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**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2023

**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
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INDEPENDENT AUDITORS' REPORT

Citizens' Oversight Committee
And Board of Trustees
Merced Community College District
Merced, California

Opinion

We have audited the accompanying financial statements of the Merced Community College District's (the "District") Measure H and J General Obligation Bonds and the related notes to the financial statements as of and for the year ended June 30, 2023, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure H and J General Obligation Bonds of Merced Community College District, as of June 30, 2023, and the changes in financial position 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Measure H and J General Obligation Bonds and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is 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 misstatement, 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.

Auditor's Responsibility 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 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 test of its compliance with certain provisions of laws, regulations, contracts and other matters for the Measure H and J General Obligation Bonds. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Bond Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Merced Community College District's internal control over financial reporting and compliance for the Bond Funds.

CWDL, Certified Public Accountants

San Diego, California
December 7, 2023

FINANCIAL SECTION

**MERCED COMMUNITY COLLEGE DISTRICT
 MEASURE H AND J GENERAL OBLIGATION BONDS
 BALANCE SHEET
 JUNE 30, 2023**

	<u>Measure H</u>	<u>Measure J</u>	<u>Total</u>
ASSETS			
Cash in cash equivalents	\$ 5,588,523	\$ 81,404	\$ 5,669,927
Accounts receivable	8,328	-	8,328
Prepaid expenditures	750	-	750
Total Assets	<u>\$ 5,597,601</u>	<u>\$ 81,404</u>	<u>\$ 5,679,005</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 65,344	\$ -	\$ 65,344
Total Liabilities	<u>65,344</u>	<u>-</u>	<u>65,344</u>
Fund Balance			
Restricted for capital projects	5,532,257	81,404	5,613,661
Total Liabilities and Fund Balance	<u>\$ 5,597,601</u>	<u>\$ 81,404</u>	<u>\$ 5,679,005</u>

**MERCED COMMUNITY COLLEGE DISTRICT
 MEASURE H AND J GENERAL OBLIGATION BONDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Measure H	Measure J	Total
REVENUES			
Other local revenue	\$ 268,239	\$ 1,787	\$ 270,026
Total Revenues	<u>268,239</u>	<u>1,787</u>	<u>270,026</u>
EXPENDITURES			
Other operating expenses and services	1,250	-	1,250
Capital outlay	7,800,549	1,980	7,802,529
Total Expenditures	<u>7,801,799</u>	<u>1,980</u>	<u>7,803,779</u>
Net Change in Fund Balance	(7,533,560)	(193)	(7,533,753)
Fund Balance, July 1, 2022	13,065,817	81,597	13,147,414
Fund Balance, June 30, 2023	<u>\$ 5,532,257</u>	<u>\$ 81,404</u>	<u>\$ 5,613,661</u>

**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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.

These financial statements present only the District's Measures H and J Bond Funds (the Bond Funds), which were established to account for the expenditures of the proceeds of the General Obligation Bonds Election of 2002. These financial statements do not include financial data for the remainder of the District's funds and component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The Measure H Proposition 39 Bond Measure (Measure H) is a facilities and equipment bond measure for the School Facilities Improvement District No. 1 (Merced campus area), adopted by the District's Board of Trustees and passed by the voters on November 5, 2002. Measure H authorized up to \$53,500,000 in bond issues, which were issued as follows:

- On June 19, 2003, the District issued the 2003 Series of the 2002 School Facilities Improvement District 1 General Obligation Bonds in the amount of \$20,000,000, with interest rates ranging from 2.5% to 5.0%. The bonds matured August 1, 2012.
- On August 1, 2006, the District issued the 2006 Series of the 2002 School Facilities Improvement District 1 General Obligation Bonds in the amount of \$24,000,000, with interest rates ranging from 4.125% to 5.0%. The District paid the final installment during the fiscal year ended June 30, 2017.
- 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 District 1 General Obligation Bonds. The bonds mature through August 1, 2027.
- 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 2.0% to 5.0%, to partially advance refund the 2006 Series of the 2002 School Facilities Improvement District 1 General Obligation Bonds. The bonds mature through August 1, 2031.
- On July 21, 2021 the District issued General Obligation Bonds, Series 2021 in the amount of \$9,500,000, with interest rates ranging from 2% to 5%. The bonds mature through August 2032.

**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES, continued

The Measure J Proposition 39 Bond Measure (Measure J) is a facilities and equipment bond measure for the School Facilities Improvement District No. 2 (Los Banos campus area), adopted by the District's Board of Trustees and passed by the voters on November 5, 2002, authorizing issuance and sale of general obligation bonds of \$11,930,000.

- On June 19, 2003, the District issued the 2003 Series of the 2002 School Facilities Improvement District 2 General Obligation Bonds in the amount of \$5,140,000 with interest rates ranging from 2.5% to 5.0%. The bonds matured August 1, 2012.
- On August 1, 2005, the District issued the 2005 Series of the 2002 School Facilities Improvement District 2 General Obligation Bonds in the amount of \$6,790,000, with interest rates ranging from 3.6% to 5.0%. The bonds matured August 1, 2015.
- 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%, to advance refund a portion of the 2003 Series and 2005 Series of the 2002 Schools Facilities Improvement District 2 General Obligation Bonds. The bonds mature through August 1, 2025.

The County Board of Supervisors of Merced and Madera counties are empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and maturity value of and interest on the Merced campus area bonds. The County Board of Supervisors of Merced and Fresno Counties are empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and maturity value of and interest on the Los Banos campus area bonds. The District has established separate debt service funds to account for the collection and remittance of bond principal and interest payments. Additional information on the bonds' payment schedules can be found in the District's financial statements

**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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).

Measurement Focus and Basis of Accounting

Measurement focus indicates the type of resources being measured, while the basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The Bond Funds are governmental funds, and have been presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, and are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred.

Cash and Cash Equivalents

For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Merced County Treasury and California Asset Management Program are considered cash equivalents. Restricted cash and cash equivalents – Cash that is externally restricted to purchase or construct capital or other assets is classified as a restricted asset in the balance sheets.

Restricted Fund Balance

Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Bond Funds in accordance with the project list for the 2002 General Obligation Bonds.

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 expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30, 2023.

**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – CASH AND CASH EQUIVALENTS

The Bond Funds' cash and equivalents at June 30, 2023, consist of \$1,395,766 held in the County Treasury investment pool and \$4,274,158 held in the California Asset Management Program. All cash held in the Bond Funds is considered restricted, as it is restricted for specific purposes in accordance with Measures H and J and the bond issuances.

Cash in County Treasury

In accordance with Education Code Section 41001, the Bond Funds maintain substantially all of their cash in the Merced County Treasury (the Treasury). The 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 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 Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

California Asset Management Program

California Asset Management Program (CAMP) is a California Joint Powers Authority established to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p).

Investments Authorized by Debt Agreements

Investment 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.

NOTE 4 – COMMITMENTS

Construction Commitments

The District did not have any outstanding construction commitments at June 30, 2023.

OTHER REPORTS



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

Citizens' Oversight Committee
And Board of Trustees
Merced Community College District
Merced, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Merced Community College District (the "District") General Obligation Bond Funds (the "Measure H and J Bond Funds") as of and for the year ended June 30, 2023, and the related notes to the 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Measure H and J Bond Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Measure H and J Bond Funds.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Merced Community College District’s Measure H and J Bond Funds’ financial statements are free of material misstatement, we performed tests of the Bond Funds’ compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
December 7, 2023

FINDINGS AND RESPONSES SECTION

**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

This section identifies the deficiencies, 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 questioned costs identified during 2022-23.

**MERCED COMMUNITY COLLEGE DISTRICT
MEASURE H AND J GENERAL OBLIGATION BONDS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

There were no financial statement findings or questioned costs identified during 2021-22.