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MERCED COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2023

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MERCED COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Merced Community College District
Merced, California

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Merced Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Merced Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, 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 the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 accompanying 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 December 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 the effectiveness of the District's 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.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2023

INTRODUCTION

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, 2023. 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 2022-23 state budget bill was signed by Governor Gavin Newsom on June 27, 2022. The approved budget assumed total General Fund expenditures of $234 billion, $38.4 billion increase from 2021-22. The enacted Budget focuses state spending on the Governor's key priorities, supporting higher education being one of them.

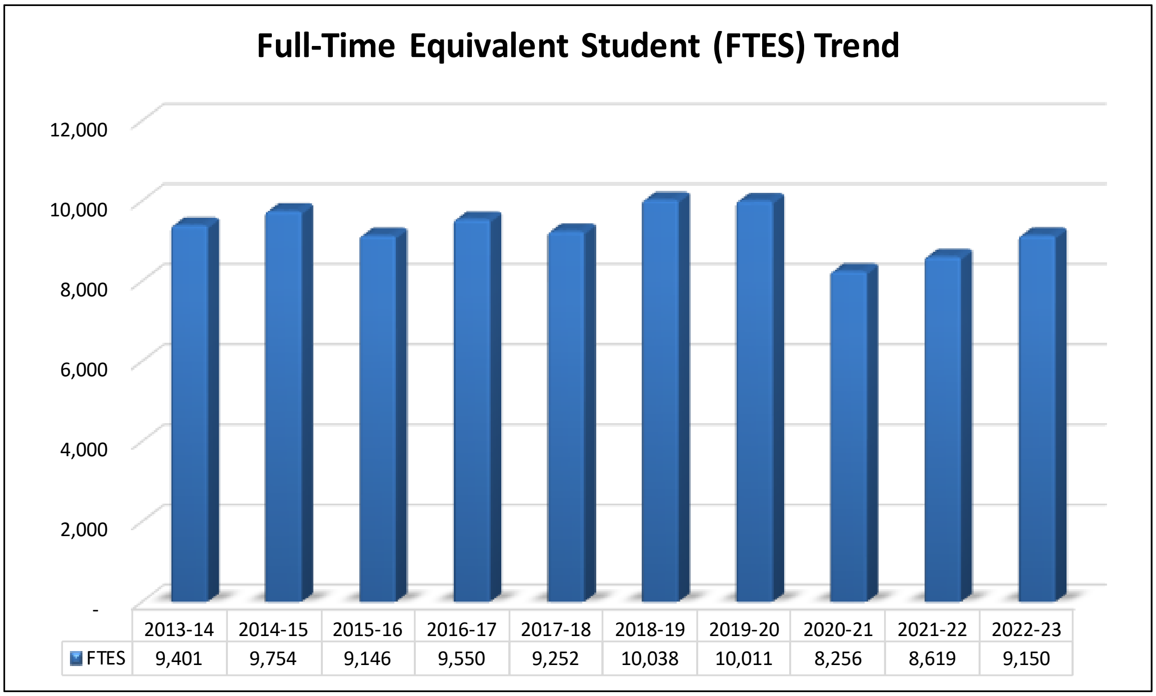
The enacted state budget also had the following impact on community colleges:

- 6.56% Cost of Living Adjustment (COLA) to the Student Centered Funding Formula (SCFF)
- $200 million SCFF Basic Allocation increase
- $400 million in SCFF Base Funding increase
- $840.7 million in one-time funding for physical plant and instructional support over a five year period
- Extended COVID-19 Emergency Conditions Allowance for one year to protect districts continuing to experience declining enrollments caused by the coronavirus disease 2019 (COVID-19) pandemic.

On September 13, 2022, the District presented to the Board of Trustees its annual budget. The 2022-23 adopted budget estimated Unrestricted Operating General Fund Revenues of $86.5 million and $83.7 million Unrestricted Operating General Fund Expenditures, resulting in a projected net revenue of $2.8 million for the fiscal year. The projected net revenue, coupled with a beginning fund balance of $13.4 million, would result in an ending fund balance of $16.2 million. At year end, actual figures for revenue was $88.9 million or 2.8% higher and expenditures were $86.6 million or 3.5% 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 revenue of $2.3 million. The ending Unrestricted Operating General Fund balance was $15.7 million.

FINANCIAL AND ENROLLMENT HIGHLIGHTS, continued

In 2022-23, the District reported 9,150 credit and non-credit resident FTES. See the below chart for a historical perspective on the changes in FTES over the past 10 years.



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
FTES	9,401	9,754	9,146	9,550	9,252	10,038	10,011	8,256	8,619	9,150

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 is 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.

FINANCIAL AND ENROLLMENT HIGHLIGHTS, continued

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 $67.3 million, as of the measurement date of June 30, 2022. 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 2023 ($96.4 million).

Legislation was enacted to increase employer contribution rates over seven years which began in 2014-15. The employer contribution rate for 2022-23 was 19.10%. In May 2022, an employer contribution rate of 19.1% was adopted. The rate allows the continual elimination of the employer share of the unfunded actuarial obligation by 2046 and provides rate stability going forward. Employee contributions increased from the 2014-15 rate of 8.15% to 10.25% in 2016-17. This rate 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 2022-23 was 25.37%.

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.

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022	Change
Current assets	$ 94,031,164	$ 50,580,999	$ 43,450,165
Non-current assets	140,195,715	137,684,703	2,511,012
Deferred outflows of resources	26,864,812	24,923,321	1,941,491
Total Assets and Deferred Outflows of Resources	261,091,691	213,189,023	47,902,668
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	54,680,916	28,396,958	26,283,958
Non-current liabilities	165,789,927	145,698,655	20,091,272
Deferred inflows of resources	8,589,282	29,383,261	(20,793,979)
Total Liabilities and Deferred Inflows of Resources	229,060,125	203,478,874	25,581,251
NET POSITION			
Invested in capital assets, net of related debt	93,628,498	84,198,530	9,429,968
Restricted	34,802,525	14,701,829	20,100,696
Unrestricted	(96,399,457)	(89,190,210)	(7,209,247)
Total Net Position	$ 32,031,566	$ 9,710,149	$ 22,321,417

Assets

Total Assets increased approximately $46.0 million, a percentage increase of 24%. The major changes affecting total assets are listed below:

Current Assets increased by approximately $43.5 million, a percentage increase of 86%. This increase is primarily due to an increase in cash and equivalents from state and federal revenues during 2022-23.

Non-current Assets increased by approximately $2.5 million, a percentage increase of 2%. This increase is primarily due to an increase in net capital assets related to new building construction and expansion of technology infrastructure.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources increased by approximately $1.9 million and deferred inflows of resources decreased by $20.8 million. The changes to deferred inflows are primarily related to the net differences between projected and actual investment earnings of pension plan investments and OPEB investments with a measurement date of June 30, 2022. This is discussed in more detail in Note 8 and Note 9 of the financial statements.

STATEMENT OF NET POSITION, continued

Liabilities
Total Liabilities increased by $46.4 million, a percentage increase of 27%. The major changes affecting total liabilities are listed below:

Current liabilities increased by $26.3 million, a percentage increase of 93%. The increase is primarily due to deferred revenue for restricted programs and grants and accounts payable to vendors as of June 30, 2023.

The noncurrent portion of long-term liabilities increased by $20.1 million, a percentage increase of 14%. The primary factor for this increase is the change in the net pension liability, due to changes in the District's proportionate share of each Plan.

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 2023 ($96.4 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.

	2023	2022	Change
OPERATING REVENUES			
Tuition and fees (net)	$ 4,651,256	$ 3,722,255	$ 929,001
Grants and contracts	54,024,812	78,203,703	(24,178,891)
Auxiliary enterprise sales, net	328,170	393,087	(64,917)
Total Operating Revenues	59,004,238	82,319,045	(23,314,807)
OPERATING EXPENSES			
Salaries and benefits	84,816,962	70,614,172	14,202,790
Supplies, materials, and other operating expenses	22,953,369	26,118,228	(3,164,859)
Financial aid	28,735,738	31,271,808	(2,536,070)
Depreciation and amortization	5,753,070	4,439,863	1,313,207
Total Operating Expenses	142,259,139	132,444,071	9,815,068
Operating Loss	(83,254,901)	(50,125,026)	(33,129,875)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	57,867,522	35,338,665	22,528,857
Education protection account	4,670,981	19,647,326	(14,976,345)
Local property taxes, noncapital	17,577,991	16,380,915	1,197,076
State taxes and other revenues, noncapital	20,818,690	2,479,121	18,339,569
Investment income (loss)	(764,723)	235,146	(999,869)
Interest expense	(1,098,233)	(1,574,738)	476,505
Other non-operating revenues	1,292,887	535,576	757,311
Transfer from Foundation	698,535	-	698,535
Total Non-Operating Revenues (Expenses)	101,063,650	73,042,011	28,021,639
OTHER REVENUES (EXPENSES)			
Local property taxes and revenues, capital	4,302,638	4,350,403	(47,765)
Local revenues, grants and gifts, capital	200,608	181,755	18,853
Gain (loss) on disposal of asset	9,422	-	9,422
Change in Net Position	22,321,417	27,449,143	(5,127,726)
NET POSITION -- BEGINNING OF YEAR	9,710,149	(17,738,994)	27,449,143
NET POSITION -- END OF YEAR	$ 32,031,566	$ 9,710,149	$ 22,321,417

Operating Revenues

Total operating revenues decreased by $23.3 million, a percentage decrease of 28%. The net decrease is mostly due to a decrease in federal revenues as the funds related to the Higher Education Emergency Relief Fund (HEERF) programs wind down.

Operating Expenses

Total operating expenses increased by $9.8 million, or 7%, primarily due to increased personnel costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had approximately $126.1 million invested in net capital assets. Total capital assets of $218.6 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 $92 million. Depreciation expense of $4.5 million was recorded in 2023.

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

	2023	2022	Change
Capital Assets not being depreciated	$ 34,064,153	$ 23,007,932	$ 11,056,221
Capital Assets being depreciated	184,475,446	182,390,143	2,085,303
Accumulated depreciation	(92,409,333)	(87,870,912)	(4,538,421)
Total Capital Assets	$ 126,130,266	$ 117,527,163	$ 8,603,103

Debt Administration

At June 30, 2023, the District had approximately $174.3 million in outstanding debt, an increase of 15% from prior year.

	2023	2022	Change
General obligation bonds	$ 36,890,000	$ 39,825,000	$ (2,935,000)
Bond premium	1,993,956	2,243,258	(249,302)
Compensated absences	2,126,927	1,749,920	377,007
Finance purchases	714,371	1,341,340	(626,969)
Lease liability	205,876	296,807	(90,931)
Software lease liability	3,098,047	-	3,098,047
Solar energy project	1,530,502	1,615,382	(84,880)
Energy service contract	3,794,973	3,820,094	(25,121)
Net OPEB liability	56,711,639	56,882,884	(171,245)
Net pension liability	67,266,201	43,686,093	23,580,108
Total Long-term Liabilities	$ 174,332,492	$ 151,460,778	$ 22,871,714

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

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

Through the first quarter of the 2023-24 fiscal year, overall state revenues have been slightly higher than originally estimated when the 2023 Budget Act was adopted in June, approximately $1 billion above projections. The California Department of Finance (DOF) attributes much of the revenue increase to elective tax payments made by corporation pass-through entities. However, in spite of the improved current state revenue picture, the Legislative Analyst's Office (LAO) has consistently projected multi-year state budget deficits, possibly through 2026-27. The LAO has not provided an updated state economic outlook, primarily due to the income tax filing and payment deadline extensions provided for taxpayers this year. The uncertain impact of the tax extension on state revenues has presented a challenge in establishing valid assumptions about the future of the state economy.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

The 2022 Budget Act included block grant funding intended to support district activities over the next several years. For community colleges, the state provided $650 million to fund student support, reengagement strategies, professional development, technology, equipment, and other specified activities. However, due to the projected reduction in state revenue and expected budget deficit in 2023-24, the state subsequently reduced the 2022-23 block grant allocation by $500 million. The remaining $150 million, plus an addition $5.7 million in 2023-24, are being provided on a one-time basis, and represents an additional resource to supplement other district funding for the next several years.

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 (ECA) expired at the end of 2022-23, the Governor's Budget extended the revenue protections in a modified form to avoid creating sharp fiscal declines in future years. As such, a district's 2024-25 funding would represent its new "floor", or minimum revenue amount. In addition, as part of the 2022-23 ECA application process, districts had to certify that their Board of Trustees would adopt a policy to maintain an unrestricted general fund reserve balance of no less than two months of general fund operating expenditures. This policy was adopted by the Merced College Board of Trustees on March 14, 2023.

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 remains at 70% for student enrollment, 20% for low-income students, and 10% 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 Budget Act permanently reset the hold harmless base year from 2017-18 to 2024-25.

Merced College projects to maintain a balanced budget as well as sustain a fund balance that remains above the newly-adopted board required 16.67% level for the 2023-24 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.

FINANCIAL SECTION

MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS		
Current Assets:		
Cash and equivalents	$	73,395,223
Accounts receivable, net		19,065,448
Due from Foundation		635,658
Prepaid expenditures and other assets		934,835
Total Current Assets		94,031,164
Noncurrent Assets:		
Restricted cash and equivalents		10,792,457
Right-of-use assets, net		3,272,992
Capital assets, net		126,130,266
Total Noncurrent Assets		140,195,715
TOTAL ASSETS		234,226,879
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding		768,527
Deferred outflows - OPEB		2,979,020
Deferred outflows - pensions		23,117,265
TOTAL DEFERRED OUTFLOWS OF RESOURCES		26,864,812
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	261,091,691
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	21,893,765
Unearned revenue		24,244,586
Long-term debt, current portion		8,542,565
Total Current Liabilities		54,680,916
Noncurrent Liabilities:		
Net OPEB liability		56,711,639
Net pension liability		67,266,201
Long-term debt, non-current portion		41,812,087
Total Noncurrent Liabilities		165,789,927
TOTAL LIABILITIES		220,470,843
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB		2,434,680
Deferred inflows related to pensions		6,154,602
TOTAL DEFERRED INFLOWS OF RESOURCES		8,589,282
NET POSITION		
Net investment in capital assets		93,628,498
Restricted for:		
Debt service		4,822,674
Capital projects		12,172,504
Other special purpose		17,807,347
Unrestricted		(96,399,457)
TOTAL NET POSITION		32,031,566
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	261,091,691

MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
Tuition and fees (gross)	$ 11,784,200
Less: Scholarship discounts and allowances	(7,132,944)
Net tuition and fees	4,651,256
Grants and contracts, noncapital:	
Federal	27,153,736
State	26,837,545
Local	33,531
Auxiliary enterprise sales, net	328,170
TOTAL OPERATING REVENUES	59,004,238
OPERATING EXPENSES	
Salaries	53,140,996
Employee benefits	31,675,966
Supplies, materials, and other operating expenses	22,953,369
Financial aid	28,735,738
Depreciation and amortization	5,753,070
TOTAL OPERATING EXPENSES	142,259,139
OPERATING LOSS	(83,254,901)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	57,867,522
Education protection account	4,670,981
Local property taxes, noncapital	17,577,991
State taxes and other revenues	20,818,690
Interest and investment income (loss)	(764,723)
Interest expense	(1,098,233)
Other non-operating income	1,292,887
Transfer from Foundation	698,535
TOTAL NON-OPERATING REVENUES	101,063,650
GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	17,808,749
OTHER REVENUES, EXPENSES, GAINS AND LOSSES	
Local property taxes and revenues, capital	4,302,638
Local revenues, grants and gifts, capital	200,608
Gain (loss) on disposal of capital assets	9,422
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	4,512,668
CHANGE IN NET POSITION	22,321,417
NET POSITION -- BEGINNING OF YEAR	9,710,149
NET POSITION -- END OF YEAR	$ 32,031,566

MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,651,256
Grants and contracts	63,698,759
Payments to or on behalf of employees	(83,851,953)
Payments to vendors for supplies and services	(12,417,936)
Payment to students	(28,735,738)
Internal sales and charges	328,170
Net Cash Used by Operating Activities	(56,327,442)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	57,867,522
Education potection account receipts	4,670,981
Local property taxes	17,577,991
State taxes and other revenues	20,818,690
Transfer from foudnation fund	134,672
Other non-operating revenues	1,292,887
Net Cash Provided by Non-capital Financing Activities	102,362,743
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net purchase and sale of capital assets	(13,141,110)
Local property taxes on capital related debt	4,503,246
Principal paid on capital debt	(4,846,927)
Interest paid on capital debt	(1,262,144)
Net Cash Used by Capital and Related Financing Activities	(14,746,935)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income (expense)	(764,723)
Net Cash Used by Investing Activities	(764,723)
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,523,643
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,664,037
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 84,187,680

MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(83,254,901)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and amortization expense		5,753,070
Changes in Assets and Liabilities:		
Accounts receivable, net		(2,665,985)
Prepaid expenditures		(628,151)
Deferred outflows - pensions		(6,465,934)
Deferred outflows - OPEB		4,439,052
Accounts payable and accrued liabilities		11,163,584
Deferred revenue		12,339,932
Compensated absences and load banking		377,007
Net OPEB liability		(171,245)
Net pension liability		23,580,108
Deferred inflows - pensions		(20,725,023)
Deferred inflows - OPEB		(68,956)
Total Adjustments		26,927,459
Net Cash Flows From Operating Activities	$	(56,327,442)
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	$	73,395,223
Restricted ash and cash equivalents		10,792,457
Total Cash and Cash Equivalents	$	84,187,680

MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS		
Current assets:		
Cash and cash equivalents	$	2,046,068
Pledged receivable, current		350,000
Total current assets	$	2,396,068
Noncurrent assets:		
Investments		6,619,908
Pledged receivable, net		1,381,048
Accounts receivable		3,242
Total noncurrent assets		8,004,198
Total Assets	$	10,400,266
LIABILITIES		
Accounts payable	$	6,006
Due to district		635,658
Total Liabilities		641,664
NET ASSETS		
Nonexpendable: scholarships		2,812,291
Scholarships and loans		6,584,874
Unrestricted		361,437
Total Net Assets		9,758,602
Total Liabilities and Net Assets	$	10,400,266

MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
OPERATING REVENUES			
Contributions	$ -	$ 1,100,031	$ 1,100,031
Investment income (loss)	-	30,687	30,687
Other non-operating revenues	455,316	-	455,316
Net assets released from restrictions	1,505,044	(1,505,044)	-
Total Support and Revenue	1,960,360	(374,326)	1,586,034
EXPENSES			
Supplies, materials, and other operating expenses and services	83,454	-	83,454
Scholarships and student programs	1,349,600	-	1,349,600
In-kind expense	479,301	-	479,301
Total Expenses	1,912,355	-	1,912,355
Change in Net Assets	48,005	(374,326)	(326,321)
Net Assets - Beginning of Year	313,432	9,771,491	10,084,923
Net Assets - End of Year	$ 361,437	$ 9,397,165	$ 9,758,602

MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(326,321)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in operating assets		
Accounts receivable		(3,242)
Pledges receivable		348,828
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses		(3,871)
Due to District		563,863
Net cash provided by (used in) operating activities		579,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale/(Purchase) of investments		(461,531)
Net cash provided by (used in) investing activities		(461,531)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		117,726
Cash and cash equivalents, Beginning		1,928,342
Cash and cash equivalents, Ending	$	2,046,068

NOTE 1 – ORGANIZATION

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 nonprofit 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.

NOTE 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 as of June 30, 2023 are presented net of estimated uncollectable student accounts of $1,582,470.

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 and Depreciation
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 of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 10 years; equipment, 10 years; vehicles, 8 years; library books, 5 years, and technology, 5 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Leases

The District recognizes leases with an initial, individual value of $50,000 or more and when the lease terms include a noncancellable period of more than one year.

> Lessee: The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) at the commencement of a lease and initially measures them at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made and the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The District estimates its incremental borrowing rate as the discount rate for expected lease payments and the noncancelable period for its leases. Additionally, the District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease liability if certain changes occur that are expected to significantly affect their lease liability.

Lease assets are reported with depreciable capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year, that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Compensated Absences and Load Banking

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows of Resources and 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB Statements.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Scholarship Discounts and Allowances

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.

Estimates

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

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government has been eliminated in the consolidation process of the basic financial statements.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government have been eliminated in the consolidation process of the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements
GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The statement is effective for fiscal year 2022-23. The District has implemented GASB Statement No. 96 for the year ending June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 3 – CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS

Cash and equivalents as of June 30, 2023, are classified in the accompanying financial statements as follows:

Cash and equivalents	$	73,395,223
Restricted cash and equivalents		10,792,457
Total cash and equivalents	$	84,187,680

Cash and equivalents as of June 30, 2023, consist of the following:

Cash in County Treasury	$	72,104,974
Deposits with financial institutions		7,801,048
Cash on hand		7,500
Cash and equivalents in CAMP		4,274,158
Total Deposits and Investments	$	84,187,680

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.

NOTE 3 – CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS, continued

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 Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	40%	30%
Banker's Acceptance	180 days	25%	10%
Commercial Paper	270 days	30%	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	20% of base	None
Reverse Repurchase Agreements	92 days	30%	None
Medium-Term Corporate Notes	5 years	20%	10%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	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.

NOTE 3 – CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS, continued

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, 2023, the weighted average maturity of the investments contained in the County Treasury and the CAMP investment pools is approximately 552 and 26 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, 2023.

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, 2023, the District's bank balances were exposed to custodial credit risk in the amount of $7,551,048.

NOTE 3 – CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS, continued

Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2023:

		Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Investment Type	Fair Value	Inputs	Inputs	Inputs	Uncategorized
County Treasury	$ 72,104,974	$ -	$ -	$ -	$ 72,104,974
CAMP	4,274,158	-	-	-	4,274,158
	$ 76,379,132	$ -	$ -	$ -	$ 76,379,132

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023 consisted of the following:

Federal grants and contracts	$ 3,953,277
State grants, contracts and apportionment	8,400,044
Local grants, contracts and students	6,712,127
Total receivables, net	$ 19,065,448

NOTE 5 – CAPITAL AND RIGHT-OF-USE ASSETS

Capital and Right-of-use asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	$ 1,333,366	$ 470,000	$ -	$ 1,803,366
Construction in progress	21,674,566	11,836,301	1,250,080	32,260,787
Total Capital Assets Not Being Depreciated	23,007,932	12,306,301	1,250,080	34,064,153
Capital Assets Being Depreciated				
Improvements of sites	16,547,643	104,208	-	16,651,851
Buildings	138,187,902	1,064,231	-	139,252,133
Furniture and equipment	27,654,598	925,872	9,008	28,571,462
Total Capital Assets Being Depreciated	182,390,143	2,094,311	9,008	184,475,446
Total Capital Assets	205,398,075	14,400,612	1,259,088	218,539,599
Less: Accumulated Depreciation				
Improvements of sites	12,154,079	241,970	-	12,396,049
Buildings	56,232,298	2,669,194	-	58,901,492
Furniture and equipment	19,484,535	1,636,265	9,008	21,111,792
Total Accumulated Depreciation	87,870,912	4,547,429	9,008	92,409,333
Net Capital Assets	117,527,163	9,853,183	1,250,080	126,130,266
Right-to-use Assets				
Leased equipment	387,621	-	-	387,621
Leased software	-	4,182,073	-	4,182,073
Total Right-to-use Assets	387,621	4,182,073	-	4,569,694
Less: Accumulated Amortization				
Leased equipment	91,061	91,060	-	182,121
Leased software	-	1,114,581	-	1,114,581
Total Accumulated Amortization	91,061	1,205,641	-	1,296,702
Net Right-to-use Assets	296,560	2,976,432	-	3,272,992
Net Capital and Right-to-use Assets	$ 117,823,723	$ 12,829,615	$ 1,250,080	$ 129,403,258

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2023 consisted of the following:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due in One Year
General obligation bonds	$ 39,825,000	$ -	$ 2,935,000	$ 36,890,000	$ 4,485,325
Bond premium	2,243,258	-	249,302	1,993,956	249,302
Compensated absences	1,749,920	377,007	-	2,126,927	2,126,927
Finance purchases	1,341,340	-	626,969	714,371	181,355
Lease liability	296,807	-	90,931	205,876	91,113
Software lease liability	-	4,182,073	1,084,026	3,098,047	1,275,698
Solar energy project	1,615,382	-	84,880	1,530,502	84,880
Energy service contract	3,820,094	-	25,121	3,794,973	47,965
Total	$ 50,891,801	$ 4,559,080	$ 5,096,229	$ 50,354,652	$ 8,542,565

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, 2023, the principal balance outstanding was $3,815,000.

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, 2023, the principal balance outstanding was $6,115,000.

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, 2023, the 2014 Issue principal balance outstanding was $17,460,000.

On July 21, 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. As of June 30, 2023, the principal balance outstanding was $9,500,000.

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY, continued

General Obligation Bonds, continued

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

Fiscal Year	Principal	Interest	Total
2024	$ 3,250,000	$ 1,235,325	$ 4,485,325
2025	3,915,000	1,086,400	5,001,400
2026	4,140,000	917,013	5,057,013
2027	2,905,000	762,847	3,667,847
2028	3,180,000	646,969	3,826,969
2029-2033	19,500,000	1,414,301	20,914,301
Total	$ 36,890,000	$ 6,062,855	$ 42,952,855

Finance Purchases

The District finances the purchase of equipment under agreements which provide for title to pass upon expiration of the finance 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, 2023 was charged to expenses. The District entered into a finance purchase agreement during the 2011-2012 fiscal year with a gross amount of $2,388,404 for the asset financed. The District entered into a finance purchase agreement during the 2018-2019 fiscal year with a gross amount of $2,168,446 for the asset financed.

Future minimum payments are as follows:

Fiscal Year	Payments
2024	$ 204,718
2025	204,718
2026	204,718
2027	154,455
Total	768,609
Less amount representing interest	(54,238)
Present value of net minimum payments	$ 714,371

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY, continued

Lease Liability

During previous fiscal years, the District entered into lease agreements for the right-to-use equipment. This agreement met the definition of GASB Statement No. 87 – Leases. An initial lease liability was recorded in the amount of $387,621 at the beginning of the fiscal year ended June 30, 2022. The District is a lessee under these two agreements. One has a lease term of 5 years with a $2,593 monthly payment and the other has a lease term of 4 years with a monthly payment of $5,027. For purposes of discounting future payments on the lease, the District used a discount rate of .20%. As of June 30, 2023, the value of the lease liability was $205,876 and is being amortized over the remaining term of the lease.

During fiscal year 2022-23, the District adopted GASB Statement No. 96 – Subscription Based Information Technology Arrangements. This GASB required the District to recognize information technology arrangements greater than one year. For 2022-23, the District had 18 agreements that met the definition of GASB Statement No. 96. The initial amount of 4,182,073 was recorded based on a discount rate of 2.36%. The balance as of June 30, 2023 was 3,098,047 and is being amortized over the remaining terms of the leases.

The future minimum principal and interest lease payments as of June 20, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 1,366,811	$ 56,930	$ 1,423,741
2025	1,195,950	28,855	1,224,805
2026	473,374	10,947	484,321
2027	233,236	3,040	236,276
2028	34,552	90	34,642
Total	$ 3,303,923	$ 99,862	$ 3,403,785

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, 2023, the District had expenditures for the project and therefore had drawdowns totaling $1,530,502 of the loan. Future minimum lease payments are as follows:

Fiscal Year	Payments
2024	$ 84,880
2025	84,880
2026	84,880
2027	84,880
2028	84,880
2029-2033	424,400
2034-2038	424,400
2039-2042	257,302
Total	$ 1,530,502

NOTE 6 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY, continued

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, 2023, all of the 6 projects listed in the contract were complete and in-use by the District. The costs associated with these projects, totaling $3,706,354, are included in capital assets as of June 30, 2023.

Fiscal Year	Payments
2024	$ 203,473
2025	228,295
2026	271,334
2027	260,863
2028	260,770
2029-2033	1,464,499
2034-2038	1,687,124
2039-2042	1,235,422
Total	5,611,780
Less amount representing interest	(1,816,807)
Present value of net minimum payments	$ 3,794,973

NOTE 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 (IAC). 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, 2023.

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.

NOTE 8 – EMPLOYEE RETIREMENT PLANS

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 27,780,935	$ 8,458,511	$ 4,543,130	$ 2,280,610
CalPERS	39,485,266	14,658,754	1,611,472	4,267,587
Total	$ 67,266,201	$ 23,117,265	$ 6,154,602	$ 6,548,197

California State Teachers' Retirement System (CalSTRS)

Plan Description
The District participates in the State Teachers' Retirement Plan (STRP), 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.

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were $5,388,299.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	27,780,935
State's proportionate share of the net pension liability associated with the District		13,912,773
Total	$	41,693,708

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

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

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. The District's proportionate share for the June 30, 2022 measurement period was 0.040%, which decreased by 0.003% from its proportion measured as of June 30, 2021 of 0.043%.

For the year ended June 30, 2023, the District recognized pension expense of $2,280,610. In addition, the District recognized revenue and corresponding expense of ($1,040,565) for support provided by the state. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ -	$ 1,359,419
Differences between expected and actual experience	22,789	2,082,648
Changes in assumptions	1,376,706	-
Net changes in proportionate share of net pension liability	1,670,787	1,101,063
District contributions subsequent to the measurement date	5,388,229	-
Total	$ 8,458,511	$ 4,543,130

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 52,298
2025	(1,194,948)
2026	(1,732,276)
2027	1,785,607
2028	(287,975)
Thereafter	(95,554)
	$ (1,472,848)

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2021 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015, through June 30, 2018
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 and adopted by the CalSTRS Board in January 2020 in conjunction with the most recent experience study. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Public Equity	42%	4.8%
Real Estate	15%	3.6%
Private Equity	13%	6.3%
Fixed Income	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	-0.4%
	100%	

*20-year average

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Discount Rate
The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. 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 occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	$ 47,182,331	$ 27,780,935	$ 11,671,943

Plan Fiduciary Net Position
Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS.

On-Behalf Payments
The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately $2,231,868 to CalSTRS.

California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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.

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2023 are summarized below:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	25.370%	25.370%

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, 2023, was 22.91% of annual pay. District contributions to the CalPERS Plan were $4,770,817 for the year ended June 30, 2023.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions
As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $39,485,266. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. The District's proportion share for the June 30, 2022 measurement period was 0.115% which is a decrease 0.004% from its proportion measured as of June 30, 2021. For the year ended June 30, 2023, the District recognized pension expense of $4,267,587.

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

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

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 4,662,134	$ -
Differences between expected and actual experience	178,451	982,443
Changes in assumptions	2,920,895	-
Net changes in proportionate share of net pension liability	2,126,457	629,029
District contributions subsequent to the measurement date	4,770,817	-
Total	$ 14,658,754	$ 1,611,472

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 2,157,392
2025	1,916,359
2026	1,516,587
2027	2,686,127
	$ 8,276,465

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The discount rate decreased from 7.15% to 6.90% since the previous valuation. No other material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2021 used the methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Actuarial Methods and Assumptions, continued

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90% of scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Discount Rate

The discount rate used to measure the total pension liability was 6.90% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	$ 57,038,466	$ 39,485,266	$ 24,978,191

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS.

NOTE 9 – OTHER POSTEMPLOYENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 56,711,639	$ 2,979,020	$ 2,434,680	$ 4,198,851

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.

NOTE 9 – OTHER POSTEMPLOYENT BENEFITS (OPEB), continued

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan is included in the District's financial report and separately presented as a fiduciary fund. Separate financial statements are also prepared for the Plan and may be obtained by contacting the Merced County Community College District.

	Faculty	Classified	Management
Benefit types provided	Medical. Dental and vision	Medical. Dental and vision	Medical. Dental and vision
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	18 years	15 years	15 years
Minimum Age	55	58	58
Dependent Coverage	Yes	Yes	Yes
College Contribution %	100%	100%	100%
College Cap	None	None	None

Employees Covered

As of the June 30, 2021 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

	Number of Participants
Inactive Employees Receiving Benefits	244
Active Employees	410
	654

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.

NOTE 9 – OTHER POSTEMPLOYENT BENEFITS (OPEB), continued

OPEB Plan Investment

The plan discount rate of 5.75% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	29%	7.55%
US Small Cap	13%	7.55%
All Foreign Stock	9%	7.55%
Other Fixed Income	49%	3.00%

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.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determine using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.50%
Investment rate of return	5.75%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2020 CalSTRS mortality tables were used. For classified employees the 2017 CalPERS active mortality for miscellaneous and school employees were used.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75 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.

NOTE 9 – OTHER POSTEMPLOYENT BENEFITS (OPEB), continued

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 (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance July 1, 2021	$ 61,686,438	$ 4,803,554	$ 56,882,884
Changes for the year:			
Service cost	895,331	-	895,331
Interest on TOL	3,436,469	-	3,436,469
Employer contributions	-	4,062,170	(4,062,170)
Employer contributions to trust	-	400,000	(400,000)
Expected investment income	-	287,527	(287,527)
Investment gains/losses	-	(917,191)	917,191
Administrative expense	-	(6,154)	6,154
Actual benefit payments	(4,062,170)	(4,062,170)	-
Expected minus actual benefit payments	(676,693)	-	(676,693)
Net change	(407,063)	(235,818)	(171,245)
Balance June 30, 2022	$ 61,279,375	$ 4,567,736	$ 56,711,639

Sensitivity of the net pension liability to assumptions:
The following presents the net OPEB liability calculated using the discount rate of 5.75 percent. The schedule also shows what the net OPEB liability and net OPEB asset would be if it were calculated using a discount rate that is 1 percent lower (4.75 percent) and 1 percent higher (6.75 percent):

	Discount Rate 1% Lower (4.75%)	Discount Rate (5.75%)	Discount Rate 1% Higher (6.75%)
Net OPEB liability	$ 61,588,021	$ 56,711,639	$ 52,403,832

The following table presents the net OPEB liability calculated using the heath care cost trend rate of 4 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3 percent) and 1 percent higher (5 percent):

	Trend Rate 1% Lower (3.00%)	Healthcare Cost Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	$ 51,229,504	$ 56,711,639	$ 63,002,780

NOTE 9 – OTHER POSTEMPLOYENT BENEFITS (OPEB), continued

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.

OPEB Expense
For the year ended June 30, 2023, the District recognized OPEB expense of $4,198,851.

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2023, 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 projected and actual earnings on plan investments	$ 412,012	$ -
Differences between expected and actual experience	1,165,732	2,434,680
Change in assumptions	1,401,276	-
	$ 2,979,020	$ 2,434,680

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 155,509
2025	156,091
2026	144,356
2027	259,228
2028	75,793
Thereafter	(246,637)
	$ 544,340

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.

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.

NOTE 9 – OTHER POSTEMPLOYENT BENEFITS (OPEB), continued

Recognition of Deferred Outflows and Deferred Inflows of Resources, continued
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, and all other amounts, expected average remaining service lives (EARSL) of plan participants.

NOTE 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.

NOTE 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.

NOTE 11 – JOINT POWERS AUTHORITIES AGREEMENTS, continued

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 $50,000,000 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:

	SELF June 30, 2022 (Audited)	ASCIP June 30, 2022 (Audited)
Total assets and deferred outflows	$ 289,927,212	$ 525,465,531
Total liabilities and deferred inflows	218,885,517	307,023,691
Net position	$ 71,041,695	$ 218,441,840
Total revenues	$ 141,145,379	$ 262,403,327
Total expenses	110,272,506	270,681,932
Change in net position	$ 30,872,873	$ (8,278,605)

NOTE 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
During the year ending June 30, 2023, the district was not in any pending liability lawsuits or threatened litigation.

Construction Commitments
The District has construction commitments of approximately $2,156,120 at June 30, 2023. General obligation bonds have been approved for $310,364 of such construction commitments.

NOTE 13 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2023 through December 7, 2023, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements

REQUIRED SUPPLEMENTARY INFORMATION

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 895,331	$ 1,085,294	$ 1,056,247	$ 786,853	$ 765,794	$ 745,298
Interest on TOL	3,436,469	3,610,816	3,614,178	3,502,094	3,504,490	3,502,044
Change in assumptions	-	1,770,034	-	-	-	-
Experience gains/losses	-	(2,028,864)	(165,607)	1,962,712	-	-
Expected minus actual benefit payments	(676,693)	(136,302)	-	21,080	-	-
Benefit payments	(4,062,170)	(4,640,611)	(4,539,450)	(4,352,605)	(4,309,964)	(4,144,196)
Net change in total OPEB liability	(407,063)	(339,633)	(34,632)	1,920,134	(39,680)	103,146
Total OPEB liability, beginning of year	61,686,438	62,026,071	62,060,703	60,140,569	60,180,249	60,077,103
Total OPEB liability, end of year (a)	$ 61,279,375	$ 61,686,438	$ 62,026,071	$ 62,060,703	$ 60,140,569	$ 60,180,249
Plan fiduciary net position						
Employer contributions	$ 4,462,170	$ 4,640,611	$ 4,539,450	$ 4,352,605	$ 4,309,964	$ 4,563,789
Net investment income (loss)	(629,664)	813,939	170,986	219,766	238,146	265,219
Administrative expense	(6,154)	(6,061)	(6,393)	(5,276)	(500)	(5,265)
Benefit payments	(4,062,170)	(4,640,611)	(4,539,450)	(4,352,605)	(4,309,964)	(4,144,196)
Change in plan fiduciary net position	(235,818)	807,878	164,593	214,490	237,646	679,547
Fiduciary trust net position, beginning of year	4,803,554	3,995,676	3,831,083	3,616,593	3,378,947	2,699,400
Fiduciary trust net position, end of year (b)	$ 4,567,736	$ 4,803,554	$ 3,995,676	$ 3,831,083	$ 3,616,593	$ 3,378,947
Net OPEB liability (asset), ending (a) - (b)	$ 56,711,639	$ 56,882,884	$ 58,030,395	$ 58,229,620	$ 56,523,976	$ 56,801,302
Covered payroll	$ 37,607,874	$ 35,527,106	$ 35,369,847	$ 32,791,744	$ 30,840,458	$ 30,548,193
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	7.5%	7.8%	6.4%	6.2%	6.0%	5.6%
Net OPEB asset as a percentage of covered payroll	150.8%	160.1%	164.1%	177.6%	183.3%	185.9%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

CalSTRS	Reporting Fiscal Year (Measurement Date) 2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
District's proportion of the net pension liability	0.040%	0.043%	0.043%	0.042%	0.039%
District's proportionate share of the net pension liability	$ 27,780,935	$ 19,568,440	$ 41,670,870	$ 37,932,720	$ 35,843,730
State's proportionate share of the net pension liability associated with the District	13,912,773	9,815,299	22,249,504	20,796,658	20,753,098
Total	$ 41,693,708	$ 29,383,739	$ 63,920,374	$ 58,729,378	$ 56,596,828
District's covered - employee payroll	$ 23,769,341	$ 24,646,996	$ 24,775,773	$ 23,934,884	$ 22,179,621
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	117%	79%	168%	158%	162%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

CalPERS	Reporting Fiscal Year (Measurement Date) 2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
District's proportion of the net pension liability	0.115%	0.119%	0.113%	0.108%	0.104%
District's proportionate share of the net pension liability	$ 39,485,266	$ 24,117,653	$ 34,790,619	$ 31,397,102	$ 27,798,998
District's covered - employee payroll	$ 17,591,702	$ 17,082,394	$ 16,397,178	$ 14,920,807	$ 13,747,179
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	224%	141%	212%	210%	202%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

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

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date)			
CalSTRS	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
District's proportion of the net pension liability	0.0400%	0.0410%	0.0420%	0.0430%
District's proportionate share of the net pension liability	$ 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	21,778,811	19,018,100	14,923,484	15,190,963
Total	$ 58,770,811	$ 52,179,310	$ 43,199,564	$ 40,318,873
District's covered - employee payroll	$ 21,690,641	$ 21,110,849	$ 19,627,455	$ 19,262,257
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	171%	157%	144%	130%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

	Reporting Fiscal Year (Measurement Date)			
CalPERS	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
District's proportion of the net pension liability	0.1060%	0.1047%	0.1053%	0.1107%
District's proportionate share of the net pension liability	$ 25,410,037	$ 20,678,315	$ 15,521,324	$ 12,567,145
District's covered - employee payroll	$ 13,790,329	$ 12,795,195	$ 11,614,639	$ 11,629,858
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	184%	162%	134%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year				
CalSTRS	2023	2022	2021	2020	2019
Statutorily required contribution	$ 5,388,229	$ 4,019,483	$ 3,980,570	$ 4,236,229	$ 3,896,304
District's contributions in relation to the statutorily required contribution	5,388,229	4,019,483	3,980,570	4,236,229	3,896,304
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 28,210,623	$ 23,769,341	$ 24,646,996	$ 24,775,773	$ 23,934,884
District's contributions as a percentage of covered-employee payroll	19.10%	16.91%	16.15%	17.10%	16.28%

	Reporting Fiscal Year				
CalPERS	2023	2022	2021	2020	2019
Statutorily required contribution	$ 4,770,817	$ 4,027,225	$ 3,512,726	$ 3,224,613	$ 2,694,577
District's contributions in relation to the statutorily required contribution	4,770,817	4,027,225	3,512,726	3,224,613	2,694,577
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 20,824,168	$ 17,591,702	$ 17,082,394	$ 16,397,178	$ 14,920,807
District's contributions as a percentage of covered-employee payroll	22.91%	22.89%	20.56%	19.67%	18.06%

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

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year			
CalSTRS	2018	2017	2016	2015
Statutorily required contribution	$ 3,200,236	$ 2,718,478	$ 2,268,381	$ 1,739,206
District's contributions in relation to the statutorily required contribution	3,200,236	2,718,478	2,268,381	1,739,206
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 22,179,621	$ 21,690,641	$ 21,110,849	$ 19,627,455
District's contributions as a percentage of covered-employee payroll	14.43%	12.53%	10.75%	8.86%

	Reporting Fiscal Year			
CalPERS	2018	2017	2016	2015
Statutorily required contribution	$ 2,135,151	$ 1,911,785	$ 1,464,028	$ 1,381,020
District's contributions in relation to the statutorily required contribution	2,135,151	1,911,785	1,464,028	1,381,020
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 13,747,179	$ 13,790,329	$ 12,795,195	$ 11,614,639
District's contributions as a percentage of covered-employee payroll	15.53%	13.86%	11.44%	11.89%

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

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in Net OPEB Liability and Related Ratios

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

Schedule of Proportionate Share of the Net Pension Liability

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

Schedule of Contributions – Pensions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions

The discount rate decreased from 7.15% to 6.90% since the previous valuation for CalPERS. There were no changes since the previous valuation for CalSTRS.

SUPPLEMENTARY INFORMATION

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 vocational training at Merced Community College.

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
John Pedrozo	President	December 2026
Joe Gutierrez	Vice President	December 2026
Ernie Ochoa	Clerk	December 2024
Mario Mendoza	Trustee	December 2026
Carmen Ramirez	Trustee	December 2024
Sue Chappell	Trustee	December 2026
Kory Benson	Trustee	December 2024

ADMINISTRATION

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

Joe Allison, CPA
Vice President, Administrative Services

Karissa Morehouse
Vice President, Instruction

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

Kelly Avila
Vice President, Human Resources

Arlis Bortner
Vice President, Information Technology Services

Jill Cunningham
Vice President, External Relations

AUXILIARY ORGANIZATIONS IN GOOD STANDING

AUXILIARY NAME	DIRECTOR'S NAME	ESTABLISHMENT AND MASTER AGREEMENT DATE
Merced College Foundation	Jill Cunningham	Organized as an auxiliary organization on November 9, 1973 and has a signed master agreement revised on January 5, 2010.

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grant Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Program			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	n/a	$ 260,858
Federal Work Study Program (FWS)	84.033	n/a	443,961
Federal Direct Student Loan Program	84.268	n/a	373,970
Federal Pell Grant Program	84.063	n/a	17,683,588
Subtotal Student Financial Aid Cluster			18,762,377
Higher Education Emergency Relief Fund			
COVID-19 HEERF - Institutional	84.425F	n/a	110,364
COVID-19 HEERF - Minority Serving Institutions	84.425L	n/a	19,198
COVID-19 HEERF II CRRSA Act - Student Aid	84.425E	n/a	2,031
COVID-19 HEERF II CRRSA Act - Institutional	84.425F	n/a	882,687
COVID-19 HEERF II CRRSA Act - Minority Serving Institutions	84.425L	n/a	176,823
COVID-19 HEERF III ARP - Student Aid	84.425E	n/a	871,168
COVID-19 HEERF III ARP - Institutional	84.425F	n/a	1,547,691
Subtotal Higher Education Emergency Relief Fund			3,609,962
Developing Hispanic Serving Institution	84.031S	n/a	97,838
Childcare Access Means Parents In School (CCAMPIS)	84.335A	n/a	126,724
Passed through California Community Colleges Chancellor's Office			
Perkins Title I, Part C	84.048A	23-C01-530	550,761
Total U.S. Department of Education			23,147,662
U.S. DEPARTMENT OF COMMERCE			
Direct Program			
Connecting Minority Communities	11.028	n/a	83,135
Economic Development Administration (EDA)			
Agrifood Technology and Engineering Collaborative (AgTEC) Workforce	11.307	n/a	180,002
Total U.S. Department of Commerce			263,137
U.S. DEPARTMENT OF VETERAN AFFAIRS			
Direct Program			
Veterans Affair ARF	64.000	n/a	4,544
Total U.S. Department of Veteran Affairs			4,544
U.S. DEPARTMENT OF THE TREASURY			
Direct Program			
Emergency Financial Assistance	21.027	n/a	866,450
Emergency Financial Assistance Supplemental	21.027	n/a	168,843
State Fiscal Recovery Funds Emergency Financial Assistance	21.027	n/a	1,473,332
Total U.S. Department of the Treasury			2,508,625
U.S. DEPARTMENT OF JUSTICE			
Direct Program			
Office on Violence Against Women	16.588	n/a	110,141
Total U.S. Department of Justice			110,141
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Care Federal Food Program	10.558	n/a	56,204
Passed through Rural Utilities Service			
Distance Learning & Telemedicine	10.855	n/a	376,179
Total U.S. Department of Agriculture			432,383
NATIONAL SCIENCE FOUNDATION			
Direct Program			
NSF CSU Stanislaus S-STEM	47.076	n/a	5,200
NSF STEM	47.076	n/a	20,285
Total National Science Foundation			25,485
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
477 Cluster			
CDC General Child Care & Dev Programs (CCTR)	93.575	CCTR-1152	328,088
CDC General Child Care & Dev Programs (CCTR)	93.596	CCTR-1152	109,672
COVID-19 Coronavirus Response and Relief Supplemental Appropriations Act of 2021	93.575	15555	1,181
Passed through the Yosemite Community College District			
Child Development Training Consortium	93.575	22-23-3970	18,400
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	n/a	69,317
Subtotal 477 Cluster			526,658
Passed through Merced County Mental Health			
Mental Health	93.958	2020154	23,434
Passed through Merced County Office of Education			
Head Start Cluster	93.600	n/a	178,142
Total Department of Health and Human Services			728,234
Total Federal Programs			$ 27,220,211

n/a - Pass-through entity identifying number not applicable.

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

	Entitlements	Program Expenditures				
Program Title	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Deferred Revenue	Total	Program Expenditures
CATEGORICAL APPORTIONMENTS						
EOPS/CARE	$ 631,292	$ 632,613	$ -	$ 6,121	$ 626,492	$ 626,492
EOPS (E)	2,057,381	2,057,381	-	236,657	1,820,724	1,820,724
Student Success Completion	5,346,502	7,027,377	-	3,456,967	3,570,410	3,570,410
Disabled Student Programs and Services (D.S.P.S.)	1,153,540	1,314,695	-	272,964	1,041,731	1,041,731
Basic Needs Center	349,892	349,892	-	175,395	174,497	174,497
Basic Needs and Housing	261,915	494,913	-	266,192	228,721	228,721
Basic Needs	-	212,086	-	-	212,086	212,086
BFAP	498,550	544,516	-	98,228	446,288	446,288
CalFresh Outreach	-	5,315	-	-	5,315	5,315
California College Promise	638,194	665,474	-	81,539	583,935	583,935
CCAP Instructional Materials for Dual Enrollment	-	62,051	-	-	62,051	62,051
Classified Professional Development	-	48,413	-	46,071	2,342	2,342
Culturally Competent Faculty Professional Development	-	45,763	-	-	45,763	45,763
LGBTQ+	-	75,533	-	69,282	6,251	6,251
Mental Health Support	244,739	276,346	-	183,947	92,399	92,399
RN Enrollment Growth	230,309	275,361	-	85,973	189,388	189,388
Certified Nurse Assistant Program	-	-	-	-	-	-
EEO Best Practices	-	208,333	-	115,650	92,683	92,683
Equal Employment Opportunity	138,888	208,639	-	135,386	73,253	73,253
Financial Aid Technology	49,068	68,533	-	15,183	53,350	53,350
Guided Pathways	454,624	454,624	-	130,543	324,081	324,081
John Burton Critical Needs	6,000	6,000	-	-	6,000	6,000
Library Service	-	10,530	-	-	10,530	10,530
NextUp	611,740	611,740	-	46,662	565,078	565,078
CAEP (California Adult Education Program)	628,054	672,727	-	51,002	621,725	621,725
Student Equity and Achievement	4,358,234	5,090,680	-	740,377	4,350,303	4,350,303
Physical Plant & Inst'l Support	3,789,167	4,116,201	-	733,216	3,382,985	3,382,985
Veterans Resource Center	60,434	138,590	-	96,973	41,617	41,617
Strong Workforce Program District Grant (SW3)	-	1,502,757	-	617,426	885,331	885,331
Strong Workforce Program District Grant	-	180,418	-	-	180,418	180,418
Strong Workforce Program District Grant	1,510,035	1,510,035	-	1,487,701	22,334	22,334
Strong Workforce Program Regional One-Time (1x) Funding	-	-	-	-	-	-
Strong Workforce Program Regional Grant (SW3)	829,756	378,265	115,525	-	493,790	493,790
Strong Workforce Program Regional Grant	131,237	131,238	-	-	131,238	131,238
Strong Workforce Program Regional Grant	5,539	5,539	-	-	5,539	5,539
Strong Workforce Program Regional Grant SW7	874,010	-	2,820	-	2,820	2,820
Student Retention & Outreach	733,441	1,189,822	-	119,631	1,070,191	1,070,191
Systemwide Technology	50,000	50,000	-	50,000	-	-
Local & Systemwide Technology	300,000	300,000	-	200,079	99,921	99,921
CalWORKs	441,196	501,218	-	5,739	495,479	495,479
Undocumented Resources Liaison	102,755	213,148	-	122,404	90,744	90,744
Veterans Program 1x	-	10,563	-	-	10,563	10,563
Zero Textbook	20,000	20,000	-	20,000	-	-
Zero Textbook One-Time	180,000	180,000	-	180,000	-	-
COVID-19 Recovery Block Grant	6,438,786	6,438,786	-	6,131,863	306,923	306,923
Student Housing (Planning)	709,000	287,730	-	-	287,730	287,730
Subtotal	33,834,278	38,573,845	118,345	15,979,171	22,713,019	22,713,019

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

	Entitlements	Program Expenditures				
Program Title	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Deferred Revenue	Total	Program Expenditures
Balance Forward	33,834,278	38,573,845	118,345	15,979,171	22,713,019	22,713,019
CATEGORICAL PROGRAM ALLOWANCES						
Puente Project	1,500	1,500	-	-	1,500	1,500
Puente Project Equity Award	20,000	20,000	-	20,000	-	-
Puente Project - 2	35,000	35,000	-	11,562	23,438	23,438
Cal Grant	2,855,253	2,737,265	117,988	-	2,855,253	2,855,253
CDC Block Grant	543,573	543,573	-	-	543,573	543,573
CDC Family Services	100,000	84,644	15,356	-	100,000	100,000
CDC MCOE Kids First	-	9,526	-	5,905	3,621	3,621
CDC Preschool Program	725,758	506,598	181,334	-	687,932	687,932
CDC CSPP-American Rescue Plan Act (ARPA) - Licensed	6,500	6,500	-	6,500	-	-
CDC CSPP - (ARPA)	18,000	18,000	-	18,000	-	-
CDC CCTR - ARPA - Licensed	5,000	5,000	-	5,000	-	-
CDC CCTR - ARPA	13,800	13,800	-	13,800	-	-
CDC MCOE RTT-ELC QRIS	74,868	74,868	-	73,928	940	940
Child Care Food Program	4,600	2,531	-	230	2,301	2,301
Child Care Food Program	702	702	-	-	702	702
Early Childhood Mentors	29,265	73	-	73	-	-
CDC Emergency Operational Costs Reimbursement (ECR) Food Program	4,959	4,959	-	-	4,959	4,959
Formerly Incarcerated County	-	7,348	-	-	7,348	7,348
Competency Based Education	459,940	64,940	16,137	-	81,077	81,077
CVHEC	-	1,831	-	1,831	-	-
Song-Brown Training	400,000	150,000	-	23,121	126,879	126,879
Song-Brown RN Special Program	175,000	142,593	-	5,168	137,425	137,425
Agriculture, Water & Environmental Tech (AWET)	-	1,397	-	1,397	-	-
ILC Chemistry	7,246	-	7,246	-	7,246	7,246
A2MEND	14,256	-	84	-	84	84
Guided Pathways Alignment Project Extension, Phase III	29,254	-	-	-	-	-
Regional Equity and Recovery Program	107,446	-	-	-	-	-
Rising Scholars	148,000	148,000	-	13,098	134,902	134,902
AgTEC Collaborative	15,000,000	2,335,796	-	-	2,335,796	2,335,796
Community Economic Resilience Fund - Admin	500,000	-	-	-	-	-
Community Economic Resilience Fund	4,500,000	(6,830)	112,743	-	105,913	105,913
Mathematics, Engineering, Science Achievement (MESA)	310,408	-	-	-	-	-
Learning Align Employment Program	3,006,607	3,006,607	-	3,006,607	-	-
Report Streamlining Pilot Program	-	36,550	-	27,034	9,516	9,516
Subtotal	29,096,935	9,952,771	450,888	3,233,254	7,170,405	7,170,405
Total State Programs	$ 62,931,213	$ 48,526,616	$ 569,233	$ 19,212,425	$ 29,883,424	$ 29,883,424

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit	92.22	-	92.22
2. Credit	884.33	-	884.33
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit	9.34	-	9.34
2. Credit	148.74	-	148.74
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,027.02	-	2,027.02
(b) Daily Census Contact Hours	429.02	-	429.02
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	566.75	-	566.75
(b) Credit	129.47	-	129.47
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	3,456.75	-	3,456.75
(b) Daily Census Contact Hours	1,406.63	-	1,406.63
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	9,150.27	-	9,150.27
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Credit	201.39	-	201.39
2. Noncredit	490.30	-	490.30
Total Basic Skills FTES	691.69	-	691.69
CCFS 320 Addendum			
CDCP Noncredit FTES	465.69	-	465.69
Centers FTES			
1. Credit	981.19	-	981.19
2. Noncredit	116.98	-	116.98
Total Centers FTES	1,098.17	-	1,098.17

MERCED COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100 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	14,112,332	-	14,112,332	14,112,332	-	14,112,332
Other	1300	8,321,102	-	8,321,102	8,321,102	-	8,321,102
Total Instructional Salaries		22,433,434	-	22,433,434	22,433,434	-	22,433,434
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	5,330,596	-	5,330,596
Other	1400	-	-	-	318,712	-	318,712
Total Non-Instructional Salaries		-	-	-	5,649,308	-	5,649,308
Total Academic Salaries		22,433,434	-	22,433,434	28,082,742	-	28,082,742
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	11,632,545	-	11,632,545
Other	2300	-	-	-	866,168	-	866,168
Total Non-Instructional Salaries		-	-	-	12,498,713	-	12,498,713
Instructional Aides							
Regular Status	2200	1,193,092	-	1,193,092	1,193,092	-	1,193,092
Other	2400	414,370	-	414,370	414,370	-	414,370
Total Instructional Aides		1,607,462	-	1,607,462	1,607,462	-	1,607,462
Total Classsified Salaries		1,607,462	-	1,607,462	14,106,175	-	14,106,175
Employee Benefits	3000	11,314,348	-	11,314,348	23,974,690	-	23,974,690
Supplies and Materials	4000	-	-	-	665,557	-	665,557
Other Operating Expenses	5000	396,196	-	396,196	7,245,471	-	7,245,471
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		35,751,440	-	35,751,440	74,074,635	-	74,074,635
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	1,819,128	-	1,819,128	1,819,128	-	1,819,128
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	2,344,180	-	2,344,180
Object to Exclude							
Rents and Leases	5060	-	-	-	139,153	-	139,153
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	-	-	-	47,500	-	47,500
Non-inst. Supplies & Materials	4400	-	-	-	60,007	-	60,007
Total Supplies and Materials		-	-	-	107,507	-	107,507
Other Operating Expenses and Services	5000	-	-	-	2,146,901	-	2,146,901
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400						
Equipment - Additional	6410	-	-	-	62,196	-	62,196
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	62,196	-	62,196
Total Capital Outlay		-	-	-	62,196	-	62,196
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		$ 1,819,128	$ -	$ 1,819,128	$ 6,619,065	$ -	$ 6,619,065
Total for ECS 84362, 50% Law		$ 33,932,312	$ -	$ 33,932,312	$ 67,455,570	$ -	$ 67,455,570
Percent of CEE (Instructional Salary Cost/Total CEE)		50.30%	0.00%	50.30%	100.00%	0.00%	100.00%
50% of Current Expense of Education		$ -	$ -	$ -	$ 33,727,785	$ -	$ 33,727,785

MERCED COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

EPA Revenue	$ 4,670,981

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	$ 4,670,981	$ -	$ -	$ 4,670,981
Total		$ 4,670,981	$ -	$ -	$ 4,670,981

See Note to Supplementary Information.

MERCED COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Total Fund Equity - District Funds Included in the Reporting Entity		
General Funds	$ 34,974,738	
Bond Interest and Redemption Fund	4,822,674	
Child Development Fund	13,498	
Farm Operation Fund	72,705	
Capital Outlay Projects Fund	12,253,908	
Revenue Bond Construction Fund	5,613,661	
Bookstore Fund	(701,615)	
Self-Insurance Fund	4,114,401	
Associated Students Trust Fund	333,699	
Student Representation Fee Fund	87,780	$ 61,585,449
Total fund balances as reported in the CCFS-311		
Assets recorded within the statements of net position not included in the District fund financial statements:		
Capital assets	$ 218,512,659	
Right-of-use assets	4,569,694	
Accumulated depreciation and amortization	(93,694,587)	129,387,766
Unmatured Interest		(544,552)
FMV Cash in County Treasury		(2,340,135)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred loss on refunding		768,527
Deferred outflows from OPEB		2,979,020
Deferred outflows from pensions		23,117,265
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
General obligation bonds	$ (36,890,000)	
Bond premium	(1,993,956)	
Compensated absences	(2,126,927)	
Finance purchases	(714,371)	
Lease liability	(205,876)	
Software lease liability	(3,098,047)	
Solar energy project	(1,530,502)	
Energy service contract	(3,794,973)	
Net OPEB liability	(56,711,639)	
Net pension liability	(67,266,201)	(174,332,492)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred inflows from OPEB		(6,154,602)
Deferred inflows from pensions		(2,434,680)
Net Assets Reported Within the Statements of Net Position		$ 32,031,566

See Note to Supplementary Information.

NOTE 1 – PURPOSE OF SCHEDULES

Organizational Structure

This schedule provides information about the District's governing board members, administration members and auxiliary organizations in good standing.

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2023, 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, 2023.

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.

OTHER INDEPENDENT AUDITORS' REPORTS

CWDL

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Merced Community College District
Merced, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Merced Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2023.

Report on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2023

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

Board of Trustees
Merced Community College District
Merced, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 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, 2023. 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.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Merced Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Merced College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Merced Community College District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Merced Community College District's compliance based on our audit

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Merced Community College District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Merced Community College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Merced Community College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Merced Community College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2023

CWDL

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Merced Community College District
Merced, California

<u>Report on State Compliance</u>

Opinion on State Compliance

We have audited Merced Community College District's (the District) compliance with the types of compliance requirements as identified in the *California Community Colleges Contracted District Audit Manual 2022-23*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2023. The applicable state compliance requirements are identified in the table below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2023.

Basis for Opinion

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 compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2022-23*, issued by the California Community Colleges Chancellor's Office. Our responsibilities under those standards and the compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Merced Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for program. Our audit does not provide a legal determination of Merced Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

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

Section 411 – SCFF Data Management Control Environment
Section 412 – SCFF Supplemental Allocation Metrics
Section 413 – SCFF Success Allocation Metrics
Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Activities Funded From Other Sources
Section 424 – Student Centered Funding Formula Base Allocation: FTES
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment (CCAP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 490 – Propositions 1D and 51 State Bond Funded Projects
Section 491 – Education Protection Account Funds
Section 492 – Student Representation Fee
Section 494 – State Fiscal Recovery Fund
Section 499 – COVID-19 Response Block Grant Expenditures

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2023

FINDINGS AND QUESTIONED COSTS SECTION

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	No
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program of Cluster
84.007, 84.033 84.063, 84.268	Student Financial Aid Cluster
84.425E, 84.425F, 84.425L	Higher Education Emergency Relief Funds
21.027	Emergency Finanical Assistance Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$ 816,606
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

Section II – Financial Statement Findings

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

There were no financial statement findings or recommendations identified during 2022-23.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2022-23.

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2022-23.

Finding/Recommendation	Status	Explanation if Not Implemented
2022-001 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – WEEKLY CENSUS COURSES **Condition:** We noted two weekly courses were not calculated at the correct amount of contact hours in the District's attendance accounting system but corrected prior to submission of the FY 2021-22 Recal Apportionment Attendance Report (CCFS-320) **Recommendation:** We recommend that the District remind the individuals responsible for determining the FTES about the methods to calculate contact hours for courses using weekly attendance procedures .Additionally, we recommend that an internal review be performed of weekly classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.	Implemented	Not Applicable
2022-002 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – DAILY CENSUS COURSES **Condition:** We noted four daily courses were not calculated at the correct amount of contact hours in the District's attendance accounting system but corrected prior to submission of the FY 2021-22 Recal Apportionment Attendance Report (CCFS-320). **Recommendation:** We recommend that the District remind instructors about the required methods to calculate contact hours for courses using daily attendance procedures. Additionally, we recommend that an internal review be performed of daily classes to ensure contact hours and requirements for minimum days of attendance are properly calculated, and therefore FTES amounts reported are accurate.	Implemented	Not Applicable