Mendocino-Lake Community College District

Ukiah, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2015

K·COE
ISOM

Mendocino-Lake Community College District

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Mendocino-Lake Community College District
Ukiah, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Mendocino-Lake Community College District (the District), as of and for the year ended June 30, 2015; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of June 30, 2015; and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – An Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the fiscal year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 and the required supplementary information on pages 61 to 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 70 to 86 and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT
(Continued)

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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 70 to 86 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The organization structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCoe Isom, LLP

December 1, 2015
Redding, California

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Mendocino-Lake Community College District for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. Mendocino-Lake Community College District (District) adopted these new standards beginning with the 2002/03 fiscal year.

The California Community College Chancellor's Office, through its Fiscal and Accountability Standards Committee, has recommended that all state community college districts follow the new standards under the Business Type Activity (BTA) model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other community college districts, the District has adopted the BTA reporting model for these financial statements.

Reporting Highlights

Two years of financial data is presented in this Management Discussion and Analysis section, for comparative purposes. The annual report consists of three basic financial statements that provide information about the District as a whole:

- The Statement of Net Position
- The Statement of Revenue, Expenses and Changes in Net Position
- The Statement of Cash Flows

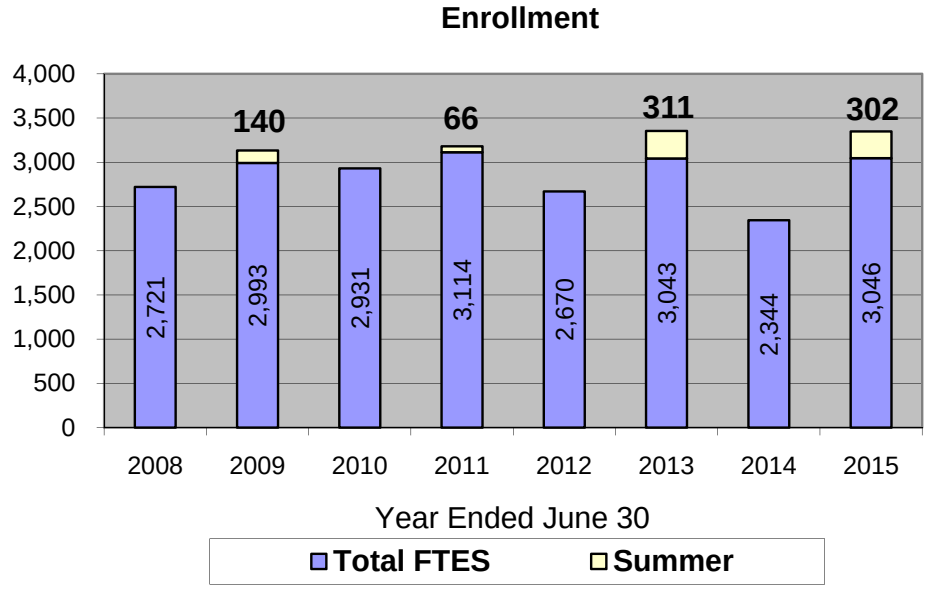
The Mendocino College Foundation, Inc. (Foundation) was established as a legally separate not-for-profit corporation to support the District and its students. It provides scholarships for the benefit of District students and contributes directly to the District. The Foundation is considered a component unit for financial reporting purposes and is presented separately from the District's financial data. The Foundation financial statements are included within this audit document. The Foundation's independently audited annual financial statements may also be obtained from the Foundation Office on the Ukiah campus.

General Obligation Bonds

On November 7, 2006, the voters of the Mendocino-Lake Community College District approved the issuance of up to $67,500,000 in general obligation bonds: Measure W. On March 29, 2007 the District issued the first series (Series A) of bonds in the amount of $30 million. On August 16, 2011 the District issued the second and final series (Series B) of bonds in the amount of $37.5 million. Measure W encompassed 30 construction and renovation projects. The District established a Bond Implementation Planning Committee (BIPC) which planned and implemented bond projects. A Citizen's Bond Oversight Committee (CBOC) was formed in December 2006, as required by law, to ensure that bond proceeds are expended only for the purposes set forth in Measure W. As of June 30, 2015, $70,120,483 of funds were expended, primarily on re-roofing multiple buildings, remodels and renovations, upgrading the computer system, construction of a new Library/Learning Resource Center, constructing a new Maintenance/Warehouse, and the purchase of land and the construction of new centers in Willits and Lakeport.

Enrollment Highlights

The District reported 3,046 total full-time equivalent students (FTES) on the 2014/15 Final Apportionment Attendance Report (CCFS-320). This is an increase of 702 FTES from the 2013/14 FTES of 2,344. This increase is partially the result of reporting 302 of summer 2015 FTES in 2014/15 which would normally have been reported in 2015/16. The following chart shows the enrollment history and reflects the impact of summer FTES reporting.



Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position – the difference between assets and liabilities – is one way to measure the financial health of the District.

	2015 (in thousands)	2014 (in thousands)
ASSETS		
Current Assets		
Cash and cash equivalents	$1,103	$0
Restricted cash and cash equivalents	1,031	983
Investments	1,148	1,145
Receivables	3,144	4,016
Total Current Assets	$6,426	$6,144
Noncurrent Assets		
Capital Assets, non-depreciable	$7,545	$7,545
Capital Assets, depreciable	88,077	90,465
Restricted cash and cash equivalents	2,407	2,890
Total Noncurrent Assets	$98,029	$100,900
TOTAL ASSETS	$104,455	$107,044
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	$1,306	$1,208
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$1,306	$1,208
LIABILITIES		
Current Liabilities:		
Accounts payable	$1,515	$1,454
Advances from grantors and students	982	778
Amounts held for others	446	418
Long-term debt, current portion	846	1,096
Total Current Liabilities	$3,789	$3,746
Noncurrent Liabilities:		
Pension liabilities	$14,599	$19,474
Compensated absences and capital lease	3,631	$3,681
General obligation bonds	72,863	71,325
Total Noncurrent Liabilities	$91,093	$94,480
TOTAL LIABILITIES	$94,882	$98,226
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	$4,303	$0
TOTAL DEFERRED INFLOWS OF RESOURCES	$4,303	$0
NET POSITION		
Invested in Capital Assets	$27,866	$29,590
Restricted, expendable	7,463	4,999
Unrestricted	(28,753)	(24,563)
TOTAL NET POSITION	$6,576	$10,026

- Cash and cash equivalents consist of cash in the Mendocino County Treasury and investments in the Local Agency Investment Fund (LAIF).

- Receivables consist mainly of amounts due as of June 30, 2015 from state and federal grants and general apportionment wherein the District has earned funds that were not yet received as of the fiscal year end.

- Restricted cash and cash equivalents consists of Student Health fees and revolving cash. Restricted cash is cash for payment of obligations subject to the restrictions imposed by the state or granting agency.

- Capital assets, net are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation. The detail of this total net value can be found in the notes of the financial statements.

	July 1, 2014	Additions	Deductions	Transfers	June 30, 2015
Non-Depreciable Assets	$7,545,440	$0	$0	$0	$7,545,440
Depreciable Assets	$118,827,850	$506,585	$0	$0	$119,334,435
Accumulated Depreciation	$28,363,129	$2,894,109	$0	$0	$31,257,238
Depreciable Assets, net	$90,464,721	($2,387,524)	$0	$0	$88,077,197

- Accounts payable consist primarily of payables to vendors and accrued payroll ($1.52 million).

- Deferred revenue relates to federal, state and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended up to the award amount.

- Noncurrent liabilities represent debt to be paid in one year or later. The major components are general obligation bonds ($73.3 million), capital lease ($1.9 million), and accrued vacation and load banking payable ($0.88 million), OPEB obligation ($0.98 million), the Energy Projects loan ($0.28 million), and PERS and STRS pension liability (14.6 million).

- Net Position is classified into three categories: Capital Assets, Restricted Assets, and Unrestricted Assets. Capital Assets consist of land, buildings, construction in progress, and equipment. Restricted Assets include $1.3 million designated in the Special Reserve fund to cover accrued vacation liability, load banking, and a self-insurance reserve.

Statement of Revenues, Expenditures, and Changes in Net Position

The Statement of Revenues, Expenditures, and Changes in Net Position presents the operating results of the District, as well as the non-operating revenues and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenues according to generally accepted accounting principles.

Statement of Revenues, Expenses and Changes in Net Position

	2015 (in thousands)	2014 (in thousands)
REVENUE		
Operating revenues:		
Net tuition and fees	$1,146	$1,228
Grants and Contracts, non-capital	4,806	3,447
Auxiliary enterprise sales and charges	44	50
Total operating revenues	$5,996	$4,725
Total operating expenses	27,455	26,938
OPERATING INCOME (LOSS)	(21,459)	(22,213)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	11,821	11,901
Local property taxes	8,753	8,263
State taxes and other revenues	481	668
Investment income, non-capital	9	12
Other non-operating revenues (expenses),net	894	1,632
NON-OPERATING INCOME (LOSS)	21,958	22,476
INCOME (LOSS) before other revenues	499	263
Local property taxes, capital	171	196
Interest expense, capital asset related debt	(4,120)	(3,622)
Investment income, capital	0	15
NET POSITION		
Net Position – beginning of year	10,026	31,441
Cumulative effect of change in accounting principle	0	(18,267)
Net Position – end of year	$6,576	$10,026

- Net tuition and fees total $1.1 million and consist of enrollment fees, non-resident tuition, and all other fees. Enrollment fees are set by the state for all community colleges.

- Grants and contracts, non-capital consists of revenues provided for restricted purposes from federal, state and local sources.

- State apportionments, non-capital revenue consists of general state apportionment and Proposition 30 Education Protection Account funds ($11.2 million). State apportionment revenue reported is exclusive of regular enrollment fees and property taxes, which are reported separately.

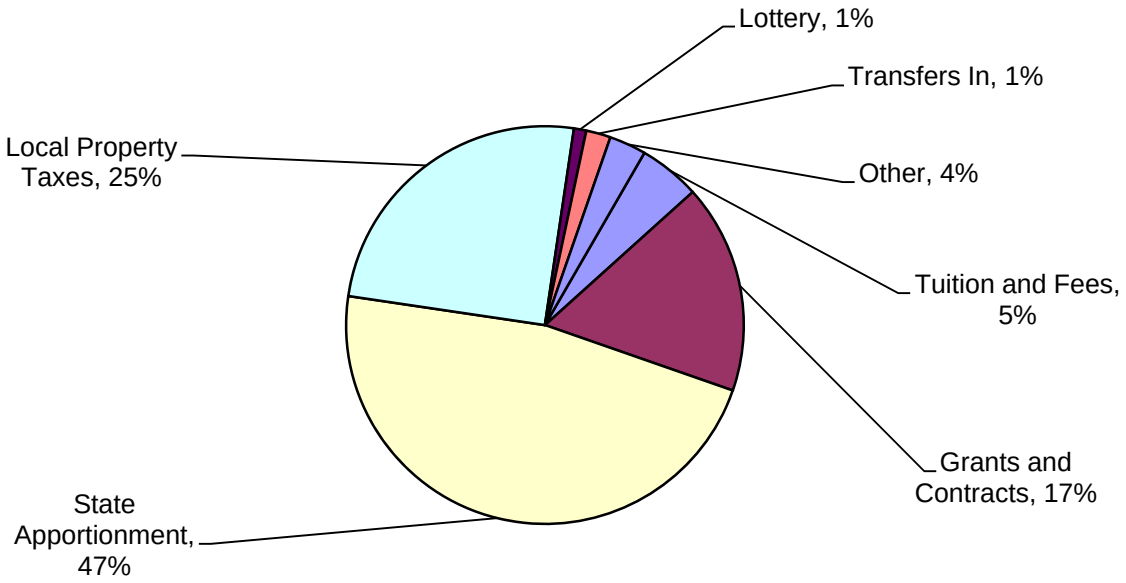
- Local property tax revenues totaled $8.8 million from those portions of Lake and Mendocino counties that lie within the District boundaries. Increases/decreases in property tax revenue reduce/increase the District's state apportionment revenue.

- State taxes and other revenues consist primarily of state lottery revenue ($306,000).

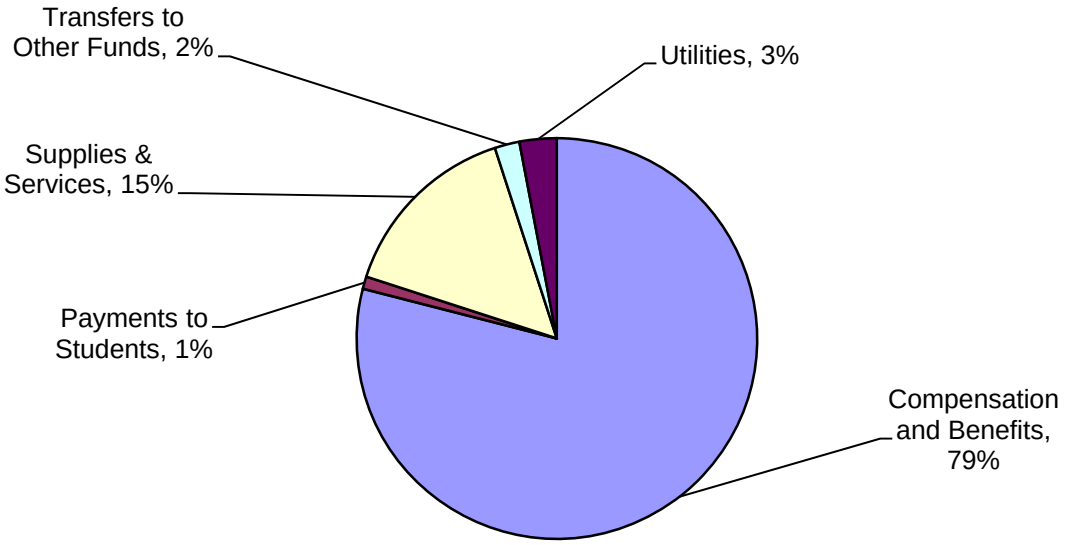
- Investment income is derived from interest received on funds on deposit at the Mendocino County Treasury and the Local Agency Investment Fund (LAIF), which is operated by the State of California.

- State apportionments, capital consists primarily of state scheduled maintenance funds.

General Fund Revenues
(Restricted and Unrestricted)



General Fund Expenses
(Restricted and Unrestricted)



Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments that occurred during the fiscal year. This statement also helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing, if any.

	2015 (in thousands)	2014 (in thousands)
Net Cash Provided (Used) By:		
Operating activities	$(19,386)	$(19,482)
Non-capital financing activities	23,629	23,918
Capital and related financing activities	(3,582)	(7,516)
Investing activities	6	23
Net increase (decrease) in cash	667	(3,057)
Cash – beginning of the fiscal year	3,873	6,930
Cash – end of the fiscal year	$4,540	$3,873

The primary cash receipts from operating activities consist of grants, contracts, and student fees. The primary cash outlays include payment of wages, benefits, supplies and contracted services.

General apportionment is the primary source of non-capital financing. The two main components of general apportionment are state apportionment and property taxes.

The main capital activities are purchases of capital assets, such as land, buildings, and equipment.

Cash from investing activities includes interest on cash deposits in the Mendocino County Treasury and the Local Agency Investment Fund of the State of California.

State Economy and Mendocino-Lake Community College Budget

- The economic position of the District is closely tied to that of the State of California. The District receives 57% of its unrestricted general fund revenue funding through state general apportionments and 30% from local property taxes. These two sources, along with enrollment fees, provide 92% of the District's general purpose revenue, the main source of support for California community colleges.

- The Governor's 2015/16 budget for community colleges contained a Cost of Living Adjustment (COLA) of 1.58%; this was the third consecutive increase (0.85% in 2014/15) after five consecutive years with no COLA.

- Reports on the State of California Budget indicate a strong economic recovery is underway.

The Governor's 2015/16 Budget for community college is favorable. The Chancellor's office stated that the budget for 2015/16 is once in a life time budget. The Governor's Budget includes a reserve of $3.4 billion and the Budget is $7 billion higher than what was approved in the 2014/15 budget. However, the Governor's 2016/17 budget is still unclear. More information will be released in January 2016 in the Governor's Budget.

Financial Challenges Facing the District

1) FUND BALANCES

Our two operating budgets, the general fund and Health Fund, have experienced a degree of uncertainty in recent years.

- General Fund – The general fund unrestricted ending balance increased $340,442 during 2014/15 to $2,125,362, or 10.4% of total general fund expenditures. However, a transfer of $400,000 was made from the Health Benefits Fund into the general fund. Without this transfer the general fund reserve would have been 8.4%.

- Health Fund – The Health Fund ending balance had been generally in decline since 2001/02, despite several lump sum transfers from other Funds which were over and above normal "contributions" from the Funds which contain staff salary and benefit costs (General, Child Development, and Bond Funds). A decrease in health costs over the past three years has resulted in a $1.3 million reserve in the Health Fund.

Fiscal Year	6/30/XX Fund Balance	Transfers In from Other Funds	Transfer Out to General Fund
2000/01	$48,852		
2001/02	$282,972	$440,025	
2002/03	$171,379		
2003/04	$13,963		
2004/05	($288,703)	$150,000	
2005/06	($466,491)	$400,000	
2006/07	($104,117)	$200,000	
2007/08	$54,889	$150,000	
2008/09	($80,289)		
2009/10	$16,304	$500,000	
2010/11	$49,189		
2011/12	$1,116,042		
2012/13	$1,557,570		
2013/14	$1,559,338		$175,000
2014/15	$1,307,710		$400,000

The condition of the Fund Balance of these two funds must be considered together, because the general fund is the only source of on-going revenues available to backfill Health Fund deficits. Transfers from the Health Fund to the general fund are a one-time source of funds and cannot be sustained over the long term. $400,000 was transferred from the Health Fund to the general fund in 2014/15. The 2015/16 adopted budget reflects a reserve of 21.9% without transfers in from other funds.

2) ESCALATION OF HEALTH BENEFIT COSTS

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

Fiscal Year	% Change in Health Costs	% COLA Received
1999/00	28.2%	1.41%
2000/01	18.8%	4.17%
2001/02	12.1%	3.82%
2002/03	8.3%	2.00%
2003/04	2.8%	0%
2004/05	22.3%	2.41%
2005/06	16.1%	4.23%
2006/07	-5.15%	5.92%
2007/08	26.7%	4.53%
2008/09	7.11%	0%
2009/10	16.94%	0%
2010/11	-6.03%	0%
2011/12	-15.55%	0%
2012/13	11.22%	0%
2013/14	-9.39%	1.57%
2014/15	0.2%	0.85%
TOTAL INCREASE (Compounded)	225.10%	35.20%

For the years 1999/2000 through 2014/15, the compound increase in Health Benefit costs was 225.10% while the COLA revenue provided to fund those and other costs has had a compound increase of 35.20%. Health Benefit costs has increased over that period 6.4 times the rate at which the COLA has increased.

The District experienced favorable health claims in recent years with contributions exceeding expenditures, resulting in an ending fund balance in the Health Fund of $1.3 million. For this reason, health benefits are budgeted in 2015/16 at $1,600 per employee per month, at the same level as the amount budgeted in 2014/15.

3) APPORTIONMENT BASE FUNDING

An out-year exposure created by the “FTES Shift” discussed previously is the need to produce 3,043 FTES in 2016/17. Achieving this workload level will avoid a loss of apportionment revenue in 2016/17. Any level of workload production less than 3,043 FTES will be considered “Decline,” and will result in a corresponding loss of apportionment revenue below prior funding levels.

4) GASB 45 – RETIREE HEALTH BENEFITS

The actuarial study required by GASB 45 to project the District's future Retiree Health funding obligations was updated in December 2013 and included an actuarial accrued liability (AAL) of $6,342,577. The District was required to comply with GASB 45 beginning with the 2008/09 fiscal year. The District has established membership in the Community College League of California (CCLC) GASB 45 Joint Powers Authority (JPA). As of June 30, 2015, the District has not made a deposit to the CCLC GASB 45 (irrevocable) Trust Fund for Retiree Health Benefits.

As of June 30, 2015, the District does have $1,280,852 reserved for all self-insurance issues in the District's Special Reserve Fund. Any portion of these funds could be deposited in the CCLC GASB 45 Trust Fund in the future.

5) PENSIONS

The District implemented GASB 68 as of July 1, 2014 which affects the reporting of STRS and PERS pensions. As a result, the cumulative effect of the change in accounting principle for STRS and PERS pension liability is $18,266,691.

PURPOSE OF THIS DISCUSSION AND ANALYSIS

This financial report is designed to provide interested parties with a general overview of the District's finances in GASB 35 format and to demonstrate the District's accountability for the money it receives. If you have questions about this report or desire additional financial information, contact the Vice President of Administrative Services, Mendocino-Lake Community College District at 1000 Hensley Creek Road, Ukiah, California, 95482.

Mendocino-Lake Community College District

STATEMENT OF NET POSITION

June 30, 2015		
ASSETS		
Current Assets		
Cash and cash equivalents	$	1,102,717
Restricted cash and cash equivalents		1,030,519
Investments		1,148,322
Accounts receivable		3,143,989
Total Current Assets		6,425,547
Noncurrent Assets		
Restricted cash and cash equivalents		2,407,161
Nondepreciable capital assets		7,545,440
Depreciable capital assets - net		88,077,197
Total Noncurrent Assets		98,029,798
TOTAL ASSESTS		104,455,345
Deferred Outflows of Resources		
Deferred outflows related to pensions		1,306,181
Total Deferred Outflows of Resources		1,306,181
LIABILITIES		
Current Liabilities		
Accounts payable		1,514,828
Advances from grantors and students		982,567
Amounts held in trust for others		446,142
Long-term debt - current portion		475,001
Other long-term liabilities - current portion		370,837
Total Current Liabilities		3,789,375
Noncurrent Liabilities		
Net pension liabilities		14,599,739
Long-term debt - noncurrent portion		72,862,603
Other long-term liabilities		3,630,602
Total Noncurrent Liabilities		91,092,944
TOTAL LIABILITIES		94,882,319
Deferred Inflows of Resources		
Deferred inflows related to pensions		4,303,092
NET POSITION		
Net investment in capital assets		27,866,067
Restricted - expendable		7,462,720
Unrestricted		(28,752,672)
TOTAL NET POSITION	$	6,576,115

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

Mendocino-Lake Community College District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015	
Operating Revenues	
Tuition and fees	$ 3,081,226
Scholarship discounts and allowances	1,934,990
Net Tuition and Fees	1,146,236
Grants and contracts - noncapital:	
Federal	1,065,086
State	3,505,521
Local	235,329
Auxiliary enterprise sales and charges	43,954
Total Operating Revenues	5,996,126
Operating Expenses	
Salaries	15,293,679
Employee benefits	4,921,932
Supplies, materials, and other operating expenses and services	3,258,718
Utilities	744,765
Payments to students	341,629
Depreciation	2,894,109
Total Operating Expenses	27,454,832
Operating Loss	(21,458,706)
Nonoperating Revenues (Expenses)	
State apportionments - noncapital	8,411,396
Education protection account revenues - noncapital	3,409,844
Local property taxes - noncapital	8,752,692
State taxes and other revenues	481,216
Financial aid revenues - federal	6,702,762
Financial aid revenues - state	380,992
Financial aid disbursements	(7,083,754)
Investment income - noncapital	8,786
Other nonoperating revenues - noncapital	893,557
Total Nonoperating Revenues (Expenses)	21,957,491
Income (Loss) Before Other Revenues and Expenses	498,785
Other Revenues, Expenses, Gains, or Losses	
State apportionments - capital	170,906
Interest expense - capital asset-related debt	(4,119,158)
Investment income - capital	(75)
Total Other Revenues, Expenses, Gains, or Losses	(3,948,327)
Change in Net Position	(3,449,542)
Net Position - Beginning of Year (As Previously Reported)	28,292,348
Cumulative Effect of Change in Accounting Principle	(18,266,691)
Net Position - Beginning of Year (As Restated)	10,025,657
Net Position - End of Year	$ 6,576,115

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

Mendocino-Lake Community College District

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	1,134,055
Federal grants and contracts		719,952
State grants and contracts		3,232,627
Local grants and contracts		229,905
Payments to/on behalf of employees		(14,900,129)
Payments for benefits		(5,591,973)
Payments for scholarships and grants		(345,180)
Payments to suppliers		(3,226,804)
Payments for utilities		(744,765)
Auxiliary enterprise sales and charges		43,954
Other receipts (payments)		62,700
NET CASH USED BY OPERATING ACTIVITIES		(19,385,658)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments - noncapital		10,400,384
Education protection account revenues - noncapital		3,409,844
Local property taxes - noncapital		8,752,692
State taxes and other revenues		172,999
Other receipts (payments)		893,557
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		23,629,476
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets		(538,882)
Principal paid on long-term debt		(1,101,357)
Interest paid on long-term debt		(2,112,695)
State apportionments - capital		170,906
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(3,582,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(2,979)
Interest on investments		8,711
NET CASH PROVIDED BY INVESTING ACTIVITIES		5,732
Net Increase in Cash and Cash Equivalents		667,522
Cash and Cash Equivalents - Beginning of Year		3,872,875
Cash and Cash Equivalents - End of Year	$	4,540,397

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

Mendocino-Lake Community College District

STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(21,458,706)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		2,894,109
Changes in:		
Accounts receivable		(809,017)
Deferred outflows related to pensions		(98,412)
Accounts payable		99,293
Advances from grantors and students		204,656
Amounts held in trust for others		27,877
Compensated absences		7,328
Other postemployment benefit/obligation		318,843
Net pension liabilities		(4,874,721)
Deferred inflows related to pensions		4,303,092
NET CASH USED BY OPERATING ACTIVITIES	$	(19,385,658)
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	$	1,102,717
Restricted cash and cash equivalents - current		1,030,519
Restricted cash and cash equivalents - noncurrent		2,407,161
TOTAL CASH AND CASH EQUIVALENTS	$	4,540,397

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

Mendocino-Lake Community College District

STATEMENT OF FINANCIAL POSITION – FOUNDATION

June 30, 2015		
ASSETS		
Cash and cash equivalents	$	70,589
Investments		7,491,258
Assets held by others		324,860
Note receivable		354,350
Other assets		4,442
Land		921,365
Infrastructure		33,278
TOTAL ASSETS	$	9,200,142
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	2,860
Deferred revenue		47,810
Total Liabilities		50,670
Net Assets		
Unrestricted net assets		6,867,080
Temporarily restricted net assets		661,437
Permanently restricted net assets		1,620,955
Total Net Assets		9,149,472
TOTAL LIABILITIES AND NET ASSETS	$	9,200,142

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

Mendocino-Lake Community College District

STATEMENT OF ACTIVITIES – FOUNDATION

Year Ended June 30, 2015

CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, Gains, and Other Support		
Special events (Gala):		
Gross revenue	$	126,317
Less: Event expenses		(35,556)
Total Special Events		90,761
Contributions		22,283
Interest and dividends		282,263
Net realized gains (losses)		(322,496)
Net unrealized gains (losses)		291,822
Interest on bank deposits		378
Total Revenues, Gains, and Other Support		365,011
Net Assets Released From Restriction		192,531
Expenses		
Program Services:		
Scholarships		194,983
Support of District		119,334
Total Program Services		314,317
Supporting Services:		
Management and general		146,809
Fundraising		162,335
Total Supporting Services		309,144
Total Expenses		623,461
Change in Unrestricted Net Assets	$	(65,919)

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

Mendocino-Lake Community College District

STATEMENT OF ACTIVITIES – FOUNDATION
(Continued)

Year Ended June 30, 2015

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues and Gains		
Contributions	$	266,498
Interest and dividends		69,806
Net realized gains (losses)		406,526
Net unrealized gains (losses)		(441,095)
Total Revenues and Gains		301,735
Net Assets Released From Restriction		(192,531)
Change in Temporarily Restricted Net Assets		109,204
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		117,283
Change in Permanently Restricted Net Assets		117,283
Change in Net Assets		160,568
Net Assets - Beginning of Year		8,988,904
Net Assets - End of Year	$	9,149,472

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

Mendocino-Lake Community College District

STATEMENT OF CASH FLOWS – FOUNDATION

Year Ended June 30, 2015		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	160,568
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Less: Reinvested dividends		(352,069)
Less: Realized and unrealized (gain) loss on investments		168,562
Less: Realized gain on sale of land		(41,019)
Less: Unrealized gain on land held for sale		(62,300)
Changes in:		
Accounts receivable		(1,169)
Other assets		(438)
Assets held by others		(8,483)
Accounts payable		1,623
Deferred revenue		12,010
NET CASH USED BY OPERATING ACTIVITIES		(122,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land		89,569
Payments received on note receivable		1,900
Proceeds from sale of investments		208,583
Purchase of investments		(197,586)
NET CASH PROVIDED BY INVESTING ACTIVITIES		102,466
Net Change in Cash		(20,249)
Cash - Beginning of Year		90,838
Cash - End of Year	$	70,589
NONCASH TRANSACTIONS		
Note receivable in conjunction with sale of land	$	356,250
Interest and dividends - reinvested	$	352,069

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity Mendocino-Lake Community College District (the District) is a community college governed by an elected seven-member Board of Trustees. The District provides educational services in the counties of Mendocino and Lake in the State of California. The District consists of one community college located in Ukiah, California, and centers in Lakeport and Willits.

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by, or dependent on, the District's executive and legislative branches. Control by, or dependence on, the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The District identified the Mendocino College Foundation (the Foundation) as its only potential component unit. The District and the Foundation have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation as a component unit have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Foundation as the component unit that satisfies the GASB:

Accountability: The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits, or imposes specific financial burdens, on the District.

Scope of Public Service: The Foundation is a nonprofit public benefit corporation incorporated under the laws of the state of California. The Foundation was formed to promote and assist the educational services of the District.

Discrete Presentation: For financial presentation purposes, the Foundation's financial activities have been discretely presented with the financial activities of the District.

Basis of Presentation and Accounting The financial statement presentation required by GASB Statement Nos. 34, 35, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the District's overall financial position, results of operations and cash flows, and replaces the fund-group perspective previously required. The District now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive, one-line look at the District's financial activities.

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to follow GASB pronouncements and not Financial Accounting Standards Board (FASB) pronouncements after November 30, 1989.

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

Exceptions to the accrual basis of accounting are as follows:

> In accordance with industry standards provided by the California Community Colleges Chancellor's Office, summer session tuition and fees received before year end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominantly conducted.

The financial accounts of the District are recorded and maintained in accordance with the *California Community Colleges Budget and Accounting Manual*.

Cash and Cash Equivalents For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Restricted Cash and Cash Equivalents Restricted cash and cash equivalents include amounts restricted for the repayment of debt, for use in the acquisition or construction of capital assets, for restricted programs, for any other restricted purpose, or in any funds restricted in purpose per the *California Community Colleges Budget and Accounting Manual*.

Investments GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County treasury and investments in the Local Agency Investment Fund (LAIF) are recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pools.

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

Accounts Receivable Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Losses on uncollectible accounts receivable are recognized when such losses become known or indicated. No allowance for losses has been reflected at June 30, 2015, as management believes all accounts are fully collectible.

Deposits/Claims Payable As discussed more fully in note 10, the District is partially self-insured for health benefits provided to employees and retirees. The District uses a third party to administer the health benefits plan. Claims are expensed as incurred. The District deposits funds with the third-party administrator to pay claims, to the extent cumulative payments to the administrator are less than cumulative paid and unpaid claims, payments are recorded as a reduction of claims payable. Alternatively, should cumulative payments to the administrator exceed cumulative paid and unpaid claims, the excess is reported as deposits.

Capital Assets Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Where historical cost is not available, estimated historical cost is based on replacement cost reduced for inflation. Capitalized equipment includes all items with a unit cost of $20,000 or more and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for site improvements, and 3 - 10 years for equipment.

Capitalized interest consisted of the following:

June 30, 2015		
Interest incurred	$	4,119,158
Less: Amount expensed		4,119,158
Amount to be Capitalized		-
Reduced by interest earned		-
Capitalized Interest - Net	$	-

Advances from Grantors and Students Advances from grantors and students include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period. Advances from grantors and students also includes amounts received from grant and contract sponsors that have not yet been earned.

Amounts Held in Trust for Others Amounts held in trust for others represents funds held by the District for the associated student trust fund and the scholarship and loan trust fund.

Compensated Absences Compensated absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Liabilities Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. Amortization of bond premium and discount costs was $138,829 for the year ended June 30, 2015.

Pension For purposes of measuring the net pension liability, deferred outflows of resources/deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and California Public Employees' Retirement System (CalPERS) and additions to/deductions from STRP's and CalPERS's fiduciary net position have been determined on the same basis as they are reported by California State Teachers' Retirement System (CalSTRS) and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pension represents a reclassification of current year's pension contributions, all of which will be amortized during fiscal year 2015-16, per accounting pronouncement GASB Statement No. 71.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s), and as such will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category, related to pension, which is the difference between the projected and actual earnings on the pension plan investments.

Net Position The District's net position is classified as follows:

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position - Expendable: Restricted expendable net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Classification of Revenues The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, local property taxes, and investment income. Revenues are classified according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as; (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts, and federal appropriations.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 34, such as state appropriations, financial aid, and investment income.

Scholarship Discounts and Allowances Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf.

State Apportionments Certain current-year apportionments from the State are based on various financial and statistical information of the previous year, as well as State budgets and other factors outside the District's control. In February, subsequent to the year end, the State performs a recalculation based on actual financial and statistical information for the year just completed. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors it can reasonably determine such as local property tax revenue received and reductions in FTES. Any additional corrections determined by the State are recorded in the year computed by the State.

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

Property Taxes Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Mendocino and the County of Lake bill and collect the taxes for the District.

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

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

On-Behalf Payments GASB Statement 24 requires that direct on-behalf payments for fringe benefits, and salaries made by one entity to a third-party recipient for the employees of another legally separate entity, be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2015, was $88,903.

Change in Accounting Principle Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

June 30, 2015		
Net Position as Previously Reported - June 30, 2014	$	28,292,348
Cumulative Effect of Change in Accounting Principle		
Net pension liability (measurement date as of June 30, 2013)		(19,474,460)
Deferred Outflows of Resources		
District contributions made during fiscal year 2014		1,207,769
Total Cumulative Effect of Change in Accounting Principle		(18,266,691)
Net Position as Restated - July 1, 2014	$	10,025,657

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION

Organization The Mendocino College Foundation, Inc. (the Foundation), a component unit included in the reporting entity of the Mendocino-Lake Community College District (the District), is a nonprofit organization. It was founded during the 1984-1985 year to strengthen student services by providing student scholarships, enriching instruction and basic skills, as well as enhancing program and staff development. Its goal is to promote and develop a mutually beneficial relationship between the College and the community. Because of the education nature of its activities, it has been granted tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code*.

Basis of Presentation and Accounting These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes: unrestricted, temporarily restricted, or permanently restricted, as follows:

Unrestricted Net Assets: Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When the time restriction stipulation ends or when funds are expended for intended purposes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents and are recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

Investments Investments held in brokerage accounts are reported at fair value based on quoted market prices and investments in property held for sale are reported at fair value based on property appraisals. All realized and unrealized gains or losses are reported in the statement of activities.

Capital Assets Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized. Property and equipment are recorded at cost on the date of acquisition or fair value at time of donation.

Assets Held by Others Assets held by others represent amounts held by the Community College League of California (the League) and Sonoma State University Academic Foundation (SSUAF) for the Foundation. The League facilitated three gift annuities for the Foundation. The amount recorded approximates the net present value of the future benefit to be received by the Foundation. The SSUAF is the trustee for the Halliday Trust which will terminate in 2019. The Foundation is a 50% beneficiary of the trust.

Endowment Investment and Spending Policy The Foundation's endowment consists of the Evelyn Foote Fund and gift annuities that will create a perpetual scholarship fund when the Foundation receives the residual of the annuities, sometime in the future. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies: The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return, over time, of approximately 8% for the Foundation Trust Fund and 7% for the Evelyn Foote Fund, annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Foundation has a policy of appropriating for distribution each year 5% for the Foundation Trust Fund and 4% for the Evelyn Foote Fund. These percentages are applied to each fund's 12-quarter rolling average fair market value. In establishing this policy, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Contributions The Foundation recognizes contributions from unconditional promises to give when such promises are made if the amounts can be reasonably determined. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are to be received in future years are discounted at the Foundation's risk-free rate of return.

Donated Assets Donated marketable securities and other noncash donations (gift annuities) are recorded as contributions at their estimated fair values at the date of donation.

Donated Services Donated services are recognized as contributions in accordance with FASB ASC Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

During the year, the Foundation received services meeting these criteria from the District in the form of accounting and administrative services as well as use of facilities. The value of these services is not included in the financial statements as management believes the value is not material to the financial statements as a whole. The Foundation did not receive any other services during the year that met the criteria for recognition in these financial statements.

Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with specific program services and fundraising. Although such donated services do not meet the aforementioned criteria for recognition in the financial statements, they are essential to the success of the Foundation's mission and programs.

Income Taxes The Foundation operates under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code* and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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

The Foundation files exempt organization returns in the U.S. federal jurisdiction and the State of California. The Foundation's federal exempt organization returns for tax years 2011 and beyond remain subject to examination by the Internal Revenue Service. The Foundation's California exempt organization returns for tax years 2010 and beyond remain subject to examination by the Franchise Tax Board.

The Foundation did not have unrecognized tax benefits as of June 30, 2015, and does not expect this to change significantly over the next 12 months. In connection with the adoption of FASB ASC 740-10, the Foundation will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2015, the Foundation did not accrue interest or penalties related to uncertain tax positions.

2. CASH AND INVESTMENTS

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

June 30, 2015		
Current		
Cash and cash equivalents	$	1,102,717
Restricted cash and cash equivalents		1,030,519
Investments		1,148,322
Noncurrent		
Restricted cash and cash equivalents		2,407,161
Total Cash and Investments	$	5,688,719
Foundation		
Cash and cash equivalents	$	70,589
Investments		6,511,258
Total Cash and Investments	$	6,581,847

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

June 30, 2015		
District		
Cash in County treasury	$	2,770,831
Cash on hand and in banks		1,769,566
Total Deposits	$	4,540,397
Foundation		
Cash in County treasury	$	70,589
Total Deposits	$	70,589

As provided for by *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Mendocino County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturities was 0.990 years at June 30, 2015.

Copies of the County's audited financial statements can be obtained from the Mendocino County Auditor-Controller's Office, 501 Low Gap Road, Ukiah, California 95482.

The pooled treasury has regulatory oversight from the Mendocino County Treasury Oversight Committee in accordance with *California Government Code* requirements.

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. In addition, $327,498 of the District bank balances at June 30, 2015, is insured.

Investments

The District's investment policy is consistent with *California Government Code* as it relates to investment vehicles. The District's investment policy authorizes it to invest in the following:

- Local Agency Investment Fund (LAIF)
- County Treasurer
- Time Certificates of Deposit further limited to:
  - $100,000 per financial institution
  - Financial institutions insured by:
    - Federal Savings and Loan Insurance Corporation and/or
    - Federal Deposit Insurance Corporation
  - Financial institutions that are licensed
  - Financial institutions with offices within California
- Other high quality investments as allowed by state law

The Foundation's investment policy specifies the following allowable assets:

Cash Equivalents:
- Treasury Bills
- Money Market Funds
- Commercial Paper
- Bankers' Acceptance
- Repurchase Agreements
- Certificates of Deposits

Fixed Income Securities:
- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations

Equity Securities:
- Common Stock
- Convertible Notes and Bonds
- Convertible Preferred Stock
- Stocks of Non U.S. Companies

Mutual Funds:
- Mutual Funds which invest in securities allowed in this policy

REITs (Real Estate Investment Trusts)

The Foundation's policy limits investments in bonds to those rated BBB (or equivalent) or better, and commercial paper investments to those with A1 (or equivalent) or better ratings. Both of these limits can be overridden by approval of the Foundation's Finance Committee. Money market funds selected shall contain securities whose credit ratings at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

The District's and Foundation's investments are as follows:

June 30, 2015		
District		
Investment in LAIF	$	1,148,322
Total Investments	$	1,148,322
Foundation		
Money market funds	$	149,505
Mutual funds		6,361,753
Total Investments	$	6,511,258

The District invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the District's position in the pool is materially equivalent to the value of pool shares.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2015, 2.08% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities. (Copies can be obtained from the Local Agency Investment Fund, P.O. Box 942809, Sacramento, CA 94209.) PMIA's weighted average maturities was 293.57 days at June 30, 2015.

Risk Information

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. *California Government Code*, Section 53601, limits the District's investments to maturities of five years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The District's investment policy addresses credit risk by limiting its investment types as noted above to investments authorized by *California Government Code*. The District's investment in the County investment pool and LAIF funds are unrated.

Concentration of Credit Risk

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District's investment policy allows investments in a single issuer greater than 5%. However, the District complies with *California Government Codes* related to the concentration of investments and there are no investments with any one issuer greater than 5% of total investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party.

For deposits, the *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits.

For investments, the District addresses this risk by limiting its investment types as noted above to investments authorized by *California Government Code*.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2015		
Tuition and fees	$	326,002
Federal grants and contracts		780,831
State grants and contracts		521,084
State apportionment		686,943
State taxes and other revenue		829,129
Total	$	3,143,989

4. CAPITAL ASSETS

Capital assets activity is summarized as follows:

	Balance June 30, 2014	Additions	Deductions	Transfers	Balance June 30, 2015
Nondepreciated Capital Assets					
Land	$ 7,545,440	$ -	$ -	$ -	$ 7,545,440
Total Nondepreciated Capital Assets	7,545,440	-	-	-	7,545,440
Depreciated Capital Assets					
Buildings and improvements	112,515,962	474,936	-	-	112,990,898
Equipment	6,311,888	31,649	-	-	6,343,537
Total Depreciated Capital Assets	118,827,850	506,585	-	-	119,334,435
Less: Accumulated depreciation	28,363,129	2,894,109	-	-	31,257,238
Total Capital Assets - Net	$ 90,464,721	$ (2,387,524)	$ -	$ -	$ 88,077,197

In June 2013, the Foundation purchased 398 acres, commonly known as the Evans property, which directly adjoins the main campus of Mendocino College in Ukiah. With this addition to the Foundation's existing land holdings, the Foundation now owns over 1,100 acres or 11 parcels of real property in and around Orr Springs Road in Ukiah, California that collectively have a fair market value of $2.6M. The Foundation intends to sell certain parcels and retain others for the expansion and growth of Mendocino College. As a result of the intentions to sell certain parcels, the Foundation reclassified those parcels to Investment Property Held for Sale in the Statement of Financial Position in a prior year. The remaining parcels are included in Capital Assets and are reported at original cost or value at the original date of donation. The Foundation sold one parcel, 200 acres, in March of 2015 for $475,000. At year end, the fair market of the parcels included in property held for sale is $980,000 and the carrying value of the property, which will be retained for the future growth of the college, is $921,365. In addition, a road has been built on the retained property totaling $33,278 that has been capitalized as infrastructure.

5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2015		
Accrued payroll and related liabilities	$	269,679
Accrued interest		820,620
Construction projects		26,939
Vendor and other payables		397,590
Total	$	1,514,828

6. ADVANCES FROM GRANTORS AND STUDENTS

Advances from grantors and students consisted of the following:

June 30, 2015		
Tuition and fees	$	319,908
Trust account		101,354
State grants and contracts		526,460
Other		34,823
Local grants and contracts		22
Total	$	982,567

7. LONG-TERM LIABILITIES

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Long-Term Debt					
General Obligation Bonds - Series A	$ 28,452,282	$ -	$ 464,568	$ 27,987,714	$ 440,000
General Obligation Bonds - Series B	43,286,363	2,151,289	87,762	45,349,890	35,001
Total Long-Term Debt	$ 71,738,645	$ 2,151,289	$ 552,330	$ 73,337,604	$ 475,001
Other Long-Term Liabilities					
Capital lease	$ 2,453,190	$ -	$ 599,146	$ 1,854,044	$ 287,504
Compensated absences	876,567	7,328	-	883,895	-
Other postemployment benefit obligation	662,399	318,843	-	981,242	-
Net pension liabilities	19,474,460	-	4,874,721	14,599,739	-
Energy projects loan	370,968	-	88,710	282,258	83,333
Total Other Long-Term Liabilities	$ 23,837,584	$ 326,171	$ 5,562,577	$ 18,601,178	$ 370,837

Long-term liabilities consisted of the following obligations:

June 30, 2015	
GENERAL OBLIGATION BONDS	
2007 General Obligation Bond, Series A, issued in the original amount of $30,000,000. Final maturity in 2031. Interest rates range from 4.00% to 5.00%.	$ 26,540,000
2011 General Obligation Bond, Series B, issued in the original amount of $37,499,792, including current interest bonds and capital appreciation bonds. Final maturity in 2051. Interest rates range from 2.00% to 11.750%.	44,113,628
Subtotal	70,653,628
Premium on 2007 General Obligation Bonds - Series A	1,447,714
Premium on 2011 General Obligation Bonds - Series B	1,236,262
GENERAL OBLIGATION BONDS - NET	73,337,604
Less: Current portion	475,001
Total Long-Term Debt - Noncurrent Portion	$ 72,862,603

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

Year Ending June 30	Principal	Interest	Bonds Total	Bond Premium	Total
2016	$ 475,001	$ 1,980,680	$ 2,455,681	$ 144,759	$ 2,600,440
2017	573,255	2,021,306	2,594,561	150,217	2,744,778
2018	637,661	2,013,955	2,651,616	150,981	2,802,597
2019	775,181	2,022,560	2,797,741	151,065	2,948,806
2020	1,012,092	1,942,399	2,954,491	149,319	3,103,810
2021-2025	6,707,428	10,970,853	17,678,281	699,078	18,377,359
2026-2030	11,364,392	11,956,689	23,321,081	495,798	23,816,879
2031-2035	9,101,855	21,387,093	30,488,948	191,720	30,680,668
2036-2040	10,167,704	29,949,721	40,117,425	171,306	40,288,731
2041-2045	15,722,629	37,087,515	52,810,144	171,306	52,981,450
2046-2050	4,671,014	65,678,282	70,349,296	171,306	70,520,602
2051-2055	1,728,080	32,336,091	34,064,171	37,121	34,101,292
Total	$ 62,936,292	$ 219,347,144	$ 282,283,436	$ 2,683,976	284,967,412
Less: Current interest (excluding accretion of $7,717,336)					(211,629,808)
Net Principal					$ 73,337,604

Accretion

General obligation bonds as of June 30, 2015, have been increased by $7,717,336 to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

Capital Lease Obligation

2009 capital lease issued in the original amount of $4,951,320. Final maturity in February 2021. Interest rate is 5.02%.	$ 1,854,044

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

Year Ending June 30	Principal	Interest	Total
2016	$ 257,941	$ 87,267	$ 345,208
2017	285,250	73,699	358,949
2018	314,525	58,715	373,240
2019	345,889	42,214	388,103
2020	379,473	24,088	403,561
2021-2022	270,966	5,126	276,092
Total	$ 1,854,044	$ 291,109	$ 2,145,153

Energy Projects Loan Obligation

2013 loan issued in the original amount of $500,000. Final maturity in 2018. The loan is noninterest bearing.	$ 282,258

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

Year Ending June 30	
2016	$ 96,780
2017	96,780
2018	80,628
2019	8,070
Total	$ 282,258

Other Postemployment Benefits (OPEB) Obligation

The District's actuarially determined OPEB costs for the year ended June 30, 2015, was $589,584, and contributions made by the District during the year was $270,741, which resulted in a net OPEB obligation liability of $981,242. See note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

8. PENSIONS

General Information about the Pension Plans

Qualified employees are covered under cost-sharing, multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System

Plan Description

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

Benefits Provided

STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** – CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.

- **CalSTRS 2% at 62** – CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

Contributions

Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members are required to contribute 8.15% of their salary. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 3.454% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contribution to CalSTRS for the fiscal year ended June 30, 2015, was $705,105.

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

At June 30, 2015, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided by to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

June 30, 2015		
District's proportionate share of the net pension liability	$	9,237,911
State's proportionate share of the net pension liability associated with the District		3,740,260
Total	$	12,978,171

The District's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion was 0.017%.

For the year ended June 30, 2015, the District recognized pension expense of $88,903 and revenue of $88,903 for support provided by the state. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

June 30, 2015	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 2,446,300
Changes in proportion and differences between District contributions and proportionate share of contributions	10,471	-
District contributions subsequent to the measurement date	705,105	-
Total	$ 715,576	$ 2,446,300

The $705,105 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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	
2016	$ (610,079)
2017	(610,079)
2018	(610,079)
2019	(610,079)
2020	1,496
Thereafter	2,991
Total	$ (2,435,829)

Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.60%, net of investment expenses, but gross of administrative expenes
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.02%
Cash/liquidity	1%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

June 30, 2015	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 14,399,487	$ 9,237,911	$ 4,934,094

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued Comprehensive Annual Financial Report (CAFR).

California Public Employees' Retirement System

Plan Description

Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing, multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided

The plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members are required to contribute 7.00% of their salary. The required employer contribution rate for the 2014-15 fiscal year was 11.771%. The District's contributions to CalPERS for the fiscal year ended June 30, 2015, was $591,245.

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

At June 30, 2015, the District reported a net pension liability of $5,361,828 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2013, the District's proportion was 0.0476%.

For the year ended June 30, 2015, the District recognized pension expense of $626,309. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2015	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,856,792
Changes in proportion and differences between District contributions and proportionate share of contributions	(640)	-
District contributions subsequent to the measurement date	591,245	-
Total	$ 590,605	$ 1,856,792

The $591,245 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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	
2016	$ (464,358)
2017	(464,358)
2018	(464,358)
2019	(464,358)
Total	$ (1,857,432)

Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investments and administrative expenses; includes inflation

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Rate of Return Years 1-10	Rate of Return Years 11+
Global equity	47%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Private equity	6%	0.45%	3.36%
Real estate	12%	6.83%	6.95%
Inflation sensitive	11%	4.50%	5.13%
Infrastructure and forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

Discount Rate

The discount rates used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by CalPERS were utilized. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

June 30, 2015	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 9,405,870	$ 5,361,828	$ 1,982,623

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued Comprehensive Annual Financial Report (CAFR).

9. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements will not be material.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through combinations of self-insurance mechanisms and the purchase of commercial insurance. The District established the self-insurance reserve to account for and finance uninsured risks of loss. The self-insurance program provides coverage up to a maximum of $25,000,000 for each general liability and property claim. Settled claims resulting from these programs have not exceeded insurance coverage in any of the past three fiscal years.

While the ultimate outcome of the costs of self-insurance through year end is dependent on future developments, management believes that the aggregate amounts paid to the third-party administrators together with the reserves on hand and excess coverage as provided are adequate to cover the District's losses, including claims that have been incurred but not reported (IBNR).

Health Benefit Program

The District's health benefits include partially self-funded medical benefits and fully self-funded dental and vision benefits, which are the same for all eligible participants. Stop loss insurance is purchased each year for the partially self-funded medical benefits that provides coverage in excess of a $60,000 specific deductible, in addition to a $100,000 corridor. The District's provision for IBNR claims shown below represents the estimated cost of settling self-insurance medical claims. The provision for IBNR claims was established by an outside actuary using accepted actuarial methods, which consider the effects of inflation and other economic factors to determine the ultimate cost.

Year Ended	Deposits/ (Claims Payable) Beginning Balance	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Deposits/ (Claims Payable) Ending Balance
June 30, 2013	$ (46,199)	$ (2,621,378)	$ 2,480,000	$ (187,577)
June 30, 2014	$ (187,577)	$ (2,113,044)	$ 2,112,000	$ (188,621)
June 30, 2015	$ (188,621)	$ (2,142,629)	$ 2,063,604	$ (267,646)

Joint Powers Authorities

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

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

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

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

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

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The District provides postemployment healthcare benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Mendocino-Lake Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consisted of 30 retirees receiving benefits and 153 active plan members.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the year ended June 30, 2015, the District contributed $270,741 to the Plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

June 30, 2015		
Annual required contribution	$	599,990
Interest on net OPEB obligation		31,464
Adjustment to annual required contribution		(41,870)
Annual OPEB Cost		589,584
Contributions made		(270,741)
Increase (Decrease) in Net OPEB Obligation		318,843
Net OPEB Obligation - Beginning of Year		662,399
Net OPEB Obligation (Asset) - End of Year	$	981,242

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2015, 2014, and 2013, were as follows:

Year Ended		Annual OPEB Cost		Actual Employer Contributions	Percentage Contributed		Net Ending OPEB Obligation (Asset)
June 30, 2013	$	635,674	$	447,718	70.43%	$	498,052
June 30, 2014	$	592,165	$	427,818	72.25%	$	662,399
June 30, 2015	$	589,584	$	270,741	45.92%	$	981,242

Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2013, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 4.75% discount rate based on the assumption that a substantial portion of the ARC is funded. A 2.75% price inflation and a 2.75% wage inflation assumption was used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

12. COMMITMENTS

The District has no outstanding construction commitments related to the Proposition 39 Bond.

13. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement will improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in GASB Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2015, will have on the District's financial statements, if any.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

14. SUBSEQUENT EVENT

On August 12, 2015, the District issued $48,627,448 in General Obligation Bonds to provide advance refunding of a portion of the 2006 General Obligation Bonds, Series A and a portion of the 2006 General Obligation Bonds, Series B. Interest will be payable semiannually on February 1 and August 1, commencing February 1, 2016. The 2015 Series were issued at coupon rates ranging from 2.850% to 5.00%. The bonds will mature, subject to the redemption provisions, from 2016 to 2047.

15. TEMPORARILY RESTRICTED NET ASSETS - FOUNDATION

Temporarily restricted net assets consisted of the following:

June 30, 2015	
ADOPT A FIFTH GRADER	
The program was established during the 2007-08 fiscal year by donors donating funds to the program. The donors give the Foundation $700 to adopt a fifth grade student. The student will receive $25 during fifth grade and $500 upon graduation from high school, or $1,000 if they enroll at Mendocino College as a full-time student after graduating high school.	$ 148,682
KOENINGER FUND	
The Koeninger Fund was established during the 2007-08 fiscal year by a donation received from Mary Lou and Wade Koeninger to fund a program whereby each June, a fifth grader attending Hopland Elementary is awarded $25. The student will then receive $500 upon graduation from high school, or $1,000 if they enroll at Mendocino College as a full-time student after graduating high school.	20,000
NURSING SCHOLARSHIP FUND	
The Nursing Scholarship Fund was established by donations from the Kathleen Kohn Fetzer Family Foundation and Doug Atkinson, and is restricted for scholarships to nursing students.	31,965
BISTRIN SCHOLARSHIP	
The Bistrin Scholarship was created in 2011 when Mendocino College Foundation Director Harry Bistrin passed away and donations were received in his memory. The first Bistrin Scholarship will be awarded for the 2012-13 academic year.	26,073
Balance Forward	226,720

June 30, 2015

Balance Brought Forward	$	226,720
YVONNE SLIGH BOOK AWARD		
The Yvonne Sligh Book Award funds student book vouchers in the amount of $150.00. Eligible students do not receive financial aid from Mendocino College and have not received a Mendocino College Foundation Scholarship. This program was established in 2002-2003 by the Mendocino College Foundation and honors late librarian Yvonne Sligh who was employed by the college for 16 years.		-
MENDOCINO COLLEGE ATHLETICS BOOSTER AFFILIATE ORGANIZATION		8,533
MENDOCINO COLLEGE FRIENDS OF THE THEATRE AFFILIATE ORGANIZATION		3,868
MENDOCINO COLLEGE FRIENDS OF THE COASTAL FIELD STATION AFFILIATE ORGANIZATION		10,511
MENDOCINO COLLEGE FRIENDS OF NORTH COUNTY AFFILIATE ORGANIZATION		1,314
MENDOCINO COLLEGE FRIENDS OF THE LIBRARY AFFILIATE ORGANIZATION		361
LAKE COUNTY FRIENDS OF MENDOCINO COLLEGE AFFILIATE ORGANIZATION		5,957
MARY OOSTING FINE ARTS SCHOLARSHIP		
Established in memory of Mary Oosting by loving family and friends, this scholarship supports students who are highly motivated in the area of visual arts. Each year art faculty identify a recipient who demonstrates commitment and enthusiasm in fine arts.		25,000
VARIOUS SCHOLARSHIPS		
Miscellaneous scholarships.		6,750
HALLIDAY PERPETUAL SCHOLARSHIP		
See note 16 Endowments for explanation.		31,962
EVELYN FOOTE TRUST		
See note 16 Endowments for explanation.		335,657
SALMEN FAMILY SCHOLARSHIP		
See note 16 Endowments for explanation.		4,804
Total Temporarily Restricted Net Assets	$	661,437

16. PERMANENTLY RESTRICTED NET ASSETS – FOUNDATION

Permanently restricted net assets consisted of the following:

June 30, 2015		
EVELYN FOOTE TRUST		
Beginning in 1992 and continuing over subsequent years, the Foundation received major contributions from the Evelyn Foote Remainder Annuity Trust for a total amount of $803,542. The trust stipulated that the contributions shall be used to establish a perpetual fund in Ms. Foote's name, and income from the fund shall be distributed annually to supplement extracurricular programs or scholarships to benefit District students. The Foundation has determined the trust document does not consider unrealized gains and losses as income that becomes available for annual distribution.	$	803,542
GIFT ANNUITY		
The Foundation is the beneficiary of gift annuities funded during the prior years. At the end of the donor's life, the Foundation will receive the residual of the assets used to create the annuities. The amounts have been restricted by the donors to fund a scholarship endowment.		146,852
HULDA AND ALFRED WEGER SCHOLARSHIP		
During fiscal year 2009-10, Hulda Weger donated $25,000 to be used for annual scholarships. The $25,000 generates a permanent $1,000 per year scholarship to benefit Ukiah High School graduates who attend Mendocino College.		25,000
SALMEN FAMILY SCHOLARSHIP		
The Salmen Family's Perpetual Scholarship was established in 2010 to support Mendocino College students pursuing a career in one or more of the following sciences: astronomy, chemistry, computer, physics, and math by providing an annual $1,000 scholarship. Salmen donates $3,000 annually, and a $3,000 donation is provided by the New York Life Foundation's matching gift program. The Salmen family formally changed this from a perpetual scholarship to an endowment account. The endowment will continue to fund student scholarships using the same criteria as was originally established.		27,000
Balance Forward	$	1,002,394

June 30, 2015

Balance Brought Forward	$	1,002,394
ALBERT BELTRAMI PERPETUAL INTERNSHIP SCHOLARSHIP		
Established in 2011, this scholarship is for Mendocino College students pursuing a career in local government. The student(s) selected will intern in a local city or county government office and enroll in Mendocino College Work Experience Education for college credit. Participating students receive $500-$1,000 for successfully completing the internship and coursework.		50,000
LES GREGG FAMILY SCHOLARSHIP		
Mrs. Catherine Gregg and daughter, Leslie Gregg Banta, established a new perpetual scholarship in memory of their late husband and father, longtime Ukiah restaurant owner, Les Gregg. The scholarship is awarded to students enrolled in 6 or more units in the Culinary Arts Management Program at Mendocino College.		25,000
JOE AND DOROTHY HALLIDAY SCHOLARSHIP		
In 2011, the Mendocino College Foundation received a generous gift through the estate of Joe and Dorothy Halliday. The Hallidays were loyal and hard working Point Arena residents with ancestral ties to the Mendocino Coastal communities dating back to the late 1800s. The gift will fund three scholarships with an internship component. Priority is given to Point Arena High School graduates. Recipients must demonstrate a high level of community volunteerism and have successfully completed a basic geography examination.		174,500
JOE AND DOROTHY HALLIDAY SCHOLARSHIP #2		
Sonoma State University Academic Foundation (SSUAF) is the trustee for the Halliday Trust 2 which will terminate in 2019. The Foundation is a 50% beneficiary of said trust. The amount recorded is based on 50% of the fund balance on an annual fund report provided by SSUAF.		178,008
FETZER NURSING SCHOLARSHIP		
The Kathleen Kohn Fetzer Family Foundation provided $50,000 in perpetuity which will fund one Nursing Program Scholarship and one Student Scholarship annually. The Foundation funded these scholarships to inspire and assist nursing students in furthering their career.		50,000
Balance Forward	$	1,479,902

June 30, 2015

Balance Brought Forward	$	1,479,902
WALLACE MEEK PEREZ SCHOLARSHIP		
Established in 2013, this scholarship assists a MESA student in obtaining their educational goals at Mendocino College. Wallace and Virginia Meek believed in everyone having an opportunity to obtain an education. Wallace passed away in late 2012, and Virginia created this award in their names. This is an open-ended fund, and contributions can be made through the Mendocino College Foundation.		13,675
JOHN BOGNER FINE ARTS SCHOLARSHIP		
This perpetual scholarship was established by countless donations from our community to honor and remember beloved community leader and advocate, Mr. John Bogner. Theatre and music were a passion of Bogner's, and it is fitting that this award be given to a student pursuing a career in the fine arts.		26,378
LARUE KORBIN SCHOLARSHIP		
LaRue Korbin spent her entire life in the service of helping others. She was a loving, caring and giving person who truly believed in doing everything possible to make our world a better place. The impact of Korbin's work and her passion for helping other will live on in perpetuity. In 2014, husband Frank Bender generously created the LaRue Korbin Memorial Scholarships for Mendocino County students enrolled in the nursing program.		101,000
Total Permanently Restricted Net Assets	$	1,620,955

Endowment net asset composition by type of fund is as follows:

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Foundation Trust Fund	$ 4,512,821	$ 91,259	$ 13,675	$ 4,617,755
Evelyn Foote Fund	-	335,658	803,542	1,139,200
Halliday Fund	-	31,962	174,500	206,462
Halliday Fund #2	-	-	178,008	178,008
Salmen Fund	-	2,803	27,000	29,803
Perpetual Fund	-	51,073	277,378	328,451
AAFG Fund	53,030	148,682	-	201,712
Gift Annuity Fund	-	-	146,852	146,852
Total Endowment at June 30, 2015	$ 4,565,851	$ 661,437	$ 1,620,955	$ 6,848,243
Endowment Net Assets - Beginning of Year	$ 4,599,220	$ 552,233	$ 1,503,672	$ 6,655,125
Contributions	22,283	266,498	117,283	406,064
Interest and dividends	282,263	69,806	-	352,069
Net realized gains (losses)	(363,515)	406,526	-	43,011
Net unrealized gains (losses)	229,522	(441,095)	-	(211,573)
Amounts appropriated for expenditures	(203,922)	(192,531)	-	(396,453)
Endowment Net Assets - End of Year	$ 4,565,851	$ 661,437	$ 1,620,955	$ 6,848,243

From time to time, the fair value of assets associated with individual donor designated endowment funds may fall below the level the donor requires the Foundation to retain, over the long term, as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2015.

17. FAIR VALUE MEASUREMENTS – FOUNDATION

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

Year Ended June 30, 2015	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 149,505	$ 149,505	$ -	$ -
Mutual funds:				
Large-cap value funds	1,631,776	1,631,776	-	-
Large-cap blend funds	1,410,880	1,410,880	-	-
Large-cap growth funds	1,440,247	1,440,247	-	-
Short-term bond funds	1,123,114	1,123,114	-	-
Intermediate-term bond funds	755,736	755,736	-	-
Property held for sale	980,000	-	980,000	-
Assets held by others	-	-	-	324,860
Total	$ 7,491,258	$ 6,511,258	$ 980,000	$ 324,860

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

July 1, 2014	$	316,377
Contribution		-
Adjustment to present value		8,483
June 30, 2015	$	324,860

Fair value for the assets held by others (Level 3) is determined by management's judgment to approximate the present value of the future distributions expected to be received.

REQUIRED SUPPLEMENTARY INFORMATION

Mendocino-Lake Community College District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Year Ended June 30, 2015

District's proportion of the net pension liability (asset)		0.017%
District's proportionate share of the net pension liability (asset)	$	9,237,911
State's proportionate share of the net pension liability (asset) associated with the District		3,740,260
Total	$	12,978,171
District's covered-employee payroll	$	5,286,430
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		174.75%
Plan fiduciary net position as a percentage of the total pension liability		77.00%

See the accompanying note to the required supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Year Ended June 30, 2015

Contractually required contribution	$	705,105
Contributions in relation to the contractually required contribution		(705,105)
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	5,286,430
Contributions as a percentage of covered-employee payroll		13.34%

See the accompanying note to the required supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30, 2015

District's proportion of the net pension liability (asset)		0.0476%
District's proportionate share of the net pension liability (asset)	$	5,361,828
District's covered-employee payroll	$	4,695,673
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		114.19%
Plan fiduciary net position as a percentage of the total pension liability		83.50%

See the accompanying note to the required supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30, 2015

Contractually required contribution	$	591,245
Contributions in relation to the contractually required contribution		(591,245)
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	4,695,673
Contributions as a percentage of covered-employee payroll		12.59%

See the accompanying note to the required supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Dates		**January 1, 2011**		**September 1, 2013**
Actuarial accrued liability (AAL)	$	6,236,312	$	6,342,577
Actuarial value of plan assets		-		-
Unfunded Actuarial Accrued Liability	$	6,236,312	$	6,342,577
Funded ratio (actuarial value of plan assets/AAL)		0.00%		0.00%
Covered payroll (active members)	$	10,218,222	$	9,992,370
UAAL as a percentage of covered payroll		61.03%		63.47%

CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

The California Pension Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula, CalSTRS 2% at 62, for members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS. Significant changes compared to the CalSTRS 2% at 60 benefit formula include raising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120% of the Social Security wage base, annually adjusted for changes in the Consumer Price Index.

California Public Employees' Retirement System

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

CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

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

California Public Employees' Retirement System

In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014, using standard update procedures.

OTHER SUPPLEMENTARY INFORMATION SECTION

GOVERNING BOARD

Name	Office	Area	Term Expires
Mr. John Tomkins	President	Lakeport	December 2017
Dr. Ed Haynes	Vice President	Ukiah	December 2017
Mr. Joel Clark	Member	Hopland	December 2019
Ms. Janet Chaniot	Member	Potter Valley	December 2017
Ms. Joan M. Eriksen	Member	Ukiah	December 2015
Mr. Dave Geck	Clerk	Kelseyville	December 2019
Mr. Paul Ubelhart	Member	Willits	December 2019

DISTRICT ADMINISTRATION

Mr. Arturo Reyes
Superintendent/President

Ms. Eileen Cichocki
Vice President, Administrative Services

Ms. Virginia Guleff
Vice President, Education and Student Services

Mendocino-Lake Community College District

SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT
June 30, 2015

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

	Reported Data
Summer Intersession (Summer 2014 Only)	
Noncredit	10.46
Credit	294.43
Summer Intersession (Summer 2015 - Prior to July 1, 2015)	
Noncredit	-
Credit	301.55
Primary Terms (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	1,556.40
Daily Census Contact Hours	219.97
Actual Hours of Attendance Procedure Courses	
Noncredit	83.32
Credit	94.20
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	411.20
Daily Census Contact Hours	74.35
Noncredit Independent Study/Distance Education Courses	-
Total Credit FTES	2,952.10
Total Noncredit FTES	93.78
Total FTES	3,045.88

SUPPLEMENTARY INFORMATION (Subset of above information)	
IN-SERVICE TRAINING COURSES (FTES)	-
Basic Skills Courses And Immigrant Education	
Noncredit	78.59
Credit	297.62

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants		84.007	$ 80,420
Federal Direct Student Loans		84.268	1,197,344
Federal Work-Study Program		84.033	50,739
Federal Pell Grant Program		84.063	5,401,658
Total Student Financial Assistance Cluster			6,730,161
Passed Through State Department of Education			
Vocational Education - Basic Grants to States	13-112-140	84.048	173,883
Subtotal			173,883
Migrant Education College Assistance Program		84.149A	402,841
Migrant Education High School Equivalency Program		84.141	251,043
TOTAL U.S. DEPARTMENT OF EDUCATION			7,557,928
U.S. DEPARTMENT OF TRANSPORTATION			
Eisenhower Transportation Fellowship Program		20.215	28,232
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			28,232
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
Child and Adult Care Food Program	04391-CACFP-23-CC-IC	10.558	36,430
Forest Reserve		10.665	32,852
TOTAL U.S. DEPARTMENT OF AGRICULTURE			69,282
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed Through State Department of Education			
AmeriCorps	95550001	94.006	35,435
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			35,435
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	80,791
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			80,791
Total Expenditures of Federal Awards			$ 7,771,668

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2015

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Disabled Student Programs and Services	$ 336,810	$ -	$ -	$ 336,810
Extended Opportunity Programs and Services	349,900	-	1,488	351,388
Child Development Center	389,092	24,773	30,008	443,873
RN Capacity Grant	156,967	(44,480)	-	112,487
CalGrant	257,250	123,742	-	380,992
SFAA	180,463	-	-	180,463
CalWORKS	144,168	-	-	144,168
MESA	50,500	5,064	-	55,564
Foster Parent	84,092	-	-	84,092
Cooperative Agency Resource Education	39,838	-	-	39,838
Staff Diversity	58,315	-	-	58,315
CTE	301,451	19,669	59,309	380,429
TANF	33,703	-	-	33,703
Basic Skills	90,000	17,108	-	107,108
Instructional Equipment Block Grant	194,547	-	10,102	204,649
Student Equity	217,049	-	(176,736)	40,313
Student Success and Support Program	531,040	-	(53,734)	477,306
Prop 39 - Clean Energy Workforce Grant	-	272,763	91,338	364,101
AB 86 Adult Education	181,743	-	(107,097)	74,646
All other aid programs	11,578	9,858	-	21,436
Total State Grants - Noncapital	$ 3,608,506	$ 428,497	$ (145,322)	$ 3,891,681

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
June 30, 2015

	General Unrestricted Fund	General Restricted Fund	Solar Debt Service Fund	Bond Debt Service Fund	Balance Forward
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 2,125,362	$ 230,901	$ -	$ -	$ 2,356,263
Adjustment and reclassifications increasing (decreasing) the fund balance:					
Adjustment to record Debt Service Fund for financial statement purposes	-	-	-	1,438,468	1,438,468
Adjustment to remove amounts held for others	-	-	-	-	-
Rounding	(1)	2	-	-	1
Net Adjustments and Reclassifications	(1)	2	-	1,438,468	1,438,469
June 30, 2015 - District Accounting Records Fund Balance	$ 2,125,361	$ 230,903	$ -	$ 1,438,468	$ 3,794,732

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 2,356,263	$ -	$ 1,094,350	$ -	$ 3,450,613
Adjustment and reclassifications increasing (decreasing) the fund balance:					
Adjustment to record Debt Service Fund for financial statement purposes	1,438,468	-	-	-	1,438,468
Adjustment to remove amounts held for others	-	-	-	-	-
Rounding	1	-	(1)	-	-
Net Adjustments and Reclassifications	1,438,469	-	(1)	-	1,438,468
June 30, 2015 - District Accounting Records Fund Balance	$ 3,794,732	$ -	$ 1,094,349	$ -	$ 4,889,081

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
June 30, 2015
(Continued)

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Self-Insurance Fund	Balance Forward
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 3,450,613	$ 113,003	$ 24,336	$ 2,588,563	$ 6,176,515
Adjustment and reclassifications increasing (decreasing the fund balance:					
Adjustment to record Debt Service Fund for financial statement purposes	1,438,468	-	-	-	1,438,468
Adjustment to remove amounts held for others	-	(113,003)	(24,336)	-	(137,339)
Rounding	-	-	-	(2)	(2)
Net Adjustments and Reclassifications	1,438,468	(113,003)	(24,336)	(2)	1,301,127
June 30, 2015 - District Accounting Records Fund Balance	$ 4,889,081	$ -	$ -	$ 2,588,561	$ 7,477,642

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 6,176,515	$ -	$ -	$ 11,668	$ 6,188,183
Adjustment and reclassifications increasing (decreasing the fund balance:					
Adjustment to record Debt Service Fund for financial statement purposes	1,438,468	-	-	-	1,438,468
Adjustment to remove amounts held for others	(137,339)	-	-	(11,668)	(149,007)
Rounding	(2)	-	-	-	(2)
Net Adjustments and Reclassifications	1,301,127	-	-	(11,668)	1,289,459
June 30, 2015 - District Accounting Records Fund Balance	$ 7,477,642	$ -	$ -	$ -	$ 7,477,642

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF 50% LAW CALCULATION

June 30, 2015

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries							
Contract or regular	1100	$ 3,324,178	$ -	$ 3,324,178	$ 3,369,125	$ -	$ 3,369,125
Other	1300	4,003,744	-	4,003,744	4,013,922	-	4,013,922
Total Instructional Salaries		7,327,922	-	7,327,922	7,383,047	-	7,383,047
Non-Instructional Salaries							
Contract or regular	1200	-	-	-	1,192,461	-	1,192,461
Other	1400	-	-	-	126,462	-	126,462
Total Non-Instructional Salaries		-	-	-	1,318,923	-	1,318,923
TOTAL ACADEMIC SALARIES		7,327,922	-	7,327,922	8,701,970	-	8,701,970
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular status	2100	-	-	-	3,108,541	-	3,108,541
Other	2300	-	-	-	279,514	-	279,514
Total Non-Instructional Salaries		-	-	-	3,388,055	-	3,388,055
Instructional Aides							
Regular status	2200	439,052	-	439,052	520,092	-	520,092
Other	2400	46,122	-	46,122	47,249	-	47,249
Total Instructional Aides		485,174	-	485,174	567,341	-	567,341
TOTAL CLASSIFIED SALARIES		485,174	-	485,174	3,955,396	-	3,955,396
Other							
Employee benefits	3000	1,894,710	-	1,894,710	4,247,789	-	4,247,789
Supplies and materials	4000	-	-	-	319,374	-	319,374
Other operating expenses	5000	-	-	-	1,780,700	-	1,780,700
Equipment replacement	6420	-	-	-	-	-	-
Total Other		1,894,710	-	1,894,710	6,347,863	-	6,347,863
Total Expenditures Prior to Exclusions		$ 9,707,806	$ -	$ 9,707,806	$ 19,005,229	$ -	$ 19,005,229

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF 50% LAW CALCULATION

June 30, 2015

(Continued)

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities To Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	2,251	-	2,251
Non-instructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Total Instructional Salaries		-	-	-	2,251	-	2,251
Objects To Exclude							
Rents and leases	5060	-	-	-	26,572	-	26,572
Lottery expenditures:							
Academic salaries	1000	-	-	-	107,951	-	107,951
Classified salaries	2000	-	-	-	49,282	-	49,282
Employee benefits	3000	-	-	-	51,629	-	51,629
Subtotal		-	-	-	235,434	-	235,434
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	4,694	-	4,694
Subtotal		-	-	-	4,694	-	4,694
Other operating expenses and services	5000	-	-	-	21,122	-	21,122
Capital outlay:	6000						
Library books	6300	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
TOTAL EXCLUSIONS		-	-	-	263,501	-	263,501
Total for ECS 84362 - 50% Law		$ 9,707,806	$ -	$ 9,707,806	$ 18,741,728	$ -	$ 18,741,728
Percentage of CEE (Instructional Salary Cost/Total CEE)		51.80%	0.00%	51.80%			
50% of Current Expense of Education					$ 9,370,860	$ -	$ 9,370,860

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF EDUCATION PROTECTION
ACCOUNT EXPENDITURES
June 30, 2015

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
EPA Proceeds	8630				$ 3,409,844
Activity Classification:					
Instructional activities	0100-5900	$ 3,409,844	$ -	$ -	3,409,844
Total Expenditures for EPA		$ 3,409,844	$ -	$ -	3,409,844
Total Revenue Less Expenditures					$ -

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

June 30, 2015	General Unrestricted Fund	General Restricted Fund	Solar Debt Service Fund	Debt Service Fund	Bond Debt Service Fund	Balance Forward
ASSETS						
Current Assets						
Cash and cash equivalents	$ 1,102,717	$ -	$ -	$ -	$ -	$ 1,102,717
Restricted cash and cash equivalents	-	(339,793)	-	(400)	-	(340,193)
Investments	-	-	-	-	-	-
Accounts receivable	1,599,021	1,331,721	-	-	-	2,930,742
Deposits and prepaid expenses	-	-	-	-	-	-
Due from other funds	-	-	-	400	-	400
Total Current Assets	2,701,738	991,928	-	-	-	3,693,666
Noncurrent Assets						
Restricted cash and cash equivalents	-	-	-	-	1,438,468	1,438,468
Total Noncurrent Assets	-	-	-	-	1,438,468	1,438,468
TOTAL ASSETS	$ 2,701,738	$ 991,928	$ -	$ -	$ 1,438,468	$ 5,132,134
LIABILITIES						
Cash deficiency	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	154,709	234,543	-	-	-	389,252
Advances from grantors and students	421,262	526,482	-	-	-	947,744
Amounts held in trust for others	-	-	-	-	-	-
Due to other funds	406	-	-	-	-	406
Total Liabilities	576,377	761,025	-	-	-	1,337,402
FUND EQUITY						
Fund balances:						
Reserved for special purposes	-	230,903	-	-	1,438,468	1,669,371
Unreserved	2,125,361	-	-	-	-	2,125,361
Total Fund Equity	2,125,361	230,903	-	-	1,438,468	3,794,732
TOTAL LIABILITIES AND FUND EQUITY	$ 2,701,738	$ 991,928	$ -	$ -	$ 1,438,468	$ 5,132,134

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

June 30, 2015	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,102,717	$ -	$ -	$ -	$ 1,102,717
Restricted cash and cash equivalents	(340,193)	(29,246)	-	-	(369,439)
Investments	-	-	-	-	-
Accounts receivable	2,930,742	30,095	183,152	-	3,143,989
Deposits and prepaid expenses	-	-	-	-	-
Due from other funds	400	12,938	-	-	13,338
Total Current Assets	3,693,666	13,787	183,152	-	3,890,605
Noncurrent Assets					
Restricted cash and cash equivalents	1,438,468	-	968,693	-	2,407,161
Total Noncurrent Assets	1,438,468	-	968,693	-	2,407,161
TOTAL ASSETS	$ 5,132,134	$ 13,787	$ 1,151,845	$ -	$ 6,297,766
LIABILITIES					
Cash deficiency	$ -	$ -	$ -	$ -	$ -
Accounts payable	389,252	9,521	26,939	-	425,712
Advances from grantors and students	947,744	4,266	30,557	-	982,567
Amounts held in trust for others	-	-	-	-	-
Due to other funds	406	-	-	-	406
Total Liabilities	1,337,402	13,787	57,496	-	1,408,685
FUND EQUITY					
Fund balances:					
Reserved for special purposes	1,669,371	-	1,094,349	-	2,763,720
Unreserved	2,125,361	-	-	-	2,125,361
Total Fund Equity	3,794,732	-	1,094,349	-	4,889,081
TOTAL LIABILITIES AND FUND EQUITY	$ 5,132,134	$ 13,787	$ 1,151,845	$ -	$ 6,297,766

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

June 30, 2015	Balance Brought Forward	Self-Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,102,717	$ -	$ -	$ -	$ 1,102,717
Restricted cash and cash equivalents	(369,439)	1,454,021	113,003	24,336	1,221,921
Investments	-	1,148,322	-	-	1,148,322
Accounts receivable	3,143,989	-	-	-	3,143,989
Deposits and prepaid expenses	-	-	-	-	-
Due from other funds	13,338	-	-	-	13,338
Total Current Assets	3,890,605	2,602,343	113,003	24,336	6,630,287
Noncurrent Assets					
Restricted cash and cash equivalents	2,407,161	-	-	-	2,407,161
Total Noncurrent Assets	2,407,161	-	-	-	2,407,161
TOTAL ASSETS	$ 6,297,766	$ 2,602,343	$ 113,003	$ 24,336	$ 9,037,448
LIABILITIES					
Cash deficiency	$ -	$ -	$ -	$ -	$ -
Accounts payable	425,712	850	-	-	426,562
Advances from grantors and students	982,567	-	-	-	982,567
Amounts held in trust for others	-	-	113,003	24,336	137,339
Due to other funds	406	12,932	-	-	13,338
Total Liabilities	1,408,685	13,782	113,003	24,336	1,559,806
FUND EQUITY					
Fund balances:					
Reserved for special purposes	2,763,720	2,588,561	-	-	5,352,281
Unreserved	2,125,361	-	-	-	2,125,361
Total Fund Equity	4,889,081	2,588,561	-	-	7,477,642
TOTAL LIABILITIES AND FUND EQUITY	$ 6,297,766	$ 2,602,343	$ 113,003	$ 24,336	$ 9,037,448

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

June 30, 2015	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,102,717	$ -	$ -	$ -	$ 1,102,717
Restricted cash and cash equivalents	1,221,921	297,135	-	11,668	1,530,724
Investments	1,148,322	-	-	-	1,148,322
Accounts receivable	3,143,989	-	-	-	3,143,989
Deposits and prepaid expenses	-	-	-	-	-
Due from other funds	13,338	-	-	-	13,338
Total Current Assets	6,630,287	297,135	-	11,668	6,939,090
Noncurrent Assets					
Restricted cash and cash equivalents	2,407,161	-	-	-	2,407,161
Total Noncurrent Assets	2,407,161	-	-	-	2,407,161
TOTAL ASSETS	$ 9,037,448	$ 297,135	$ -	$ 11,668	$ 9,346,251
LIABILITIES					
Cash deficiency	$ -	$ -	$ -	$ -	$ -
Accounts payable	426,562	-	-	-	426,562
Advances from grantors and students	982,567	-	-	-	982,567
Amounts held in trust for others	137,339	297,135	-	11,668	446,142
Due to other funds	13,338	-	-	-	13,338
Total Liabilities	1,559,806	297,135	-	11,668	1,868,609
FUND EQUITY					
Fund balances:					
Reserved for special purposes	5,352,281	-	-	-	5,352,281
Unreserved	2,125,361	-	-	-	2,125,361
Total Fund Equity	7,477,642	-	-	-	7,477,642
TOTAL LIABILITIES AND FUND EQUITY	$ 9,037,448	$ 297,135	$ -	$ 11,668	$ 9,346,251

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

Year Ended June 30, 2015	General Unrestricted Fund	General Restricted Fund	Solar Debt Service Fund	Debt Service Fund	Bond Debt Service Fund	Balance Forward
Operating Revenues						
Tuition and fees	$ 2,972,973	$ 108,253	$ -	$ -	$ -	$ 3,081,226
Less: Scholarship discount and allowance	1,934,990	-	-	-	-	1,934,990
Net Tuition and Fees	1,037,983	108,253	-	-	-	1,146,236
Grants and contracts - noncapital:						
Federal	41,127	987,529	-	-	-	1,028,656
State	58,315	3,007,737	-	-	-	3,066,052
Local	112,410	21,013	-	-	-	133,423
Auxiliary enterprise sales and charges	43,954	-	-	-	-	43,954
Total Operating Revenues	1,293,789	4,124,532	-	-	-	5,418,321
Operating Expenditures/Expenses						
Salaries	13,091,320	1,834,369	-	-	-	14,925,689
Employee benefits	4,356,663	723,864	-	-	-	5,080,527
Supplies, materials, and other services	1,616,735	871,516	-	-	-	2,488,251
Capital outlay	41,936	429,525	-	-	-	471,461
Utilities	732,331	1,839	-	-	-	734,170
Payments to students	-	341,629	-	-	-	341,629
Total Operating Expenditures/Expenses	19,838,985	4,202,742	-	-	-	24,041,727
Operating Income (Loss)	(18,545,196)	(78,210)	-	-	-	(18,623,406)
Nonoperating Revenues (Expenditures)						
State apportionments - noncapital	8,411,396	-	-	-	-	8,411,396
State apportionments - capital	-	-	-	-	-	-
Education protection account revenues - noncapital	3,409,844	-	-	-	-	3,409,844
Local property taxes	6,349,244	-	-	-	2,403,448	8,752,692
State taxes and other revenues - noncapital	403,909	77,307	-	-	-	481,216
Financial aid revenues - federal	-	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-	-
Financial aid expenses	-	-	-	-	-	-
Investment income - noncapital	338	-	-	(883)	1,801	1,256
Investment income - capital	-	-	-	-	-	-
Interest expense - capital assets related debt	-	-	-	(106,451)	(1,998,180)	(2,104,631)
Debt service - principal	-	-	-	(695,920)	(413,501)	(1,109,421)
Other nonoperating revenues - noncapital	557,773	-	-	197,243	-	755,016
Total Nonoperating Revenues (Expenditures)	19,132,504	77,307	-	(606,011)	(6,432)	18,597,368
Excess of Revenues Over (Under) Expenditures/Expenses	587,308	(903)	-	(606,011)	(6,432)	(26,038)
Other Financing Sources (Uses)						
Operating transfers in	400,000	-	-	606,011	-	1,006,011
Operating transfers out	(646,853)	-	-	-	-	(646,853)
Total Other Financing Sources (Uses)	(246,853)	-	-	606,011	-	359,158
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	340,455	(903)	-	-	(6,432)	333,120
Fund Equity - Beginning of Year	1,784,906	231,806	-	-	1,444,900	3,461,612
Fund Equity - End of Year	$ 2,125,361	$ 230,903	$ -	$ -	$ 1,438,468	$ 3,794,732

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

(Continued)

Year Ended June 30, 2015	Balance Brought Forward	Child Development Fund	Capital Outlay Projects Fund	Revenue Bond Construction Fund	Balance Forward
Operating Revenues					
Tuition and fees	$ 3,081,226	$ -	$ -	$ -	$ 3,081,226
Less: Scholarship discount and allowance	1,934,990	-	-	-	1,934,990
Net Tuition and Fees	1,146,236	-	-	-	1,146,236
Grants and contracts - noncapital:					
Federal	1,028,656	36,430	-	-	1,065,086
State	3,066,052	439,469	-	-	3,505,521
Local	133,423	-	101,906	-	235,329
Auxiliary enterprise sales and charges	43,954	-	-	-	43,954
Total Operating Revenues	5,418,321	475,899	101,906	-	5,996,126
Operating Expenditures/Expenses					
Salaries	14,925,689	356,840	-	1,550	15,284,079
Employee benefits	5,080,527	108,892	-	150	5,189,569
Supplies, materials, and other services	2,488,251	39,555	9,803	62,752	2,600,361
Capital outlay	471,461	975	180,541	511,964	1,164,941
Utilities	734,170	10,595	-	-	744,765
Payments to students	341,629	-	-	-	341,629
Total Operating Expenditures/Expenses	24,041,727	516,857	190,344	576,416	25,325,344
Operating Income (Loss)	(18,623,406)	(40,958)	(88,438)	(576,416)	(19,329,218)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	8,411,396	-	-	-	8,411,396
State apportionments - capital	-	-	170,906	-	170,906
Education protection account revenues - noncapital	3,409,844	-	-	-	3,409,844
Local property taxes	8,752,692	-	-	-	8,752,692
State taxes and other revenues - noncapital	481,216	-	-	-	481,216
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	1,256	32	-	-	1,288
Investment income - capital	-	-	(202)	127	(75)
Interest expense - capital assets related debt	(2,104,631)	-	-	-	(2,104,631)
Debt service - principal	(1,109,421)	-	-	-	(1,109,421)
Other nonoperating revenues - noncapital	755,016	84	28,402	-	783,502
Total Nonoperating Revenues (Expenditures)	18,597,368	116	199,106	127	18,796,717
Excess of Revenues Over (Under) Expenditures/Expenses	(26,038)	(40,842)	110,668	(576,289)	(532,501)
Other Financing Sources (Uses)					
Operating transfers in	1,006,011	40,842	-	-	1,046,853
Operating transfers out	(646,853)	-	-	-	(646,853)
Total Other Financing Sources (Uses)	359,158	40,842	-	-	400,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	333,120	-	110,668	(576,289)	(132,501)
Fund Equity - Beginning of Year	3,461,612	-	983,681	576,289	5,021,582
Fund Equity - End of Year	$ 3,794,732	$ -	$ 1,094,349	$ -	$ 4,889,081

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

(Continued)

Year Ended June 30, 2015	Balance Brought Forward	Self-Insurance Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
Operating Revenues					
Tuition and fees	$ 3,081,226	$ -	$ -	$ -	$ 3,081,226
Less: Scholarship discount and allowance	1,934,990	-	-	-	1,934,990
Net Tuition and Fees	1,146,236	-	-	-	1,146,236
Grants and contracts - noncapital:					
Federal	1,065,086	-	-	-	1,065,086
State	3,505,521	-	-	-	3,505,521
Local	235,329	-	-	-	235,329
Auxiliary enterprise sales and charges	43,954	-	-	-	43,954
Total Operating Revenues	5,996,126	-	-	-	5,996,126
Operating Expenditures/Expenses					
Salaries	15,284,079	9,600	-	-	15,293,679
Employee benefits	5,189,569	(132,686)	-	-	5,056,883
Supplies, materials, and other services	2,600,361	1	-	-	2,600,362
Capital outlay	1,164,941	-	-	-	1,164,941
Utilities	744,765	-	-	-	744,765
Payments to students	341,629	-	-	-	341,629
Total Operating Expenditures/Expenses	25,325,344	(123,085)	-	-	25,202,259
Operating Income (Loss)	(19,329,218)	123,085	-	-	(19,206,133)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	8,411,396	-	-	-	8,411,396
State apportionments - capital	170,906	-	-	-	170,906
Education protection account revenues - noncapital	3,409,844	-	-	-	3,409,844
Local property taxes	8,752,692	-	-	-	8,752,692
State taxes and other revenues - noncapital	481,216	-	-	-	481,216
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Investment income - noncapital	1,288	7,498	-	-	8,786
Investment income - capital	(75)	-	-	-	(75)
Interest expense - capital assets related debt	(2,104,631)	-	-	-	(2,104,631)
Debt service - principal	(1,109,421)	-	-	-	(1,109,421)
Other nonoperating revenues - noncapital	783,502	21,153	-	-	804,655
Total Nonoperating Revenues (Expenditures)	18,796,717	28,651	-	-	18,825,368
Excess of Revenues Over (Under) Expenditures/Expenses	(532,501)	151,736	-	-	(380,765)
Other Financing Sources (Uses)					
Operating transfers in	1,046,853	-	-	-	1,046,853
Operating transfers out	(646,853)	(400,000)	-	-	(1,046,853)
Total Other Financing Sources (Uses)	400,000	(400,000)	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(132,501)	(248,264)	-	-	(380,765)
Fund Equity - Beginning of Year	5,021,582	2,836,825	-	-	7,858,407
Fund Equity - End of Year	$ 4,889,081	$ 2,588,561	$ -	$ -	$ 7,477,642

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND EQUITY – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY

(Continued)

Year Ended June 30, 2015	Balance Brought Forward	Student Body Center Fee Trust Fund	Student Financial Aid Trust Fund	Scholarship and Loan Trust Fund	Total
Operating Revenues					
Tuition and fees	$ 3,081,226	$ -	$ -	$ -	$ 3,081,226
Less: Scholarship discount and allowance	1,934,990	-	-	-	1,934,990
Net Tuition and Fees	1,146,236	-	-	-	1,146,236
Grants and contracts - noncapital:					
Federal	1,065,086	-	-	-	1,065,086
State	3,505,521	-	-	-	3,505,521
Local	235,329	-	-	-	235,329
Auxiliary enterprise sales and charges	43,954	-	-	-	43,954
Total Operating Revenues	5,996,126	-	-	-	5,996,126
Operating Expenditures/Expenses					
Salaries	15,293,679	-	-	-	15,293,679
Employee benefits	5,056,883	-	-	-	5,056,883
Supplies, materials, and other services	2,600,362	-	-	-	2,600,362
Capital outlay	1,164,941	-	-	-	1,164,941
Utilities	744,765	-	-	-	744,765
Payments to students	341,629	-	-	-	341,629
Total Operating Expenditures/Expenses	25,202,259	-	-	-	25,202,259
Operating Income (Loss)	(19,206,133)	-	-	-	(19,206,133)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	8,411,396	-	-	-	8,411,396
State apportionments - capital	170,906	-	-	-	170,906
Education protection account revenues - noncapital	3,409,844	-	-	-	3,409,844
Local property taxes	8,752,692	-	-	-	8,752,692
State taxes and other revenues - noncapital	481,216	-	-	-	481,216
Financial aid revenues - federal	-	-	6,702,762	-	6,702,762
Financial aid revenues - state	-	-	380,992	-	380,992
Financial aid expenses	-	-	(7,083,754)	-	(7,083,754)
Investment income - noncapital	8,786	-	-	-	8,786
Investment income - capital	(75)	-	-	-	(75)
Interest expense - capital assets related debt	(2,104,631)	-	-	-	(2,104,631)
Debt service - principal	(1,109,421)	-	-	-	(1,109,421)
Other nonoperating revenues - noncapital	804,655	-	-	-	804,655
Total Nonoperating Revenues (Expenditures)	18,825,368	-	-	-	18,825,368
Excess of Revenues Over (Under) Expenditures/Expenses	(380,765)	-	-	-	(380,765)
Other Financing Sources (Uses)					
Operating transfers in	1,046,853	-	-	-	1,046,853
Operating transfers out	(1,046,853)	-	-	-	(1,046,853)
Total Other Financing Sources (Uses)	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(380,765)	-	-	-	(380,765)
Fund Equity - Beginning of Year	7,858,407	-	-	-	7,858,407
Fund Equity - End of Year	$ 7,477,642	$ -	$ -	$ -	$ 7,477,642

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF FUND EQUITY TO NET POSITION

June 30, 2015

Total Fund Equity - District Funds Included in the Reporting Entity		$ 7,477,642
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:		
Nondepreciable capital assets		7,545,440
Depreciable capital assets	$ 119,334,435	
Accumulated depreciation	(31,257,238)	88,077,197
Deferred outflows of resources		1,306,181
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:		
Accounts payable - interest payable		(820,620)
Claims payable		(767,850)
Net pension liabilities		(14,599,739)
Long-term debt		(73,337,604)
Capital lease		(1,854,044)
Loan		(282,258)
Compensated absences		(883,895)
Other postemployment benefit obligations		(981,242)
Deferred inflows of resources		(4,303,092)
Net Assets Reported Within the GASB 35 Statement of Net Position		$ 6,576,116

See the accompanying notes to the supplementary information.

Mendocino-Lake Community College District

RECONCILIATION OF CHANGE IN FUND EQUITY TO
CHANGE IN NET POSITION
June 30, 2015

Change in Fund Equity - District Funds Included in the Reporting Entity	$	(380,765)
Amortization of bond premium		138,829
Claims expense		(120,017)
Compensated absence expense		(7,328)
Depreciation expense		(2,894,109)
Expenses capitalized		506,585
Accrued interest expense		(2,153,356)
Debt service principal		1,109,421
Pension expense difference		670,041
Additional expenses of other postemployment benefits		(318,843)
Net Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position	$	(3,449,542)

See the accompanying notes to the supplementary information.

1. PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment Annual Attendance as of June 30, 2015, represents the basis of apportionment of the District's annual source of funding.

Schedule of Expenditures of Federal and State Awards

The audit of the District for the year ended June 30, 2015, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB A-133 and state requirements, the Schedule of Expenditures of Federal Awards and Schedule of State Awards were prepared for the District.

The schedules have been prepared on the accrual basis of accounting.

Reconciliation of Annual Financial and Budget Report (Form CCFS-311) With District Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the audited financial statements.

Reconciliation of 50% Law Calculation

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

Reconciliation of Education Protection Account Expenditures

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.

2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying Combining Balance Sheet – District Funds Included in the Reporting Entity, Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity – District Funds Included in the Reporting Entity, are presented on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Property taxes, franchise taxes, licenses, interest revenue, and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

The District reports advances from grantors and students on its combining balance sheet. Advances from grantors and students arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Advances from grantors and students also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for advances from grantors and students is removed and revenue is recognized.

OTHER REPORTS SECTION

K·COE ISOM

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

To the Board of Trustees
Mendocino-Lake Community College District
Ukiah, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Mendocino-Lake Community College District (the District) as of and for the year ended June 30, 2015; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

KCoe Isom, LLP

December 1, 2015
Redding, California

K·COE ISOM

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Mendocino-Lake Community College District
Ukiah, California

Report on Compliance for Each Major Federal Program

We have audited Mendocino-Lake Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(Continued)

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KCoe Isom, LLP

December 1, 2015
Redding, California

K·COE ISOM

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Mendocino-Lake Community College District
Ukiah, California

Compliance

We have audited the Mendocino-Lake Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2014-15*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2015. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual 2014-15*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2014-15* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
(Continued)

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

Opinion

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2015, except as described in the accompanying schedule of findings and questioned costs as item 2015-001.

KCoe Isom, LLP

December 1, 2015
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

Identification of major programs:

CFDA No.	84.007	Student Financial Assistance Cluster
CFDA No.	84.033	Student Financial Assistance Cluster
CFDA No.	84.063	Student Financial Assistance Cluster
CFDA No.	84.268	Student Financial Assistance Cluster
CFDA No.	84.149A	Migrant Education College Assistance Program

Threshold for distinguishing types A and B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for state program:	Modified

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

STATE COMPLIANCE (475 – DISABLED STUDENT PROGRAMS AND SERVICES – DSPS)
2015-001

SIGNIFICANT DEFICIENCY

Condition

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

Criteria

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

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

Effect

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

Recommendation

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

Response

The DSPS program takes the audit finding regarding verification of disability very seriously. In order to improve effective monitoring of disability documentation in student files, DSPS will shorten the temporary eligibility timeline from six months to three months. A query of student files by student start date will be implemented so that incomplete files are closed consistently and promptly. Stronger and clearer language will be used in the follow up phone call script and on written notifications to students to indicate that services will not be provided without proper documentation.

Not applicable: there are no current-year findings related to federal awards.

SECTION IV FINDINGS
STATE AWARDS AUDIT

EXTENDED OPPORTUNITY PROGRAMS & SERVICES (EOPS), AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

2014-001

SIGNIFICANT DEFICIENCY

Condition

During our audit of the prior year, we noted the District did not hold the required advisory committee meetings for the EOPS and CARE programs during the academic year.

Criteria

For the EOPS and CARE programs, the advisory committee shall meet at least twice during each academic year for CARE and once during the year for EOPS (CARE Program Guidelines, revised August 1, 2010).

Effect

The purpose of the advisory committee is to assist the District in developing and maintaining adequate programs. By not holding the required advisory committee meetings, these programs may not be operating in an efficient or effective manner.

Recommendation

We recommended that the District establish procedures to ensure that the advisory committees meet the required number of times each academic year.

Current Status

No such finding was noted in the current year.