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MERCED COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

JUNE 30, 2024

MERCED COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' 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, and the aggregate discretely presented component unit of Merced Community College District (the "District") as of and for the year ended June 30, 2024, and the related notes to 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, and the aggregate discretely presented component unit of the District as of June 30, 2024, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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 GAAS 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 GAAS 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 is the responsibility of management and, 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 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 10, 2024, 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 10, 2024

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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 as of and for the fiscal year that ended June 30, 2024. 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 Financial Statements provide additional information crucial for the review of the financial statements.

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

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

FINANCIAL AND ENROLLMENT HIGHLIGHTS

The 2023-24 state budget bill was signed by Governor Gavin Newsom on July 10, 2023. The approved budget assumed total General Fund expenditures of \$226 billion, \$8.4 billion decrease from 2022-23. 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:

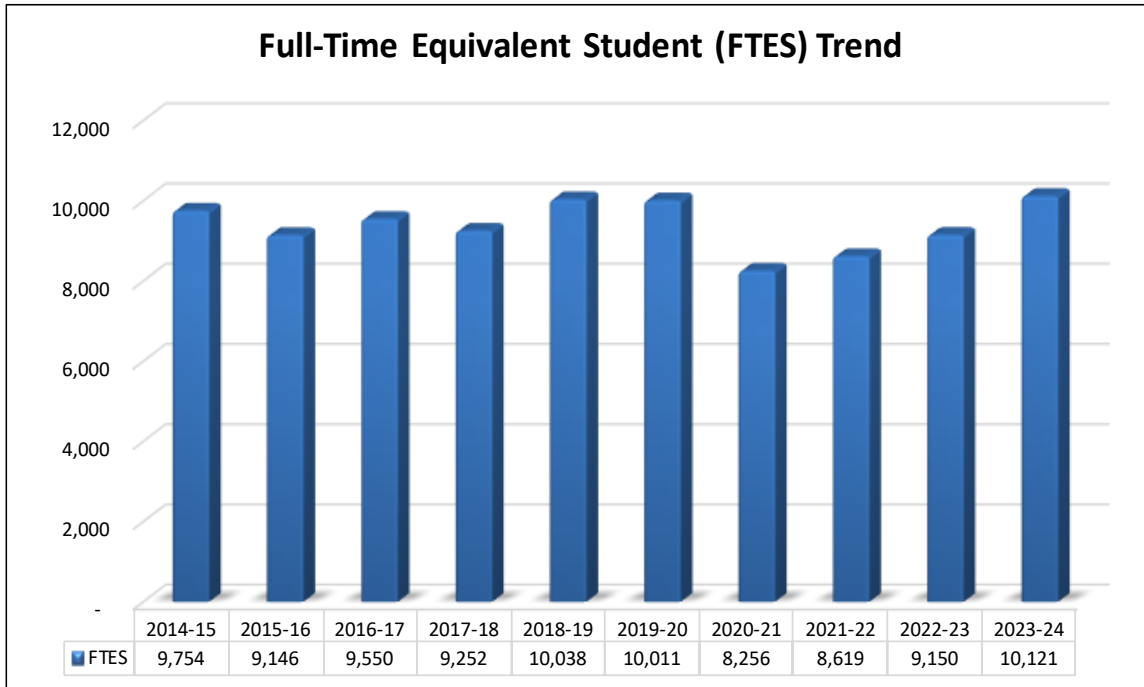
- 8.22% Cost of Living Adjustment (COLA) to the Student Centered Funding Formula (SCFF)
- 0.5% Enrollment growth
- \$500 million reduction in one-time funding allocated from the 2022-23 state budget for physical plant and instructional support.

On September 12, 2023, the District presented to the Board of Trustees its annual budget. The 2022-23 adopted budget estimated Unrestricted Operating General Fund Revenues of \$94.3 million and \$93.2 million Unrestricted Operating General Fund Expenditures, resulting in a projected net revenue of \$1.1 million for the fiscal year. The projected net revenue, coupled with a beginning fund balance of \$15.7 million, would result in an ending fund balance of \$16.7 million. At year end, actual figures for revenue was \$98.8 million or 4.8% higher and expenditures were \$97.8 million or 4.9% 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 \$1 million. The ending Unrestricted Operating General Fund balance was \$16.7 million.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

FINANCIAL AND ENROLLMENT HIGHLIGHTS, continued

In 2023-24, the District reported 10,121 credit and non-credit resident FTES. See the below chart for a historical perspective on the changes in FTES over the past 10 years.



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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015. The primary objective of these statements 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.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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, California Public Employees Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). The District's proportionate share of the combined CalPERS and CalSTRS net pension liability was \$72.3 million, as of the measurement date of June 30, 2023. The pension liability is one of the primary reasons for the large negative balance in the unrestricted net position/(deficit) shown on the Statement of Net Position for year ended June 30, 2024 of (\$91.5) million.

Legislation was enacted to increase employer contribution rates over seven years which began in 2014-15. The CalSTRS employer contribution rate for 2023-24 was 19.10%. In May 2022, an employer contribution rate of 19.10% 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 11.77%. The employer contribution rate for 2023-24 was 26.68%.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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	2024	2023	Change
Current assets	\$ 91,861,763	\$ 94,031,164	\$ (2,169,401)
Non-current assets	149,714,211	140,195,715	9,518,496
Deferred outflows of resources	31,254,832	26,864,812	4,390,020
Total Assets and Deferred Outflows of Resources	\$ 272,830,806	\$ 261,091,691	\$ 11,739,115
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	\$ 47,232,955	\$ 54,680,916	\$ (7,447,961)
Non-current liabilities	158,781,619	165,789,927	(7,008,308)
Deferred inflows of resources	13,785,640	8,589,282	5,196,358
Total Liabilities and Deferred Inflows of Resources	219,800,214	229,060,125	(9,259,911)
NET POSITION			
Investment in capital assets, net	107,266,497	93,628,498	13,637,999
Restricted	37,231,884	34,802,525	2,429,359
Unrestricted (deficit)	(91,467,789)	(96,399,457)	4,931,668
Total Net Position	53,030,592	32,031,566	20,999,026
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 272,830,806	\$ 261,091,691	\$ 11,739,115

Assets

Total assets increased approximately \$7.3 million, a percentage increase of 3%. The major changes affecting total assets are listed below:

Current assets decreased by approximately \$2.2 million, a percentage decrease of 2%. This decrease is primarily due to increases in accounts receivable of approximately \$8.2 million, off-set by a decrease in cash of \$10.5 million.

Non-current assets increased by approximately \$9.5 million, a percentage increase of 7%. 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 \$4.4 million and deferred inflows of resources increased by \$5.2 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, 2023. This is discussed in more detail in Note 8 and Note 9 of financial statements.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

STATEMENT OF NET POSITION, continued

Liabilities

Total liabilities decreased by \$14.5 million, a percentage decrease of 7%. The major changes affecting total liabilities are listed below:

Current liabilities decreased by \$7.5 million, a percentage decrease of 14%. The decrease is primarily due to deferred revenue for restricted programs and grants and accounts payable to vendors as of June 30, 2024.

The non-current liabilities decreased by \$7.0 million, a percentage decrease of 4%. The primary factor for this decrease is the change in the net OPEB liability, due mainly to changes employer contributions and experience losses.

Net Position

The OPEB and Pension liabilities are the primary reasons for the large negative balance in the unrestricted net position/(deficit) shown on the Statement of Net Position for year ended June 30, 2024 of (\$91.5) million.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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.

	2024	2023	Change
OPERATING REVENUES			
Tuition and fees, net	\$ 5,022,207	\$ 4,651,256	\$ 370,951
Grants and contracts, non-capital	70,472,184	54,024,812	16,447,372
Auxiliary enterprise sales, net	496,947	328,170	168,777
Total Operating Revenues	75,991,338	59,004,238	16,987,100
OPERATING EXPENSES			
Salaries and employee benefits	94,633,628	84,816,962	9,816,666
Supplies, materials, and other operating expenses	26,470,638	22,953,369	3,517,269
Financial aid	36,769,525	28,735,738	8,033,787
Depreciation and amortization	6,093,332	5,753,070	340,262
Total Operating Expenses	163,967,123	142,259,139	21,707,984
Operating Loss	(87,975,785)	(83,254,901)	(4,720,884)
NON-OPERATING REVENUES/(EXPENSES)			
State apportionments, non-capital	61,633,932	57,867,522	3,766,410
Education protection account	8,408,463	4,670,981	3,737,482
Local property taxes, non-capital	18,798,132	17,577,991	1,220,141
State taxes and other revenues, non-capital	11,259,336	20,818,690	(9,559,354)
Investment income/(loss)	3,552,021	(764,723)	4,316,744
Interest expense	(1,036,835)	(1,098,233)	61,398
Other non-operating income	2,367,614	1,292,887	1,074,727
Transfer from/(to) Foundation	11,150	698,535	(687,385)
Total Non-Operating Revenues/(Expenses)	104,993,813	101,063,650	3,930,163
OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)			
Local property taxes and revenues, capital	4,187,412	4,302,638	(115,226)
Local revenues, grants and gifts, capital	245,458	200,608	44,850
Gain/(loss) on disposal of capital asset	(451,872)	9,422	(461,294)
Change in Net Position	20,999,026	22,321,417	(1,322,391)
NET POSITION -- BEGINNING OF YEAR	32,031,566	9,710,149	22,321,417
NET POSITION -- END OF YEAR	\$ 53,030,592	\$ 32,031,566	\$ 20,999,026

Operating Revenues

Total operating revenues increased by \$17.0 million, a percentage increase of 29%. The net increase is mostly due to increases in federal revenues as the funds largely relates to the Student Financial Aid Cluster, Economic Development Administration (EDA) and Higher Education Emergency Relief Fund (HEERF) programs and increases in state revenues as the funds largely relates to Student Success Completion, COVID-19 Recovery Block Grant and Cal Grant programs expenditures.

Operating Expenses

Total operating expenses increased by \$21.7 million, or 15%, primarily due to increased personnel costs.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, the District had approximately \$141.4 million invested in net capital assets. Total capital assets of \$224.9 million consist of land, construction in progress, buildings and improvements, vehicles, information technology equipment, and other office equipment. These assets have accumulated depreciation of approximately \$83.4 million. Depreciation expense of \$4.5 million was recorded in 2024.

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

	2024	2023	Change
Capital Assets not being depreciated	\$ 22,603,625	\$ 34,064,153	\$ (11,460,528)
Capital Assets being depreciated	202,254,589	184,475,446	17,779,143
Accumulated depreciation	(83,432,444)	(92,409,333)	8,976,889
Total Capital Assets, Net	\$ 141,425,770	\$ 126,130,266	\$ 15,295,504

Debt Administration

At June 30, 2024, the District had approximately \$167.1 million in outstanding debt, a decrease of 4% from prior year. Notes 6, 8 and 9 to financial statements provides additional information on long-term liabilities.

	2024	2023	Change
General obligation bonds	\$ 33,640,000	\$ 36,890,000	\$ (3,250,000)
Bond premium	1,744,654	1,993,956	(249,302)
Compensated absences	2,393,822	2,126,927	266,895
Finance purchases	533,016	714,371	(181,355)
Lease liability	114,763	205,876	(91,113)
Subscription-based IT arrangements	2,589,027	3,098,047	(509,020)
Solar energy project	1,445,623	1,530,502	(84,879)
Energy service contract	3,747,008	3,794,973	(47,965)
Net OPEB liability	48,559,732	56,711,639	(8,151,907)
Net pension liability	72,336,066	67,266,201	5,069,865
Total Long-term Liabilities	\$ 167,103,711	\$ 174,332,492	\$ (7,228,781)

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 2024-25 fiscal year, overall state revenues have been higher than originally estimated when the 2024 Budget Act was adopted in June, approximately \$4 billion above projections, or just under an 11% increase. The California Department of Finance (DOF) attributes much of the revenue increase to the recent stock market rally as well as increases in estimated personal and corporate tax payments that significantly exceeded forecasted numbers.

**MERCED COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

However, in spite of the improved state revenue picture for fiscal years 2024-25 and 2025-26, the Legislative Analyst's Office (LAO) still suggests the state may face double-digit operating deficits through their forecast period of 2025-26 to 2028-29, beginning in 2026-27.

The LAO advises that the current revenue improvement is offset by spending increases across the state budget. Overall, the LAO is predicting that revenue growth over the forecast window will not grow fast enough to catch up to the increased level of ongoing spending.

Merced College is confident in its ability to maintain prudent fiscal management practices and strong reserves that will mitigate potential future fluctuations in the economy and absorb increases to fixed costs.

For fiscal years 2024-25 through 2027-28, Merced College projects to maintain balanced budgets as well as sustain a fund balance that remains above the newly-adopted board required 16.67% level. These projections reinforce Merced College's commitment to maintain fiscal stability to support ongoing operations and contribute to the success of its students.

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, 2024

ASSETS

Current Assets:

Cash and equivalents	\$ 62,906,714
Accounts receivable, net	27,238,108
Due from Foundation	375,189
Prepaid expenses	1,341,752
Total Current Assets	<u>91,861,763</u>

Non-current Assets:

Restricted cash and equivalents	5,633,113
Right-of-use assets, net	2,655,328
Capital assets, net	141,425,770
Total Non-current Assets	<u>149,714,211</u>

TOTAL ASSETS

241,575,974

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	683,136
Deferred outflows related to OPEB	2,823,590
Deferred outflows related to pensions	27,748,106

TOTAL DEFERRED OUTFLOWS OF RESOURCES

31,254,832

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 272,830,806

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 20,054,843
Unearned revenue	18,856,020
Long-term debt, current portion	8,322,092
Total Current Liabilities	<u>47,232,955</u>

Non-current Liabilities:

Net OPEB liability	48,559,732
Net pension liability	72,336,066
Long-term debt, non-current portion	37,885,821
Total Non-current Liabilities	<u>158,781,619</u>

TOTAL LIABILITIES

206,014,574

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	8,724,235
Deferred inflows related to pensions	5,061,405

TOTAL DEFERRED INFLOWS OF RESOURCES

13,785,640

NET POSITION

Investment in capital assets, net	107,266,497
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Restricted for:

Debt service	4,689,875
Capital projects	20,802,215
Other special purpose	11,739,794

Unrestricted (deficit)	<u>(91,467,789)</u>
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TOTAL NET POSITION

53,030,592

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 272,830,806

**MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

OPERATING REVENUES

Tuition and fees, gross	\$ 14,013,788
Less: Scholarship discounts and allowances	(8,991,581)
Tuition and fees, net	<u>5,022,207</u>
Grants and contracts, non-capital:	
Federal	38,624,226
State	31,825,345
Local	22,613
Auxiliary enterprise sales, net	<u>496,947</u>
TOTAL OPERATING REVENUES	<u><u>75,991,338</u></u>

OPERATING EXPENSES

Salaries	59,790,764
Employee benefits	34,842,864
Supplies, materials, and other operating expenses	26,470,638
Financial aid	36,769,525
Depreciation and amortization	<u>6,093,332</u>
TOTAL OPERATING EXPENSES	<u><u>163,967,123</u></u>

OPERATING LOSS

(87,975,785)

NON-OPERATING REVENUES/(EXPENSES)

State apportionments, non-capital	61,633,932
Education protection account	8,408,463
Local property taxes, non-capital	18,798,132
State taxes and other revenues, non-capital	11,259,336
Interest and investment income/(loss)	3,552,021
Interest expense	(1,036,835)
Other non-operating income	2,367,614
Transfer from/(to) Foundation	<u>11,150</u>
TOTAL NON-OPERATING REVENUES	<u><u>104,993,813</u></u>

GAIN/(LOSS) BEFORE OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)

17,018,028

OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)

Local property taxes and revenues, capital	4,187,412
Local revenues, grants and gifts, capital	245,458
Gain/(loss) on disposal of capital assets	<u>(451,872)</u>
TOTAL OTHER REVENUES/(EXPENSES) AND GAINS/(LOSSES)	<u><u>3,980,998</u></u>

CHANGE IN NET POSITION

20,999,026

NET POSITION -- BEGINNING OF YEAR

32,031,566

NET POSITION -- END OF YEAR

\$ 53,030,592

**MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees, net	\$ 5,022,207
Grants and contracts	56,910,958
Payments to or on behalf of employees	(96,727,828)
Payments to vendors for supplies and services	(28,716,477)
Payment to students	(36,769,525)
Internal sales and charges	496,947
Net Cash Provided by/(Used in) Operating Activities	<u>(99,783,718)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	61,633,932
Education protection account	8,408,463
Local property taxes	18,798,132
State taxes and other revenues	11,259,336
Transfer from/(to) Foundation	271,619
Other non-operating income	2,367,614
Net Cash Provided by/(Used in) Non-capital Financing Activities	<u>102,739,096</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase and sale of capital assets, net	(20,241,586)
Local property taxes, local revenues, grants and gifts	4,432,870
Principal paid on capital debt	(5,145,790)
Interest paid on capital debt	(1,200,746)
Net Cash Provided by/(Used in) Capital and Related Financing Activities	<u>(22,155,252)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and investment income/(loss)	<u>3,552,021</u>
Net Cash Provided by/(Used in) Investing Activities	<u>3,552,021</u>

NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS

(15,647,853)

CASH AND EQUIVALENTS, BEGINNING OF YEAR

84,187,680

CASH AND EQUIVALENTS, END OF YEAR

\$ 68,539,827

**MERCED COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY/(USED IN) OPERATING ACTIVITIES**

Operating Loss	\$ (87,975,785)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by/(Used in) Operating Activities:	
Depreciation and amortization	6,093,332
Changes in Assets and Liabilities:	
Accounts receivable, net	(8,172,660)
Prepaid expenses	(406,917)
Deferred outflows related to pensions	(4,630,841)
Deferred outflows related to OPEB	155,430
Accounts payable and accrued expenses	(1,838,922)
Unearned revenue	(5,388,566)
Compensated absences	266,895
Net OPEB liability	(8,151,907)
Net pension liability	5,069,865
Deferred inflows related to pensions	(1,093,197)
Deferred inflows related to OPEB	6,289,555
Total Adjustments	<u>(11,807,933)</u>
Net Cash Flows From Operating Activities	<u>\$ (99,783,718)</u>

COMPONENTS OF CASH AND EQUIVALENTS

Cash and equivalents	\$ 62,906,714
Restricted cash and equivalents	5,633,113
Total Cash and Equivalents	<u>\$ 68,539,827</u>

**MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024**

ASSETS	
Current Assets:	
Cash and equivalents	\$ 1,955,373
Pledged receivable, current	457,993
Total Current Assets	<u>2,413,366</u>
Non-current Assets:	
Investments	7,500,522
Pledged receivable, net	1,000,000
Accounts receivable	10,542
Total Non-current Assets	<u>8,511,064</u>
TOTAL ASSETS	<u>\$ 10,924,430</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 12,984
Due to District	375,190
TOTAL LIABILITIES	<u>388,174</u>
 NET ASSETS	
Non-expendable: scholarships	4,716,558
Scholarships and loans	5,371,063
Unrestricted	448,635
TOTAL NET ASSETS	<u>10,536,256</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,924,430</u>

**MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
OPERATING REVENUES			
Contributions	\$ -	\$ 1,863,618	\$ 1,863,618
Investment income/(loss)	-	62,058	62,058
Other non-operating revenues	685,539	-	685,539
Net assets released from restrictions	1,235,220	(1,235,220)	-
TOTAL OPERATING REVENUES	1,920,759	690,456	2,611,215
EXPENSES			
Supplies, materials, and other operating expenses and services	70,296	-	70,296
Scholarships and student programs	1,147,030	-	1,147,030
In-kind expense	616,235	-	616,235
TOTAL EXPENSES	1,833,561	-	1,833,561
Changes in Net Assets	87,198	690,456	777,654
Net Assets - Beginning of Year	361,437	9,397,165	9,758,602
Net Assets - End of Year	\$ 448,635	\$ 10,087,621	\$ 10,536,256

**MERCED COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
MERCED COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 777,654
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities:	
(Increase)/decrease in operating assets:	
Accounts receivable	(7,300)
Pledged receivable	273,055
Increase/(decrease) in operating liabilities:	
Accounts payable	6,978
Due to District	(260,468)
Net cash provided by/(used in) operating activities	<u>789,919</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale/(purchase) of investments	<u>(880,614)</u>
Net cash provided by/(used in) investing activities	<u>(880,614)</u>
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	<u>(90,695)</u>
Cash and Equivalents, Beginning	2,046,068
Cash and Equivalents, Ending	<u>\$ 1,955,373</u>

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 accounting principles generally accepted in the United States of America (GAAP) and Governmental Accounting Standards Board (GASB). The District, based on its evaluation of these criteria, identified the Merced College Foundation (the “Foundation”) as a component unit.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by the GASB 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.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates Used in Financial Reporting

In preparing financial statements in conformity with GAAP, 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

The District's cash and equivalents consist of cash on hand, deposits with financial institutions, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash in county treasury balances. Fair values of cash in county treasury are determined by the program sponsor.

Restricted Cash and Equivalents

Restricted cash and equivalents are those cash and equivalents 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, 2024 are presented net of estimated uncollectable student accounts of \$1,467,642.

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; furniture and 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, 2024.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 right-of-use lease asset (leased 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 leased 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.

Leased assets are reported as right-of-use assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription Leases

The District records the value of intangible right-of-use subscription-based IT assets (subscription-based IT asset) based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The subscription-based IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription-based IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset.

Subscription-based IT assets are reported as right-of-use assets and subscription-based IT arrangement liabilities are reported with long-term debt on the statement of net position.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are amounts owed to vendors or suppliers for services incurred for which payment is made in a timely manner and in full, from current financial resources.

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.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-term Debt

Long-term debt consists of general obligation bonds, bond premium, compensated absences, finance purchases, lease liability, subscription-based IT arrangements, solar energy project and energy service contract. The portion of the long-term debt that is due within a year is reported as current liabilities, while portion of long-term debt that is scheduled to mature or is payable beyond one year is reported as non-current liabilities.

Compensated Absences

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

Deferred Outflows 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 loss 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.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Postemployment Benefits (OPEB)

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

Investments are reported at fair value.

Net Position

The District's net position is classified as follows:

- Investment in capital assets, net – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted net position – expendable – Restricted expendable net position includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net position (deficit) – Unrestricted net position (deficit) represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. Unrestricted net position includes amounts internally designated for District obligations.

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

Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operation are classified as non-operating 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.

Non-operating revenues - Non-operating 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.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Expenses

Nearly all of the District's expenses are from exchange transactions and are classified as either operating or non-operating 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 financial aid.

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

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.

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.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Adoption of New Accounting Standards

The following Governmental Accounting Standards Board (GASB) Pronouncements were adopted by the District during the year ended June 30, 2024:

GASB Statement No. 100 – In June 2022, GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*, which focuses on accounting changes and error corrections, providing clarity and guidance on how these should be handled in financial statements. It aims to improve the consistency and transparency of reporting such changes. This statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Management has determined that the adoption of the new accounting standard did not have any material impact on the financial statements of the District.

Upcoming GASB Pronouncements

The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 101 – In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*, which addresses compensated absences, revising the recognition and measurement of liabilities related to employee leave benefits. It aims to standardize how these liabilities are reported across different governmental entities. This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102 – In December 2023, GASB issued GASB Statement No. 102, *Certain Risk Disclosures*, which pertains to the disclosure of non-current liabilities, including guidance on how these liabilities should be presented in financial statements to enhance the relevance and comparability of the information. This statement is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103 – In April 2024, GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*, which introduces changes to the presentation model for business-type activities (BTAs). It revises the required sections and subtotals in financial statements, particularly affecting the presentation of operating and nonoperating activities. One significant change is the separate identification of noncapital subsidies within nonoperating activities. This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 – CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2024, are classified in the accompanying financial statements as follows:

Cash and equivalents	\$ 62,906,714
Restricted cash and equivalents	5,633,113
Total cash and equivalents	<u>\$ 68,539,827</u>

Cash and equivalents as of June 30, 2024, consist of the following:

Cash in County Treasury	\$ 59,794,848
Deposits with financial institutions	8,708,177
Cash on hand	7,500
Cash and equivalents in CAMP	29,302
Total cash and equivalents	<u>\$ 68,539,827</u>

Cash in County Treasury

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

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

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

California Asset Management Program

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

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – CASH AND EQUIVALENTS, continued

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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – CASH AND EQUIVALENTS, 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, 2024, the weighted average maturity of the investments contained in the County Treasury and the CAMP investment pool is approximately 614 and 60 or less 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, 2024.

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, 2024, the District's bank balances were exposed to custodial credit risk in the amount of \$7,918,499.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – CASH AND EQUIVALENTS, 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, 2024:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Treasury	\$ 59,794,848	\$ -	\$ -	\$ -	\$ 59,794,848
CAMP	29,302	-	-	-	29,302
	<u>\$ 59,824,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,824,150</u>

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.

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024 consisted of the following:

Federal grants and contracts	\$ 4,157,899
State grants, contracts and apportionment	11,620,413
Local grants, contracts and students	11,459,796
Total accounts receivable, net	<u>\$ 27,238,108</u>

NOTE 5 – CAPITAL AND RIGHT-OF-USE ASSETS

Capital and right-of-use assets activity for the District for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Capital Assets Not Being Depreciated				
Land	\$ 1,803,366	\$ -	\$ -	\$ 1,803,366
Construction in progress	32,260,787	17,310,305	28,770,833	20,800,259
Total Capital Assets Not Being Depreciated	<u>34,064,153</u>	<u>17,310,305</u>	<u>28,770,833</u>	<u>22,603,625</u>
Capital Assets Being Depreciated				
Improvements of sites	16,651,851	134,813	-	16,786,664
Buildings	139,252,133	25,947,348	-	165,199,481
Furniture and equipment	28,571,462	5,630,880	13,933,898	20,268,444
Total Capital Assets Being Depreciated	<u>184,475,446</u>	<u>31,713,041</u>	<u>13,933,898</u>	<u>202,254,589</u>
Total Capital Assets	<u>218,539,599</u>	<u>49,023,346</u>	<u>42,704,731</u>	<u>224,858,214</u>
Less: Accumulated Depreciation				
Improvements of sites	12,396,049	248,701	-	12,644,750
Buildings	58,901,492	2,708,740	-	61,610,232
Furniture and equipment	21,111,792	1,536,769	13,471,099	9,177,462
Total Accumulated Depreciation	<u>92,409,333</u>	<u>4,494,210</u>	<u>13,471,099</u>	<u>83,432,444</u>
Capital Assets, Net	<u>126,130,266</u>	<u>44,529,136</u>	<u>29,233,632</u>	<u>141,425,770</u>
Right-of-use Assets				
Leased asset - equipment	387,621	-	-	387,621
Subscription-based IT asset	4,182,073	981,458	304,655	4,858,876
Total Right-of-use Assets	<u>4,569,694</u>	<u>981,458</u>	<u>304,655</u>	<u>5,246,497</u>
Less: Accumulated Amortization				
Leased asset - equipment	182,121	91,061	-	273,182
Subscription-based IT asset	1,114,581	1,508,061	304,655	2,317,987
Total Accumulated Amortization	<u>1,296,702</u>	<u>1,599,122</u>	<u>304,655</u>	<u>2,591,169</u>
Right-of-use Assets, Net	<u>3,272,992</u>	<u>(617,664)</u>	<u>-</u>	<u>2,655,328</u>
Total Capital and Right-of-use Assets, Net	<u>\$ 129,403,258</u>	<u>\$ 43,911,472</u>	<u>\$ 29,233,632</u>	<u>\$ 144,081,098</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024 consisted of the following:

	Balance			Balance		Amounts Due in
	July 1, 2023	Additions	Reductions	June 30, 2024	One Year	
General obligation bonds	\$ 36,890,000	\$ -	\$ 3,250,000	\$ 33,640,000	\$ 3,915,000	
Bond premium	1,993,956	-	249,302	1,744,654	249,302	
Compensated absences	2,126,927	266,895	-	2,393,822	2,393,822	
Finance purchases	714,371	-	181,355	533,016	187,740	
Lease liability	205,876	-	91,113	114,763	86,268	
Subscription-based IT arrangements	3,098,047	981,458	1,490,478	2,589,027	1,329,896	
Solar energy project	1,530,502	-	84,879	1,445,623	84,880	
Energy service contract	3,794,973	-	47,965	3,747,008	75,184	
Total	\$ 50,354,652	\$ 1,248,353	\$ 5,395,092	\$ 46,207,913	\$ 8,322,092	

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, 2024, the principal balance outstanding was \$2,660,000.

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, 2024, the principal balance outstanding was \$5,050,000.

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, 2024, the 2014 Issue principal balance outstanding was \$16,430,000.

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, 2024, the principal balance outstanding was \$9,500,000.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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
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	3,280,000	536,244	3,816,244
2030-2033	16,220,000	878,057	17,098,057
Total	\$ 33,640,000	\$ 4,827,530	\$ 38,467,530

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, 2024 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
2025	\$ 204,718
2026	204,718
2027	154,455
Total	563,891
Less amount representing interest	(30,875)
Present value of net minimum payments	\$ 533,016

MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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-of-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 0.20%. As of June 30, 2024, the value of the lease liability was \$114,763 and is being amortized over the remaining term of the lease.

Fiscal Year	Principal	Interest	Total
2025	\$ 86,268	\$ 146	\$ 86,414
2026	28,495	29	28,524
Total	\$ 114,763	\$ 175	\$ 114,938

Subscription-based IT Arrangements

During the fiscal year ended June 30, 2023, 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. 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, 2024 was 2,589,027 and is being amortized over the remaining terms of the leases.

The future minimum principal and interest lease payments as of June 20, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 1,329,896	\$ 44,696	\$ 1,374,592
2026	670,666	21,332	691,998
2027	441,630	8,066	449,696
2028	146,835	1,308	148,143
Total	\$ 2,589,027	\$ 75,402	\$ 2,664,429

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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, 2024, the District had expenditures for the project and therefore had drawdowns totaling \$1,445,623 of the loan. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2025	\$ 84,880
2026	84,880
2027	84,880
2028	84,880
2029	84,880
2030-2034	424,400
2035-2039	424,400
2040-2042	172,423
Total	<u>\$ 1,445,623</u>

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, 2024, 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, 2024.

<u>Fiscal Year</u>	<u>Payments</u>
2025	\$ 228,295
2026	271,334
2027	260,863
2028	260,770
2029	271,069
2030-2034	1,497,348
2035-2039	1,753,507
2040-2042	865,121
Total	<u>5,408,307</u>
Less amount representing interest	<u>(1,661,299)</u>
Present value of net minimum payments	<u>\$ 3,747,008</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024.

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 the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2024, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense 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	\$ 33,010,134	\$ 12,338,408	\$ 2,591,422	\$ 5,363,480
CalPERS	39,325,932	15,409,698	2,469,983	6,492,876
Total	\$ 72,336,066	\$ 27,748,106	\$ 5,061,405	\$ 11,856,356

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
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, 2024, are presented above and the District's total contributions were \$5,965,886.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

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

At June 30, 2024, 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	\$ 33,010,134
State's proportionate share of the net pension liability associated with the District	15,816,369
Total	\$ 48,826,503

The net pension liability was measured as of June 30, 2023. 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 measurement period June 30, 2023 and June 30, 2022, respectively was 0.043 percent and 0.040 percent, resulting in an increase of 0.003 percent in the proportionate share.

For the year ended June 30, 2024, the District recognized pension expense of \$5,363,480. In addition, the District recognized revenue and corresponding expense of (\$229,683) for support provided by the state. At June 30, 2024, 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	\$ 139,652	\$ -
Differences between expected and actual experience	2,594,238	1,765,776
Changes in assumptions	191,142	-
Net changes in proportionate share of net pension liability	3,447,490	825,646
District contributions subsequent to the measurement date	5,965,886	-
Total	\$ 12,338,408	\$ 2,591,422

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

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

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (170,607)
2026	(753,119)
2027	3,107,363
2028	836,306
2029	328,784
Thereafter	432,373
Total	<u>\$ 3,781,100</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

Actuarial Methods and Assumptions, continued

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Public Equity	38%	5.25%
Real Estate	15%	4.05%
Private Equity	14%	6.75%
Fixed Income	14%	2.45%
Risk Mitigating Strategies	10%	2.25%
Inflation Sensitive	7%	3.65%
Cash/Liquidity	2%	0.05%
Total	100%	

*20-year average. Real rates of return of net of assumed 2.75% inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) 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 total pension liability.

**MERCED COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California State Teachers' Retirement System (CalSTRS), continued

Discount Rate, continued

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	\$ 55,371,865	\$ 33,010,134	\$ 14,436,109

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

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 five 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 five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees Retirement System (CalPERS), continued

Benefits Provided, continued

The CalPERS provisions and benefits in effect at June 30, 2024 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	7.00%	7.00%
Required employer contribution rate	26.68%	26.68%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law 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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The 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 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the total District contributions were \$6,544,643.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$39,325,932. The net pension liability was measured as of June 30, 2023. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively was 0.109 percent and 0.115 percent, resulting in a net decrease in the proportionate share of 0.006 percent.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees Retirement System (CalPERS), continued

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

For the year ended June 30, 2024, the District recognized pension expense of \$6,492,876. At June 30, 2024, 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	\$ 4,200,573	\$ -
Differences between expected and actual experience	1,435,114	603,988
Changes in assumptions	1,811,730	-
Net changes in proportionate share of net pension liability	1,417,638	1,865,995
District contributions subsequent to the measurement date	6,544,643	-
Total	<u>\$ 15,409,698</u>	<u>\$ 2,469,983</u>

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 2,134,015
2026	1,755,542
2027	2,723,393
2028	(217,878)
Total	<u>\$ 6,395,072</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees Retirement System (CalPERS), continued

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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	2.30%
Wage growth	Varies by entry age and service

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
Global Equity Cap-weighted	30%	4.54%
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%
Total	100%	

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

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

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

California Public Employees Retirement System (CalPERS), continued

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. 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 School Employer Pool 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	\$ 56,855,132	\$ 39,325,932	\$ 24,838,447

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 \$2,529,807 to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under GAAP, this amount is to be reported as revenues and expenditures. Accordingly, this amount has been recorded in these financial statements.

Plan Fiduciary Net Position

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2024, the District reported net OPEB liability/(asset), deferred outflows of resources, deferred inflows of resources, and OPEB expense/(benefit) for the following plans:

OPEB Plan	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Benefit)
District Plan	\$ 48,559,732	\$ 2,823,590	\$ 8,724,235	\$ (1,706,922)

**MERCED COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2024**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Plan Description

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

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

Benefits Provided

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 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, 2023 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	213
Active Employees	469
	682

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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 – OTHER POSTEMPLOYMENT 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%	7.545%
US Small Cap	13%	7.545%
All Foreign Stock	9%	7.545%
Other Fixed Income	49%	3.000%

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 determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	June 30, 2023
Measurement date	June 30, 2023
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.50%
Discount rate	5.75%
Investment rate of return	5.75%
Healthcare cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2020 CalSTRS mortality tables were used. For classified employees the 2021 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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Changes in the Net OPEB Liability/(Asset)

The changes in the Net OPEB liability/(Asset) for the OPEB Plan are as follows:

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance July 1, 2022	\$ 61,279,375	\$ 4,567,736	\$ 56,711,639
Changes for the year:			
Service cost	919,953	-	919,953
Interest on TOL	3,411,607	-	3,411,607
Employer contributions	-	4,814,120	(4,814,120)
Change in assumptions	(348,045)	-	(348,045)
Expected investment income	-	262,452	(262,452)
Experience (gains)/losses	(6,957,022)	-	(6,957,022)
Investment gains/(losses)	-	108,525	(108,525)
Administrative expense	-	(6,697)	6,697
Actual benefit payments	(4,814,120)	(4,814,120)	-
Net change	(7,787,627)	364,280	(8,151,907)
Balance June 30, 2023	\$ 53,491,748	\$ 4,932,016	\$ 48,559,732

Sensitivity of the Net Pension Liability/(Asset) to assumptions

The following presents the net OPEB liability/(asset) calculated using the discount rate of 5.75 percent. The schedule also shows what the net OPEB liability/(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		
	1% Decrease (4.75%)	Rate (5.75%)	1% Increase (6.75%)
Net OPEB liability/(asset)	\$ 52,865,522	\$ 48,559,732	\$ 44,758,901

The following table presents the net OPEB liability/(asset) calculated using the health care cost trend rate of 4.00 percent. The schedule also shows what the net OPEB liability/(asset) would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.00 percent) and 1 percent higher (5.00 percent):

	Healthcare Cost		
	1% Decrease (3.00%)	Trend Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability/(asset)	\$ 44,205,517	\$ 48,559,732	\$ 53,552,116

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 – OTHER POSTEMPLOYMENT 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/(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense/(benefit) of \$1,706,922. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 245,476	\$ -
Differences between expected and actual experience	961,217	8,409,656
Change in assumptions	1,216,897	314,579
District contributions subsequent to the measurement date	400,000	-
	<u>\$ 2,823,590</u>	<u>\$ 8,724,235</u>

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

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (568,025)
2026	(579,760)
2027	(464,888)
2028	(648,323)
2029	(687,976)
Thereafter	(3,351,673)
Total	<u>\$ (6,300,645)</u>

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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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/(benefit) systematically over time. Amounts are first recognized in OPEB expense/(benefit) 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/(benefit).

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.

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 – JOINT POWERS AUTHORITIES AGREEMENTS, continued

The District is a participant in the Valley Insurance Program (VIP). VIP is a JPA that was established on October 1, 1986, for the operation of common risk management and loss prevention programs related to public liability, auto liability, property loss, and employment practices liability for member community college districts. Effective July 1, 1987, the Agency established a separate self-funded workers' compensation program

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, 2023 (Audited)	ASCIP June 30, 2023 (Audited)	VIP June 30, 2023 (Audited)
Total assets and deferred outflows	\$ 280,455,728	\$ 521,829,236	\$ 16,588,331
Total liabilities and deferred inflows	241,879,650	347,831,966	1,811,038
Net position	<u>\$ 38,576,078</u>	<u>\$ 173,997,270</u>	<u>\$ 14,777,293</u>
Total revenues	\$ 57,218,250	\$ 295,054,036	\$ 7,824,558
Total expenses	108,529,460	339,498,606	8,552,528
Prior-period adjustment	18,845,593	-	-
Change in net position	<u>\$ (32,465,617)</u>	<u>\$ (44,444,570)</u>	<u>\$ (727,970)</u>

**MERCED COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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 ended June 30, 2024, the district was not in any pending liability lawsuits or threatened litigation.

Construction Commitments

The District has construction commitments of approximately \$3,905,355 at June 30, 2024. General obligation bonds have been approved for \$118,396 of such construction commitments.

NOTE 13 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2024 through December 10, 2024, 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/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 919,953	\$ 895,331	\$ 1,085,294	\$ 1,056,247
Interest on TOL	3,411,607	3,436,469	3,610,816	3,614,178
Change in assumptions	(348,045)	-	1,770,034	-
Experience (gains)/losses	(6,957,022)	-	(2,028,864)	(165,607)
Expected minus actual benefit payments	-	(676,693)	(136,302)	-
Benefit payments	(4,814,120)	(4,062,170)	(4,640,611)	(4,539,450)
Net change in total OPEB liability	(7,787,627)	(407,063)	(339,633)	(34,632)
Total OPEB liability, beginning of year	61,279,375	61,686,438	62,026,071	62,060,703
Total OPEB liability, end of year (a)	\$ 53,491,748	\$ 61,279,375	\$ 61,686,438	\$ 62,026,071
Plan fiduciary net position				
Employer contributions	\$ 4,814,120	\$ 4,462,170	\$ 4,640,611	\$ 4,539,450
Net investment income/(loss)	370,977	(629,664)	813,939	170,986
Administrative expense	(6,697)	(6,154)	(6,061)	(6,393)
Benefit payments	(4,814,120)	(4,062,170)	(4,640,611)	(4,539,450)
Change in plan fiduciary net position	364,280	(235,818)	807,878	164,593
Fiduciary trust net position, beginning of year	4,567,736	4,803,554	3,995,676	3,831,083
Fiduciary trust net position, end of year (b)	\$ 4,932,016	\$ 4,567,736	\$ 4,803,554	\$ 3,995,676
Net OPEB liability/(asset), ending (a) - (b)	\$ 48,559,732	\$ 56,711,639	\$ 56,882,884	\$ 58,030,395
Covered payroll	\$ 44,443,996	\$ 37,607,874	\$ 35,527,106	\$ 35,369,847
Plan fiduciary net position as a percentage of the total OPEB liability	9.2%	7.5%	7.8%	6.4%
Net OPEB liability/(asset) as a percentage of covered payroll	109.3%	150.8%	160.1%	164.1%

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 CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2024**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 786,853	\$ 765,794	\$ 745,298
Interest on TOL	3,502,094	3,504,490	3,502,044
Change in assumptions	-	-	-
Experience gains/(losses)	1,962,712	-	-
Expected minus actual benefit payments	21,080	-	-
Benefit payments	(4,352,605)	(4,309,964)	(4,144,196)
Net change in total OPEB liability	1,920,134	(39,680)	103,146
Total OPEB liability, beginning of year	60,140,569	60,180,249	60,077,103
Total OPEB liability, end of year (a)	\$ 62,060,703	\$ 60,140,569	\$ 60,180,249
Plan fiduciary net position			
Employer contributions	\$ 4,352,605	\$ 4,309,964	\$ 4,563,789
Net investment income/(loss)	219,766	238,146	265,219
Administrative expense	(5,276)	(500)	(5,265)
Benefit payments	(4,352,605)	(4,309,964)	(4,144,196)
Change in plan fiduciary net position	214,490	237,646	679,547
Fiduciary trust net position, beginning of year	3,616,593	3,378,947	2,699,400
Fiduciary trust net position, end of year (b)	\$ 3,831,083	\$ 3,616,593	\$ 3,378,947
Net OPEB liability/(asset), ending (a) - (b)	\$ 58,229,620	\$ 56,523,976	\$ 56,801,302
Covered payroll	\$ 32,791,744	\$ 30,840,458	\$ 30,548,193
Plan fiduciary net position as a percentage of the total OPEB liability	6.2%	6.0%	5.6%
Net OPEB liability/(asset) as a percentage of covered payroll	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, 2024**

	Reporting Fiscal Year (Measurement Date)				
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
CalSTRS					
District's proportion of the net pension liability	0.043%	0.040%	0.043%	0.043%	0.042%
District's proportionate share of the net pension liability	\$ 33,010,134	\$ 27,780,935	\$ 19,568,440	\$ 41,670,870	\$ 37,932,720
State's proportionate share of the net pension liability associated with the District	15,816,369	13,912,773	9,815,299	22,249,504	20,796,658
Total	\$ 48,826,503	\$ 41,693,708	\$ 29,383,739	\$ 63,920,374	\$ 58,729,378
District's covered-employee payroll	\$ 28,210,623	\$ 23,769,341	\$ 24,646,996	\$ 24,775,773	\$ 23,934,884
District's proportionate share of the net pension liability as percentage of covered-employee payroll	117%	117%	79%	168%	158%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%

	Reporting Fiscal Year (Measurement Date)				
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
CalPERS					
District's proportion of the net pension liability	0.109%	0.115%	0.119%	0.113%	0.108%
District's proportionate share of the net pension liability	\$ 39,325,932	\$ 39,485,266	\$ 24,117,653	\$ 34,790,619	\$ 31,397,102
District's covered-employee payroll	\$ 20,824,168	\$ 17,591,702	\$ 17,082,394	\$ 16,397,178	\$ 14,920,807
District's proportionate share of the net pension liability as percentage of covered-employee payroll	189%	224%	141%	212%	210%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%

MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalSTRS					
District's proportion of the net pension liability	0.039%	0.0400%	0.0410%	0.0420%	0.0430%
District's proportionate share of the net pension liability	\$ 35,843,730	\$ 36,992,000	\$ 33,161,210	\$ 28,276,080	\$ 25,127,910
State's proportionate share of the net pension liability associated with the District	20,753,098	21,778,811	19,018,100	14,923,484	15,190,963
Total	\$ 56,596,828	\$ 58,770,811	\$ 52,179,310	\$ 43,199,564	\$ 40,318,873
District's covered-employee payroll	\$ 22,179,621	\$ 21,690,641	\$ 21,110,849	\$ 19,627,455	\$ 19,262,257
District's proportionate share of the net pension liability as percentage of covered-employee payroll	162%	171%	157%	144%	130%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalPERS					
District's proportion of the net pension liability	0.104%	0.1060%	0.1047%	0.1053%	0.1107%
District's proportionate share of the net pension liability	\$ 27,798,998	\$ 25,410,037	\$ 20,678,315	\$ 15,521,324	\$ 12,567,145
District's covered-employee payroll	\$ 13,747,179	\$ 13,790,329	\$ 12,795,195	\$ 11,614,639	\$ 11,629,858
District's proportionate share of the net pension liability as percentage of covered-employee payroll	202%	184%	162%	134%	108%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2024**

	Reporting Fiscal Year				
	2024	2023	2022	2021	2020
CalSTRS					
Statutorily required contribution	\$ 5,965,886	\$ 5,388,229	\$ 4,019,483	\$ 3,980,570	\$ 4,236,229
District's contributions in relation to the statutorily required contribution	5,965,886	5,388,229	4,019,483	3,980,570	4,236,229
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 31,235,005	\$ 28,210,623	\$ 23,769,341	\$ 24,646,996	\$ 24,775,773
District's contributions as a percentage of covered-employee payroll	19.10%	19.10%	16.91%	16.15%	17.10%
	Reporting Fiscal Year				
	2024	2023	2022	2021	2020
CalPERS					
Statutorily required contribution	\$ 6,544,643	\$ 4,770,817	\$ 4,027,225	\$ 3,512,726	\$ 3,224,613
District's contributions in relation to the statutorily required contribution	6,544,643	4,770,817	4,027,225	3,512,726	3,224,613
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 24,530,146	\$ 20,824,168	\$ 17,591,702	\$ 17,082,394	\$ 16,397,178
District's contributions as a percentage of covered-employee payroll	26.68%	22.91%	22.89%	20.56%	19.67%

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2024**

CalSTRS	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,896,304	\$ 3,200,236	\$ 2,718,478	\$ 2,268,381	\$ 1,739,206
District's contributions in relation to the statutorily required contribution	3,896,304	3,200,236	2,718,478	2,268,381	1,739,206
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 23,934,884	\$ 22,179,621	\$ 21,690,641	\$ 21,110,849	\$ 19,627,455
District's contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.53%	10.75%	8.86%
	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
CalPERS					
Statutorily required contribution	\$ 2,694,577	\$ 2,135,151	\$ 1,911,785	\$ 1,464,028	\$ 1,381,020
District's contributions in relation to the statutorily required contribution	2,694,577	2,135,151	1,911,785	1,464,028	1,381,020
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 14,920,807	\$ 13,747,179	\$ 13,790,329	\$ 12,795,195	\$ 11,614,639
District's contributions as a percentage of covered-employee payroll	18.06%	15.53%	13.86%	11.44%	11.89%

**MERCED COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios

The Schedule of Changes in Net OPEB liability/(asset) is presented to illustrate the elements of the District's net OPEB liability/(asset). 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 were no changes in benefit terms since the previous valuations.

Changes of Assumptions - There were no changes in assumptions since the previous valuations.

Schedule of the District's 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.

Changes of Benefit Terms - There were no changes in benefit terms since the previous valuations.

Changes of Assumptions -The consumer price inflation changed from 2.50 percent to 2.30 percent since the previous valuation for CalPERS. There have been no changes since the previous valuation for CalSTRS.

Schedule of District Contributions – Pensions

The Schedule of 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.

SUPPLEMENTARY INFORMATION

**MERCED COMMUNITY COLLEGE DISTRICT
ORGANIZATIONAL STRUCTURE
JUNE 30, 2024**

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
Carmen Ramirez	President	December 2024
Ernie Ochoa	Vice President	December 2024
Mario Mendoza	Clerk	December 2026
Kory Benson	Trustee	December 2024
Sue Chappell	Trustee	December 2026
Joe G. Gutierrez	Trustee	December 2026
John Pedrozo	Trustee	December 2026

ADMINISTRATION

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

Joe Allison, CPA
Vice President, Administrative Services

Dee Sigismund, Ph.D.
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, 2024**

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			
<i>Direct Program</i>			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	n/a	\$ 506,097
Federal Work Study Program (FWS)	84.033	n/a	483,527
Federal Direct Student Loan Program	84.268	n/a	717,312
Federal Pell Grant Program	84.063	n/a	24,374,937
Subtotal Student Financial Aid Cluster			26,081,873
Higher Education Emergency Relief Fund			
COVID-19 HEERF - Student Aid	84.425E	n/a	(500)
COVID-19 HEERF - Institutional	84.425F	n/a	393,485
COVID-19 HEERF - Minority Serving Institutions	84.425L	n/a	28,662
COVID-19 HEERF II CRRSA Act - Institutional	84.425F	n/a	1,783,581
COVID-19 HEERF II CRRSA Act - Minority Serving Institutions	84.425L	n/a	283,064
COVID-19 HEERF III ARP - Student Aid	84.425E	n/a	(2,700)
COVID-19 HEERF III ARP - Institutional	84.425F	n/a	2,845,271
Subtotal Higher Education Emergency Relief Fund			5,330,863
Developing Hispanic Serving Institution	84.031S	n/a	715,058
Childcare Access Means Parents In School (CCAMPIS)	84.335A	n/a	180,014
<i>Passed through California Community Colleges Chancellor's Office</i>			
Perkins Title I, Part C	84.048A	23-C01-530	658,339
Total U.S. Department of Education			32,966,147
U.S. DEPARTMENT OF COMMERCE			
<i>Direct Program</i>			
Connecting Minority Communities	11.028	n/a	1,033,457
Investments for Public Works and Economic Development Facilities	11.300	n/a	1,087,783
Economic Development Administration (EDA)			
Agrifood Technology and Engineering Collaborative (AgTEC) Workforce	11.307	n/a	1,176,923
AgTEC Innovation Center Facility Construction Project	11.307	n/a	922,370
Subtotal Economic Development Administration (EDA)			2,099,293
Total U.S. Department of Commerce			4,220,533
U.S. DEPARTMENT OF VETERAN AFFAIRS			
<i>Direct Program</i>			
Veterans Affair ARF	64.000	n/a	2,064
Total U.S. Department of Veteran Affairs			2,064
U.S. DEPARTMENT OF THE TREASURY			
<i>Direct Program</i>			
Emergency Financial Assistance	21.027	n/a	33,513
Total U.S. Department of the Treasury			33,513
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Program</i>			
Office on Violence Against Women	16.588	n/a	130,262
Total U.S. Department of Justice			130,262
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through California Department of Education</i>			
Child Care Federal Food Program	10.558	n/a	76,830
<i>Passed through Rural Utilities Service</i>			
Distance Learning & Telemedicine	10.855	n/a	13,350
Total U.S. Department of Agriculture			90,180
NATIONAL SCIENCE FOUNDATION			
<i>Direct Program</i>			
NSF CSU Stanislaus S-STEM	47.076	n/a	5,200
NSF STEM	47.076	n/a	94,504
Total National Science Foundation			99,704
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through California Department of Education:</i>			
477 Cluster			
CDC General Child Care & Dev Programs (CCTR)	93.575	CCTR-1152	327,273
CDC General Child Care & Dev Programs (CCTR)	93.596	CCTR-1152	107,230
<i>Passed through the Yosemite Community College District</i>			
Child Development Training Consortium	93.575	22-23-3970	18,400
<i>Passed through California Community Colleges Chancellor's Office</i>			
Temporary Assistance for Needy Families (TANF)	93.558	n/a	71,788
Subtotal 477 Cluster			524,691
<i>Passed through Merced County Mental Health</i>			
Mental Health	93.958	2020154	35,542
<i>Passed through Merced County Office of Education</i>			
Head Start Cluster	93.600	n/a	570,784
Total Department of Health and Human Services			1,131,017
Total Federal Programs			\$ 38,673,420

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, 2024**

Program Title	Entitlements		Program Expenditures			Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable/ (Payable)	Deferred Revenue	Total	
CATEGORICAL APPORTIONMENTS						
EOPS/CARE	\$ 742,672	\$ 748,793	\$ -	\$ 86,453	\$ 662,340	\$ 662,340
EOPS (E)	2,335,644	2,572,301	-	190,176	2,382,125	2,382,125
Student Success Completion	3,990,582	7,447,549	-	1,288,236	6,159,313	6,159,313
Disabled Student Programs and Services (D.S.P.S.)	1,203,267	1,476,231	-	211,306	1,264,925	1,264,925
Basic Needs Center	-	175,395	-	-	175,395	175,395
Basic Needs and Housing	340,421	606,613	-	128,094	478,519	478,519
Basic Needs	370,042	370,042	-	190,124	179,918	179,918
BFAP	510,951	609,179	-	144,822	464,357	464,357
California College Promise	637,175	718,074	640	163,754	554,960	554,960
Classified Professional Development	-	46,071	-	21,634	24,437	24,437
LGBTQ+	-	69,282	-	36,352	32,930	32,930
LGBTQ+ One Time	81,681	81,681	-	81,681	-	-
Mental Health Support	262,502	446,449	-	252,167	194,282	194,282
RN Enrollment Growth	195,763	281,736	-	499	281,237	281,237
EEO Best Practices	-	115,650	-	4,201	111,449	111,449
Equal Employment Opportunity	138,888	274,274	-	213,224	61,050	61,050
Financial Aid Technology	49,794	64,977	-	298	64,679	64,679
Guided Pathways	-	130,543	-	69,832	60,711	60,711
NextUp	508,324	554,215	772	43,975	511,012	511,012
CAEP (California Adult Education Program)	659,709	697,009	-	81,191	615,818	615,818
ELL Healthcare Pathways Administrative Allocation	85,593	85,593	-	70,179	15,414	15,414
Student Equity and Achievement	4,358,234	5,098,611	-	957,010	4,141,601	4,141,601
Physical Plant & Inst'l Support	3,091,369	3,824,585	-	2,617,740	1,206,845	1,206,845
Veterans Resource Center	65,402	162,375	-	109,277	53,098	53,098
Strong Workforce Program District Grant (SW6)	-	616,378	1,048	250,172	367,254	367,254
Strong Workforce Program District Grant (SW8)	1,504,159	1,504,159	-	1,503,241	918	918
Strong Workforce Program District Grant (SW7)	-	1,487,701	-	3,550	1,484,151	1,484,151
Strong Workforce Program Regional Grant (SW6)	335,966	335,966	-	89,385	246,581	246,581
Strong Workforce Program Regional Grant (SW8)	840,323	-	4,354	-	4,354	4,354
Strong Workforce Program Regional Grant (SW7)	871,190	146,572	724,619	-	871,191	871,191
Student Retention & Outreach	460,455	580,086	-	228,184	351,902	351,902
Systemwide Technology	-	50,000	-	46,860	3,140	3,140
Local & Systemwide Technology	625,000	825,079	-	493,931	331,148	331,148
Calworks	507,904	513,643	-	43,145	470,498	470,498
Undocumented Resources Liaison	92,979	215,383	-	68,461	146,922	146,922
Zero Textbook	-	20,000	-	7,210	12,790	12,790
Zero Textbook One-Time	-	180,000	-	180,000	-	-
Zero Textbook Acceleration	150,000	150,000	-	150,000	-	-
COVID-19 Recovery Block Grant	-	6,131,863	-	4,434,835	1,697,028	1,697,028
Student Transfer Achievement Reform	565,217	565,217	-	565,217	-	-
Equitable Placement Support and Completion Grant	785,258	785,258	-	750,371	34,887	34,887
Classified Community College Employee Summer Assistant Program	2,200	2,200	-	-	2,200	2,200
Student Housing (Planning)	421,271	421,270	-	22,481	398,789	398,789
Subtotal	26,789,935	41,188,003	731,433	15,799,268	26,120,168	26,120,168

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Program Title	Entitlements	Program Expenditures				Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable/ (Payable)	Deferred Revenue	Total	
Balance Forward	26,789,935	41,188,003	731,433	15,799,268	26,120,168	26,120,168
CATEGORICAL PROGRAM ALLOWANCES						
Puente Project	75,000	(61,789)	75,000	-	13,211	13,211
Puente Project Equity Award	-	20,000	-	-	20,000	20,000
Puente Project - 2	-	11,562	-	-	11,562	11,562
Cal Grant	4,215,365	3,488,185	727,180	-	4,215,365	4,215,365
CDC Block Grant	549,672	549,672	-	-	549,672	549,672
CDC Family Services	100,000	57,992	42,008	-	100,000	100,000
CDC MCOE Kids First	-	5,905	-	-	5,905	5,905
CDC California State Preschool Program (CSPP)	3,000	3,000	-	3,000	-	-
CDC Preschool Program	740,807	740,807	-	-	740,807	740,807
CDC CSPP-American Rescue Plan Act (ARPA) - Licensed	-	6,500	-	-	6,500	6,500
CDC CSPP - (ARPA)	-	18,000	-	-	18,000	18,000
CDC SCPP - TRIA	34,608	34,608	-	34,608	-	-
CDC CSPP - Cost of Care Plus	51,660	51,660	-	51,660	-	-
CDC CCTR - ARPA - Licensed	-	5,000	-	-	5,000	5,000
CDC CCTR - Cost Plus Rates	48,087	61,887	-	48,087	13,800	13,800
CDC CCTR - TRIA	71,181	71,181	-	71,181	-	-
CDC CCTR - CCB Transitional	3,000	3,000	-	3,000	-	-
CDC MCOE RTT-ELC QRIS	7,083	73,928	7,083	73,768	7,243	7,243
Child Care Food Program	1,386	1,615	-	-	1,615	1,615
Child Care Food Program	4,600	2,839	-	281	2,558	2,558
Early Childhood Mentors	31,765	73	-	73	-	-
Competency Based Education	378,863	168,148	-	90,423	77,725	77,725
CVHEC	-	1,831	-	1,831	-	-
Song-Brown Training	242,592	215,714	50,000	-	265,714	265,714
Song-Brown RN Special Program	50,000	(44,832)	100,000	-	55,168	55,168
Song Brown RN Special Program	900,000	225,000	450,292	-	675,292	675,292
Agriculture, Water & Environmental Tech (AWET)	-	1,397	-	1,397	-	-
A2MEND	28,428	28,103	-	60	28,043	28,043
Regional Equity and Recovery Program	107,446	64,466	-	53,778	10,688	10,688
Rising Scholars	214,714	227,812	-	39,851	187,961	187,961
CA Jobs First Planning Phase - Admin	257,620	114,654	44,401	-	159,055	159,055
CA Jobs First Planning Phase - Program	4,636,467	1,439,026	1,151,808	-	2,590,834	2,590,834
CA Jobs First Catalyst - Admin	518,325	-	-	-	-	-
CA Jobs First Catalyst - Program	12,481,675	-	-	-	-	-
Mathematics, Engineering, Science Achievement (MESA)	865,258	837,258	-	462,098	375,160	375,160
Learning Align Employment Program	-	3,006,607	(2,995,621)	-	10,986	10,986
Report Streamlining Pilot Program	-	27,034	-	27,034	-	-
Ethnic Studies	48,695	45,360	-	8,946	36,414	36,414
Rising Scholars Juvenile Justice	146,720	-	39,080	-	39,080	39,080
16 Week IEPI Seed	200,000	200,000	-	197,245	2,755	2,755
UMOJA	100,000	95,000	-	52,131	42,869	42,869
John Burton Critical Needs	5,000	5,000	-	-	5,000	5,000
CHAFEE	250,000	250,000	-	-	250,000	250,000
Subtotal	27,369,017	12,053,203	(308,769)	1,220,452	10,523,982	10,523,982
Total State Programs	\$ 54,158,952	\$ 53,241,206	\$ 422,664	\$ 17,019,720	\$ 36,644,150	\$ 36,644,150

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2024**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2023 only)			
1. Noncredit	47.95	-	47.95
2. Credit	966.94	-	966.94
B. Summer Intersession (Summer 2024 - Prior to July 1, 2024)			
1. Noncredit	1.12	-	1.12
2. Credit	102.57	-	102.57
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,870.62	-	2,870.62
(b) Daily Census Contact Hours	472.29	-	472.29
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	529.78	-	529.78
(b) Credit	37.11	-	37.11
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	3,438.03	-	3,438.03
(b) Daily Census Contact Hours	1,654.52	-	1,654.52
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,120.93	-	10,120.93
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	184.37	-	184.37
2. Noncredit	391.68	-	391.68
Total Basic Skills FTES	576.05	-	576.05
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	411.50	-	411.50
Centers FTES			
1. Credit	1,142.77	-	1,142.77
2. Noncredit	128.69	-	128.69
Total Centers FTES	1,271.46	-	1,271.46

**MERCED COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2024**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 15,022,804	\$ -	\$ 15,022,804	\$ 15,022,804	\$ -	\$ 15,022,804
Other	1300	9,611,419	-	9,611,419	9,611,419	-	9,611,419
Total Instructional Salaries		24,634,223	-	24,634,223	24,634,223	-	24,634,223
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	5,502,018	-	5,502,018
Other	1400	-	-	-	427,419	-	427,419
Total Non-Instructional Salaries		-	-	-	5,929,437	-	5,929,437
Total Academic Salaries		24,634,223	-	24,634,223	30,563,660	-	30,563,660
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	12,487,456	-	12,487,456
Other	2300	-	-	-	980,161	-	980,161
Total Non-Instructional Salaries		-	-	-	13,467,617	-	13,467,617
Instructional Aides							
Regular Status	2200	1,340,543	-	1,340,543	1,340,543	-	1,340,543
Other	2400	328,129	-	328,129	328,129	-	328,129
Total Instructional Aides		1,668,672	-	1,668,672	1,668,672	-	1,668,672
Total Classified Salaries		1,668,672	-	1,668,672	15,136,289	-	15,136,289
Employee Benefits	3000	12,575,684	-	12,575,684	26,604,540	-	26,604,540
Supplies and Materials	4000	-	-	-	640,452	-	640,452
Other Operating Expenses	5000	346,800	-	346,800	7,576,745	-	7,576,745
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		39,225,379	-	39,225,379	80,521,686	-	80,521,686
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	1,891,672	-	1,891,672	1,891,672	-	1,891,672
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	2,369,905	-	2,369,905
Object to Exclude							
Rents and Leases	5060	-	-	-	150,290	-	150,290
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	-	-	-	51,637	-	51,637
Non-inst. Supplies & Materials	4400	-	-	-	77,746	-	77,746
Total Supplies and Materials		-	-	-	129,383	-	129,383
Other Operating Expenses and Services	5000	-	-	-	2,133,782	-	2,133,782
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	117,418	-	117,418
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	117,418	-	117,418
Total Capital Outlay		-	-	-	117,418	-	117,418
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 1,891,672	\$ -	\$ 1,891,672	\$ 6,792,450	\$ -	\$ 6,792,450
Total for ECS 84362, 50% Law		\$ 37,333,707	\$ -	\$ 37,333,707	\$ 73,729,236	\$ -	\$ 73,729,236
Percent of CEE (Instructional Salary Cost/Total CEE)		50.64%	0.00%	50.64%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 36,864,618	\$ -	\$ 36,864,618

**MERCED COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2024**

EPA Revenue	\$ 8,408,463
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 8,408,463	\$ -	\$ -	\$ 8,408,463
Total		\$ 8,408,463	\$ -	\$ -	\$ 8,408,463

**MERCED COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

Total Governmental Fund Equity - District Funds Included in the Reporting Entity

General Funds	\$	29,677,659	
Bond Interest and Redemption Fund		4,689,875	
Child Development Fund		27,985	
Farm Operation Fund		97,956	
Capital Outlay Projects Fund		20,884,243	
Revenue Bond Construction Fund		542,245	
Bookstore Fund		(306,087)	
Self-Insurance Fund		4,100,282	
Associated Students Trust Fund		395,014	
Student Representation Fee Fund		100,361	
Total governmental fund balances as reported in the CCFS-311			\$ 60,209,533
Assets recorded within the statement of net position not included in the District fund financial statements:			
Capital assets, gross	\$	224,831,274	
Intangible right of use assets		-	
Right-of-use assets, gross		5,246,497	
Accumulated depreciation and amortization		(86,011,751)	144,066,020
Unmatured Interest			(484,885)
FMV Cash in County Treasury			(1,125,557)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:			
Deferred loss on refunding			683,136
Deferred outflows related to OPEB			2,823,590
Deferred outflows related to pensions			27,748,106
Liabilities recorded within the statement of net position not recorded in the District fund financial statements:			
General obligation bonds	\$	(33,640,000)	
Bond premium		(1,744,654)	
Compensated absences		(2,393,822)	
Finance purchases		(533,016)	
Lease liability		(114,763)	
Software lease liability		(2,589,027)	
Solar energy project		(1,445,623)	
Energy service contract		(3,747,008)	
Net OPEB liability		(48,559,732)	
Net pension liability		(72,336,066)	(167,103,711)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:			
Deferred inflows related to OPEB			(8,724,235)
Deferred inflows related to pensions			(5,061,405)
Net Assets Reported Within the Statement of Net Position			\$ 53,030,592

**MERCED COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

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, 2024, 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, 2024.

Schedule of Expenditures of State Awards

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

Details of the Education Protection Account Expenditures

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

Reconciliation of Governmental Funds to the 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



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, and the aggregate discretely presented component unit of Merced Community College District (the "District") as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2024.

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 or significant deficiencies. However, material weaknesses or significant deficiencies 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 10, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND
REPORT 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, 2024. The District's major federal programs are identified in the summary of audit findings and questioned costs 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, 2024.

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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 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 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 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 the 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 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 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 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 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 Auditors' 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 or significant deficiencies, 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 10, 2024



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Board of Trustees
Merced Community College District
Merced, California

Report on State Compliance

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 2023-24*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2024. The applicable state compliance requirements are identified 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, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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) 2023-24*, issued by the California Community Colleges Chancellor's Office. Our responsibilities under those standards and the compliance requirements are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2023-24*, issued by the California Community Colleges Chancellor's Office.

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 2023-24 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 2022-24 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 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

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 or significant deficiencies, 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.

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 2023-24 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 10, 2024

FINDINGS AND QUESTIONED COSTS SECTION

**MERCED COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2024**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033 84.063, 84.268</u>	<u>Student Financial Aid Cluster</u>
<u>11.307</u>	<u>Economic Development Administration (EDA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,160,203</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**MERCED COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2024**

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 2023-24.

**MERCED COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

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 2023-24.

**MERCED COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

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 2023-24.

**MERCED COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2024**

This section identifies the audit findings and questioned related to the basic financial statements, federal awards or state awards for prior year.

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