	N/A	979,277
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Minority Serving Institutions I	84.425L	N/A	249,718
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Minority Serving Institutions II	84.425L	N/A	21,521
Subtotal Education Stabilization Fund			8,199,001
Total U.S. Department of Education			23,855,341
U.S. Department of Treasury			
COVID-19 Coronavirus Relief Fund	21.019	N/A	490,626

See the accompanying notes to supplemental information.

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. Department of Health and Human Services:			
477 Cluster:			
Passed through the California Department of Education:			
CDC General Child Care & Dev Programs (CCTR)	93.575	CCTR-0147	107,583
CDC General Child Care & Dev Programs (CCTR)	93.596	CCTR-0147	49,293
Passed through the Yosemite Community College District:			
Child Development Training Consortium	93.575	18-19-3970	23,000
Passed through the California Community College Chancellor's Office:			
Temporary Assistance to Needy Families (TANF)	93.558	N/A	73,794
Subtotal 477 Cluster			253,670
Passed through Merced County Mental Health:			
Mental Health	93.958	2020154	35,151
Passed through the Merced County Office of Education:			
Head Start Cluster	93.600	N/A	291,937
Total U.S. Department of Health and Human Services			580,758
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child Care Federal Food Program	10.558	N/A	24,848
U.S. Department of Homeland Security			
Passed through Madera County Sheriff			
FEMA - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	2,969
U.S. Department of Labor			
Passed through Employment Development Department:			
Merced College Work Readiness and Preparation - WIOA Cluster	17.258	K9113033	4,170
Total Expenditures of Federal Awards			$ 24,958,712

See the accompanying notes to supplemental information.

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2021

Program Title	Entitlements Current Year	Program Revenues Unearned Revenue and Cash Received	Program Revenues Accounts Receivable	Program Revenues Unearned/ Payables	Program Revenues Total	Program Expenditures
CATEGORICAL APPORTIONMENTS:						
EOPS/CARE	$ 319,868	$ 360,792		$ 11,186	$ 349,606	$ 349,606
EOPS (E)	1,339,943	1,442,974		87,781	1,355,193	1,355,193
Student Success Completion	2,813,451	2,817,345		500,219	2,317,126	2,317,126
State DSPS	884,192	921,156		39,095	882,061	882,061
BFAP	435,834	435,834			435,834	435,834
CalFresh Outreach	37,659	37,659		37,659		
California College Promise	546,714	646,768		78,195	568,573	568,573
Classified Professional Development		50,283		48,919	1,364	1,364
Mental Health Support		5,561			5,561	5,561
RN Economic Development	230,309	244,452		37,280	207,172	207,172
Certified Nurse Assistant Program		5,914			5,914	5,914
Equal Employment Opportunity	50,000	89,659		49,453	40,206	40,206
Financial Aid Technology	49,195	123,603		40,797	82,806	82,806
Guided Pathways	129,100	712,385		508,067	204,318	204,318
NextUp	453,993	517,176		6,013	511,163	511,163
Adult Education Block Grant Program	594,847	725,211		186,200	539,011	539,011
Student Equity	3,987,574	1,240,852	$ 2,835,499	70,187	4,006,164	4,006,164
Physical Plant & Instructional Support		64,473		3,843	60,630	60,630
Student Hunger at Community College		88,088		2,293	85,795	85,795
Veterans Resource Center	60,741	119,038		60,463	58,575	58,575
Improving Online CTE Pathways		188,873			188,873	188,873
Strong Workforce Program	2,725,764	3,025,744	98,180	1,677,318	1,446,606	1,446,606
Student Retention & Outreach	151,955	151,955		151,955		
CalWORKs	436,512	451,155		37,324	413,831	413,831
Undocumented Resources Liaison	51,824	51,824		51,824		
Veterans Program 1x	27,144	27,114		27,114		
Disaster Relief Emergency	85,084	85,084			85,084	85,084
Subtotal	15,411,703	14,630,972	2,933,679	3,713,185	13,851,466	13,851,466
CATEGORICAL PROGRAM ALLOWANCES:						
Puente Project	2,500					
Cal Grant	2,218,531	2,233,943	621		2,234,564	2,234,564
CDC Block Grant	464,849	466,843			466,843	466,843
CDC Family Services	43,968	2,593	30,775		33,368	33,368
CDC MCOE Kids First		9,526		9,526		
CDC Preschool Program	401,557	401,557			401,557	401,557
CDC MCOE RTT-ELC QRIS	8,536	56,028		56,028		
Child Care Food Program	4,600	1,681		333	1,348	1,348
Early Childhood Mentors		112		73	39	39
Formerly Incarcerated County	25,000	25,000		8,167	16,833	16,833
Veteran Students Success & Completion Grant	20,000	28,478			28,478	28,478
California Virtual Campus (iHOPE)	15,000	12,885			12,885	12,885
CVHEC	7,500	5,000	5,669		10,669	10,669
Song-Brown Training	100,000	37,500		20,873	16,627	16,627
Song-Brown RN Special Program		103,408	20,000		123,408	123,408
Agriculture, Water & Environmental Tech (AWET)		1,397		1,397		
COVID-19 Block Grant		602,250		526,229	76,021	76,021
RHTLE (DSN & IRI)	250,000	283,984		75,913	208,071	208,071
CA Department of Corrections & Rehab		7,500	3,265		10,765	10,765
ILC Chemistry	18,780		5,999		5,999	5,999
Report Streamlining Pilot Program	200,000	200,000		57,936	142,064	142,064
Subtotal	3,780,821	4,479,685	66,329	756,475	3,789,539	3,789,539
Total	$ 19,192,524	$ 19,110,657	$ 3,000,008	$ 4,469,660	$ 17,641,005	$ 17,641,005

See the accompanying notes to supplemental information.

MERCED COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2021

STATE GENERAL APPORTIONMENT	Reported Data	Audit Adjustments	Revised Data
Categories			
A. Summer Intersession (Summer 2020 Only)			
1. Noncredit	43.60	0.00	43.60
2. Credit	90.80	0.00	90.80
B. Summer Intersession (Summer 2021, Prior to July 1, 2021)			
1. Noncredit	0.07	0.00	0.07
2. Credit	54.76	0.00	54.76
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	26.57	0.00	26.57
(b) Daily Census Contact Hours	80.11	0.00	80.11
2. Actual Hours of Attendance Courses:			
(a) Noncredit	735.42	0.00	735.42
(b) Credit	14.41	0.00	14.41
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	6,086.96	0.00	6,086.96
(b) Daily Census Procedure Courses	1,123.57	0.00	1,123.57
(c) Noncredit Independent Study	0.00	0.00	0.00
D. Total Full-Time Equivalent Students	8,256.27	0.00	8,256.27
Supplemental Information			
E. In-service Training Courses (FTES)	0.00	0.00	0.00
F. Basic Skills Courses and Immigrant Education (FTES)			
(a) Noncredit	498.90	0.00	498.90
(b) Credit	546.79	0.00	546.79
CCFS 320 Addendum			
CDCP Noncredit FTES			
Centers FTES			
(a) Noncredit	155.09	0.00	155.09
(b) Credit	950.67	0.00	950.67

See the accompanying notes to supplemental information.

MERCED COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2021

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries:							
Contract or Regular	1100	$ 12,681,531		$ 12,681,531	$ 12,681,531		$ 12,681,531
Other	1300	7,068,043		7,068,043	7,068,043		7,068,043
Total Instructional Salaries		19,749,574		19,749,574	19,749,574		19,749,574
Non-Instructional Salaries:							
Contract or Regular	1200				4,674,431		4,674,431
Other	1400				286,091		286,091
Total Non-Instructional Salaries					4,960,522		4,960,522
Total Academic Salaries		19,749,574		19,749,574	24,710,096		24,710,096
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				10,346,823		10,346,823
Other	2300				449,864		449,864
Total Non-Instructional Salaries					10,796,687		10,796,687
Instructional Aides:							
Regular Status	2200	1,079,481		1,079,481	1,079,481		1,079,481
Other	2400	211,108		211,108	211,108		211,108
Total Instructional Aides		1,290,589		1,290,589	1,290,589		1,290,589
Total Classified Salaries		1,290,589		1,290,589	12,087,276		12,087,276
Employee Benefits	3000	10,219,275		10,219,275	21,857,342		21,857,342
Supplies and Materials	4000				340,732		340,732
Other Operating Expenses	5000	98,578		98,578	6,057,250		6,057,250
Equipment Replacement	6420						
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		31,358,016		31,358,016	65,052,696		65,052,696

MERCED COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2021

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	2,049,039		2,049,039	2,049,039		2,049,039
Student Health Services Above Amount Collected	6441						
Student Transportation	6491						
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740				2,626,595		2,626,595
Objects to Exclude:							
Rents and Leases	5060				111,738		111,738
Lottery Expenditures:							
Academic Salaries	1000						
Classified Salaries	2000						
Employee Benefits	3000						
Supplies and Materials:	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300				39,748		39,748
Noninstructional Supplies & Materials	4400				33,690		33,690
Total Supplies and Materials					73,438		73,438
Other Operating Expenses and Services	5000				1,596,116		1,596,116
Capital Outlay:	6000						
Library Books	6300						
Equipment:	6400						
Equipment - Additional	6410				21,685		21,685
Equipment - Replacement	6420						
Total Equipment					21,685		21,685
Total Capital Outlay					21,685		21,685
Other Outgo	7000						
TOTAL EXCLUSIONS		2,049,039		2,049,039	6,478,611		6,478,611
Total for ECS 84362, 50% Law		$ 29,308,977		$ 29,308,977	$ 58,574,085		$ 58,574,085
Percent of CEE (Instructional Salary Cost / Total CEE)		50.04%			100%		
50% of Current Expense of Education					$ 29,287,042		

MERCED COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2021

Education Protection Act (EPA) Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				$ 15,876,401
Activity Classification	**Activity Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 15,876,401			15,876,401
Total Expenditures for EPA*		$ 15,876,401	$	$	15,876,401
Revenues less Expenditures					$

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

MERCED COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS
TO NET POSITION
YEAR ENDED JUNE 30, 2021

Fund Balance:	
General Fund	$ 15,478,228
Bond Interest and Redemption Fund	3,335,446
Child Development Fund	
Farm Operation Fund	57,165
Capital Outlay Projects Fund	6,802,293
Revenue Bond Construction Fund	6,196,032
Bookstore Fund	(977,586)
Self-Insurance Fund	4,152,352
Associated Students Trust Fund	228,777
Student Financial Aid Fund	
Student Representation Fund	58,808
Scholarship and Loan Trust Fund	5,309,576
Retiree Trust Fund	4,658,209
Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	45,299,300
Net audit adjustments:	
Establishment of allowance for doubtful accounts for student receivables	(904,851)
Total Fund Balance	44,394,449
Reconciliation to Net Position (Deficit):	
Governmental Funds Capital Assets, Net	99,295,770
Interest Payable	(537,094)
Net OPEB Liability	(58,030,395)
Deferred Outflows of Resources Related to Pensions	18,510,868
Deferred Outflows of Resources Related to OPEB	5,949,955
Compensated Absences	(1,645,312)
Capital Leases	(1,943,470)
Solor Energy Project	(2,824,305)
Deferred amount on refunding	939,309
Net Pension Liability	(76,461,489)
Bonds Payable/Premium	(34,244,305)
Deferred Inflows of Resources Related to Pensions	(1,175,190)
Remove Fiduciary Fund Balances	(9,967,785)
Total Net Position (Deficit)	$ (17,738,994)

AUDITOR COMMENTS

Based on audit procedures performed, the District's fund financial statements were adjusted to add an allowance for doubtful student accounts. This reduced District net position by $904,851.

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2021, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.

- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2021.

Schedule of State Financial Assistance

The California Community Colleges Chancellor's Office requires disclosure of the financial activities of all state funded programs. To comply with this requirement, the Schedule of State Financial Assistance is presented.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

Full-time equivalent students (FTES) is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of the ECS 84362 (50 percent law) Calculation

The Reconciliation of ECS 84362 (50 Percent Law) Calculation form shows the annual reported data from the CCFS-311 and any audit adjustments.

Reconciliation of Education Protection Account Expenditures to District Accounting Records

This reconciliation of Education Protection Account Expenditures shows the annual general apportionment and the expenditures the District applied toward the apportionment.

Reconciliation of Governmental Funds to Statement of Net Position

This schedule provides the reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business type activities reporting model.

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

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

OTHER INDEPENDENT AUDITOR'S REPORTS

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*

Independent Auditor's Report

Members of the Board of Trustees
Merced Community College District
Merced, California

We have audited, in accordance with the 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 and the discretely presented component unit of the Merced Community College District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be *material weaknesses*, or *significant deficiencies* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be *material weaknesses*. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2021-001 that we consider to be a *significant deficiency*.

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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

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

Purpose of 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

February 25, 2022

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

Independent Auditor's Report

Members of the Board of Trustees
Merced Community College District
Merced, California

Report on Compliance for Each Major Federal Program

We have audited the Merced Community College District's (the District) compliance with the types of compliance requirements described in the *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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 on the District's compliance.

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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 programs for the year ended June 30, 2021.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 or significant deficiencies. However, material weaknesses may exist that have not been identified.

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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

February 25, 2022

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REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH THE CONTRACTED DISTRICT AUDIT MANUAL

Independent Auditor's Report

Members of the Board of Trustees
Merced Community College District
Merced, California

Report on Compliance with Applicable Requirements

We have audited the Merced Community College District's (the District) compliance with the types of compliance requirements described in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office identified in the schedule below for the year ended June 30, 2021.

Management's Responsibilities

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state 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 Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards and the *Contracted District Audit Manual* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 under the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we have selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

- SCFF Data Management Control Environment
- SCFF Supplemental Allocation Metrics
- SCFF Success Allocation Metrics
- Salaries of Classroom Instructors (50 Percent Law)

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- Apportionment for Activities Funded from Other Sources
- Student Centered Funding Formula Base Allocation: FTES
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Dual Enrollment (CCAP and Non-CCAP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- Education Protection Account Funds
- COVID-19 Response Block Grant Expenditures

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2021.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

February 25, 2022

FINDINGS AND RECOMMENDATIONS SECTION

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	✓ No
Significant deficiency(ies) identified?	✓ Yes	______ None Reported
Noncompliance material to financial statements noted?	______ Yes	✓ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	✓ No
Significant deficiency(ies) identified?	______ Yes	✓ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ Yes	✓ No

Identification of major programs:

CFDA Numbers	Name of Federal Programs or Cluster
84.425F, 84.425E, 84.425L	COVID-19 Higher Education Emergency Relief Fund (HEERF)
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	750,000	
Auditee qualified as low-risk auditee?	✓ Yes	______ No

State Awards

Internal control over State programs:		
Material weakness(es) identified?	______ Yes	✓ No
Significant deficiency(ies) identified?	______ Yes	✓ None Reported
Any audit findings disclosed that are required to be disclosed in accordance with Contracted District Audit Manual?	______ Yes	✓ No
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – FINANCIAL CLOSE PROCESS – STUDENT ACCOUNTS RECEIVABLE

Criteria:

Under Generally Accepted Accounting Principles (GAAP), accounts receivable should only be recorded for revenue earned. For exchange transactions, the critical date in determining when revenue is recognized is when the related good or service is provided, not when the bill, invoice, or intention to pay is established.

Additionally, under GAAP, unearned revenue should only be recorded when payment is received in advance of the critical date for revenue recognition, not when the bill, invoice, or intention to pay is established.

Furthermore, GAAP requires that accounts receivable be presented on the financial statements at their net realizable value. This requires the Organization to perform a reasonable assessment of collectability of receivables based on the age of the receivables, and likelihood of collection, taking into consideration historical trends, and any other relevant data or circumstances. The Organization should then establish (or adjust an existing) allowance for doubtful accounts to offset gross accounts receivable so that the amount presented will represent net realizable value of the receivable.

Condition:

The District's financial close process was not adequate to present student accounts receivable and unearned revenue in accordance with GAAP.

Student accounts receivable and unearned revenue included tuition and fees for students who registered prior to year-end for the Fall 2021 term. Although it may be administratively necessary to record student registration in this manner, it will overstate the statement of net position by including receivables that are not related to revenue earned during the year, and unearned revenue that has not been received in cash. This resulted in an audit adjustment that decreased student accounts receivable and unearned revenue by $2,168,119. Additionally, the District has not historically established an allowance for doubtful accounts and has been writing-off student receivables deemed uncollectable at irregular intervals (every 2-3 years). Given the significance of student accounts receivable, and of student accounts receivable that are over one year old, establishing an allowance is necessary to present receivables in accordance with GAAP, at their net realizable value. This resulted in an audit adjustment that increased the allowance for doubtful accounts by $904,851.

Cause:

The District's current financial close process does not include policies and procedures to ensure that student accounts receivable and unearned revenue are presented in accordance with GAAP, including procedures to eliminate gross-ups of student receivables and unearned revenue, and procedures to estimate collectability of student receivables based on relevant data. This could be due to a significant focus on internal billing and collection procedures, rather than a focus on financial reporting in accordance with GAAP.

Effect:

The above condition and cause resulted in an overstatement of accounts receivable and unearned revenue by $2,168,119, and an understatement of the allowance for doubtful accounts (overstatement of net receivables) of $904,851.

These misstatements also indicate that management and the Board have been performing their oversight of the District based on materially overstated current assets, which could have a significant effect on financial decision making.

Recommendation:

We recommend that the District incorporate into its financial close process, procedures to ensure that student accounts receivable and unearned revenue are assessed for overlap, and a gross-down entry is posted or provided to the auditors prior to the start of the financial statement audit.

Additionally, we recommend that the District establish an allowance for doubtful student accounts and assess student receivables annually for collectability in order to update the allowance and present the receivable in accordance with GAAP. The assessment should be based on historical trends and data.

District's Response:

Management agrees that a change to its year-end close process and procedures is needed to ensure student accounts receivable and unearned revenue are presented in accordance with GAAP. Management has created and implemented procedures to be completed as part of the year-end closing process that will support the accurate recording of accounts receivable and unearned revenue in accordance with GAAP, and the ongoing maintenance and adjustment to the established allowance for doubtful accounts

SECTION III – FEDERAL COMPLIANCE

There are no federal compliance findings reported.

SECTION IV – STATE COMPLIANCE

There are no state compliance findings reported.

Recommendation	Current Status	District Explanation If Not Implemented
2020-001 – STUDENT CENTERED FUNDING FORMULA BASE ALLOCATION: FTES – DAILY STUDENT CONTACT HOURS **Condition:** We noted nine daily courses were not reported at the correct amount of contact hours due to human error. **Recommendation:** We recommend that internal reviews be performed of daily census classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate prior to submission of apportionment attendance reports.	Implemented. No items of noncompliance were noted in the 2021 audit.	
2020-002 – STUDENT CENTERED FUNDING FORMULA BASE ALLOCATION: FTES – ACTUAL HOURS OF ATTENDANCE **Condition:** We noted all actual hours of attendance courses converted to a distance education mode of instruction in Spring 2020 Noncredit that were asynchronous were not adjusted to either method suggested by the Chancellor's Office Guidance Memorandum and instead the District used the same method of calculating FTES as prior to March 13, 2020. **Recommendation:** We recommend that internal reviews be performed of actual hours of attendance classes to ensure contact hours are properly calculated based on the most recent guidance from the Chancellor's Office, and therefore FTES amounts reported are accurate prior to submission.	Implemented. No items of noncompliance were noted in the 2021 audit.	