

# MENDOCINO UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2022



**MENDOCINO UNIFIED SCHOOL DISTRICT  
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JUNE 30, 2022**

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## **FINANCIAL SECTION**

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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Independent Auditors' Report

Governing Board  
Mendocino Unified School District  
Mendocino, California

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mendocino Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Mendocino Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mendocino Unified School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mendocino Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the Mendocino Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mendocino Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mendocino Unified School District's internal control over financial reporting and compliance.



San Diego, California  
December 9, 2022

# MENDOCINO UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

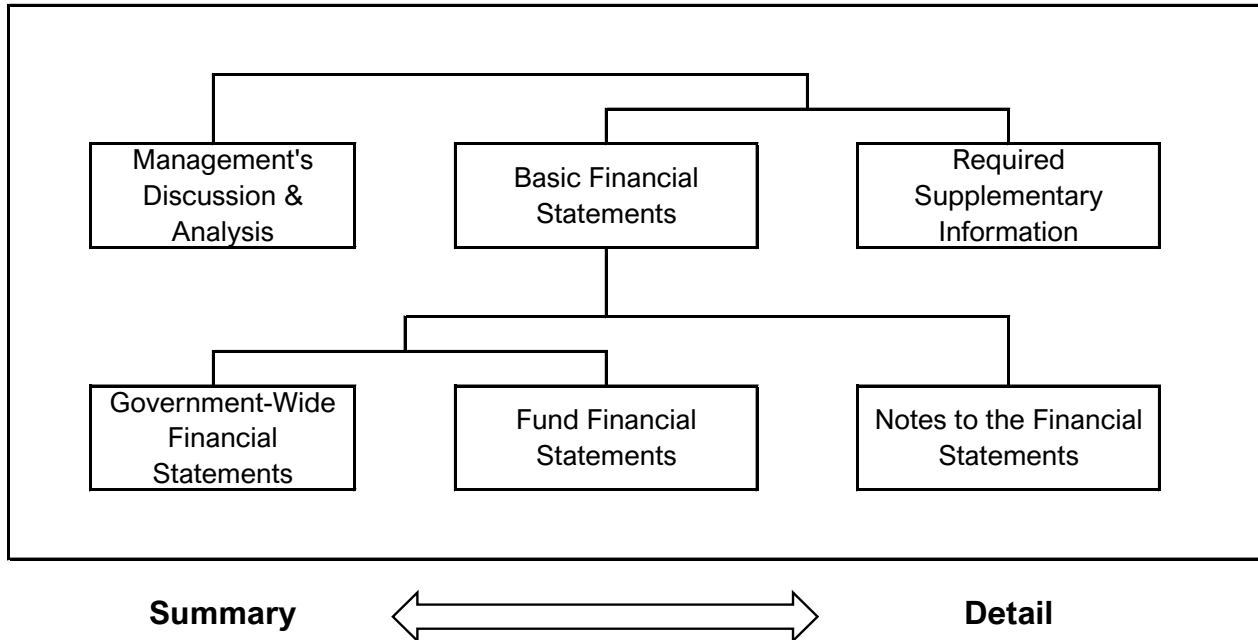
Our discussion and analysis of Mendocino Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's combined net position was \$9,819,252 at June 30, 2022. This was an increase of \$709,642 from the prior year.
- Overall revenues were \$15,116,544 which exceeded expenses of \$14,406,808.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section





**MENDOCINO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Components of the Financials Section (continued)**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  
  - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Property taxes and federal and state grants finance most of these activities.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$10,493,055 for governmental activities and \$(673,803) for business-type activities at June 30, 2022, as reflected in the table below. Of this amount, \$(5,440,141) was unrestricted for governmental activities and \$(697,711) was unrestricted for business-type activities. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
<b>ASSETS</b>						
Current and other assets	\$ 29,682,139	\$ 23,137,338	\$ 6,544,801	\$ 197,914	\$ 232,847	\$ (34,933)
Capital assets	37,997,467	29,941,808	8,055,659	54,032	79,762	(25,730)
<b>Total Assets</b>	<b>67,679,606</b>	<b>53,079,146</b>	<b>14,600,460</b>	<b>251,946</b>	<b>312,609</b>	<b>(60,663)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,800,864</b>	<b>2,413,946</b>	<b>(613,082)</b>	<b>194,126</b>	<b>244,342</b>	<b>(50,216)</b>
<b>LIABILITIES</b>						
Current liabilities	4,918,387	3,215,576	1,702,811	75,220	60,083	15,137
Long-term liabilities	49,988,043	41,715,497	8,272,546	714,892	1,190,906	(476,014)
<b>Total Liabilities</b>	<b>54,906,430</b>	<b>44,931,073</b>	<b>9,975,357</b>	<b>790,112</b>	<b>1,250,989</b>	<b>(460,877)</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>4,080,985</b>	<b>735,764</b>	<b>3,345,221</b>	<b>329,763</b>	<b>22,701</b>	<b>307,062</b>
<b>NET POSITION</b>						
Net investment in capital assets	12,356,724	16,976,402	(4,619,678)	23,908	21,097	2,811
Restricted	3,576,472	2,997,016	579,456	-	-	-
Unrestricted	(5,440,141)	(10,147,163)	4,707,022	(697,711)	(737,836)	40,125
<b>Total Net Position</b>	<b>\$ 10,493,055</b>	<b>\$ 9,826,255</b>	<b>\$ 666,800</b>	<b>\$ (673,803)</b>	<b>\$ (716,739)</b>	<b>\$ 42,936</b>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges slightly, so you can see our total revenues, expenses, and transfers and special items for the year.

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 145,679	\$ 176,076	\$ (30,397)	\$ 2,309,537	\$ -	\$ 2,309,537
Operating grants and contributions	2,132,727	1,939,690	193,037	-	260	(260)
General revenues						
Property taxes	9,061,493	7,214,351	1,847,142	-	-	-
Unrestricted federal and state aid	1,896,086	1,943,862	(47,776)	-	-	-
Other	(429,249)	111,820	(541,069)	271	2,326,919	(2,326,648)
<b>Total Revenues</b>	<b>12,806,736</b>	<b>11,385,799</b>	<b>1,420,937</b>	<b>2,309,808</b>	<b>2,327,179</b>	<b>(17,371)</b>
<b>EXPENSES</b>						
Instruction	5,463,743	5,500,713	(36,970)	-	-	-
Instruction-related services	1,029,751	1,188,785	(159,034)	-	-	-
Pupil services	1,289,740	1,453,134	(163,394)	-	-	-
General administration	912,838	839,820	73,018	-	-	-
Plant services	1,168,852	905,287	263,565	-	-	-
Ancillary and community services	227,723	143,225	84,498	-	-	-
Debt service	1,882,403	1,140,076	742,327	-	-	-
Other outgo	195,792	-	195,792	-	-	-
Enterprise activities	-	-	-	2,235,966	2,447,097	(211,131)
<b>Total Expenses</b>	<b>12,170,842</b>	<b>11,171,040</b>	<b>999,802</b>	<b>2,235,966</b>	<b>2,447,097</b>	<b>(211,131)</b>
Transfers & special items	30,906	30,806	100	(30,906)	(30,806)	(100)
<b>Change in net position</b>	<b>666,800</b>	<b>245,565</b>	<b>421,235</b>	<b>42,936</b>	<b>(150,724)</b>	<b>193,660</b>
<b>Net Position - Beginning</b>	<b>9,826,255</b>	<b>9,580,690</b>	<b>245,565</b>	<b>(716,739)</b>	<b>(566,015)</b>	<b>(150,724)</b>
<b>Net Position - Ending</b>	<b>\$ 10,493,055</b>	<b>\$ 9,826,255</b>	<b>\$ 666,800</b>	<b>\$ (673,803)</b>	<b>\$ (716,739)</b>	<b>\$ 42,936</b>

The cost of all our governmental activities this year was \$12,170,842 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$9,061,493, the remaining portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below, we have presented the net cost of each of the District’s governmental functions. Net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2022</b>	<b>2021</b>
Instruction	\$ 4,478,970	\$ 4,179,921
Instruction-related services	980,049	1,038,636
Pupil services	995,497	997,769
General administration	843,885	804,862
Plant services	454,822	767,308
Ancillary and community services	101,238	126,702
Debt service	1,882,403	1,140,076
Transfers to other agencies	155,572	-
<b>Total</b>	<b>\$ 9,892,436</b>	<b>\$ 9,055,274</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$27,646,265, which is more than last year’s ending fund balance of \$22,430,987. The District’s General Fund had \$158,789 less in operating revenues than expenditures for the year ended June 30, 2022. The District’s Building Fund had an increase in fund balance of \$5,060,717 for the year ended June 30, 2022. The District’s Bond Interest and Redemption Fund had an increase in fund balance of \$473,257 for the year ended June 30, 2022.

**CURRENT YEAR BUDGET 2021-2022**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2021-2022 the District had invested \$37,997,467 in capital assets, net of accumulated depreciation for governmental activities and \$54,032 for business-type activities.

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
<b>CAPITAL ASSETS</b>						
Land	\$ 3,109,699	\$ 3,109,699	\$ -	\$ -	\$ -	\$ -
Construction in progress	10,934,307	2,004,029	8,930,278	-	-	-
Land improvements	756,368	756,368	-	-	-	-
Buildings & improvements	37,489,494	37,489,494	-	66,234	66,234	-
Furniture & equipment	1,273,291	1,018,061	255,230	235,343	235,343	-
Less: Accumulated depreciation	(15,565,692)	(14,435,843)	(1,129,849)	(247,545)	(221,815)	(25,730)
<b>Total Capital Assets</b>	<b>\$ 37,997,467</b>	<b>\$ 29,941,808</b>	<b>\$ 8,055,659</b>	<b>\$ 54,032</b>	<b>\$ 79,762</b>	<b>\$ (25,730)</b>

**Long-Term Liabilities**

At year-end, the District had \$49,988,043 in long-term liabilities for governmental activities, an increase of 19.83% from last year's balance – as shown in the table below. The District also had \$714,892 in long-term liabilities for business-type activities, a decrease of 39.97% from last year. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities			Business-Type Activities		
	2022	2021	Net Change	2022	2021	Net Change
<b>LONG-TERM LIABILITIES</b>						
Total general obligation bonds	\$ 46,237,450	\$ 33,076,178	\$ 13,161,272	\$ -	\$ -	\$ -
Financed purchases	-	-	-	30,124	58,665	(28,541)
Compensated absences	68,274	43,068	25,206	12,243	32,209	(19,966)
Total OPEB liability	963,229	933,788	29,441	-	-	-
Net pension liability	5,373,175	10,051,548	(4,678,373)	702,649	1,128,573	(425,924)
Less: current portion of long-term liabilities	(2,654,085)	(2,389,085)	(265,000)	(30,124)	(28,541)	(1,583)
<b>Total Long-term Liabilities</b>	<b>\$ 49,988,043</b>	<b>\$ 41,715,497</b>	<b>\$ 8,272,546</b>	<b>\$ 714,892</b>	<b>\$ 1,190,906</b>	<b>\$ (476,014)</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

In its September 2022 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was likely to muddle along with below-trend growth and continued high inflation over the next twelve months. No recession is forecast at this time; however, the possibility still exists that persistent inflation and aggressive interest rate policy will lead to a hard landing of the economy, potentially triggering a recession. In California, defense spending and technology demands will likely keep the economy growing.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

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**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET (continued)**

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2022 Budget Revision includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs, additionally, the revised spending plan further accelerates the implementation of the “California for All Kids” plan, which is a whole-child support framework designed to target inequities in educational outcomes among students from different demographic backgrounds and empower parents and families with more options and services. The Proposition 98 Guarantee continues to be in Test 1 for 2021-22 and 2022-23. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor’s Budget proposed re-benching the Test 1 percentage to increase the percentage of General Fund revenues due to the Guarantee, from 38.03 percent to approximately 38.4 percent. The May Revision updates the increased Test 1 percentage from approximately 38.4 percent to approximately 38.3 percent. At May Revision, the 2022-23 cost-of-living adjustment (COLA) is updated to 6.56 percent, the largest COLA in the history of LCFF.

The District participates in state employee pensions plans, California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) and both are underfunded. The District’s proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2022-23 is 19.10 percent. The CalPERS projected employer contribution rate for 2022-23 is 25.37 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District’s budget for the 2022-23 fiscal year.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Meg Kailikole, Business Manager, Mendocino Unified School District, P.O. Box 1154, Mendocino, CA 95460.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 29,095,777	\$ 182,970	\$ 29,278,747
Accounts receivable	444,018	14,944	458,962
Inventory	12,921	-	12,921
Prepaid expenses	129,423	-	129,423
Capital assets, not depreciated	14,044,006	-	14,044,006
Capital assets, net of accumulated depreciation	23,953,461	54,032	24,007,493
<b>Total Assets</b>	<b>67,679,606</b>	<b>251,946</b>	<b>67,931,552</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,614,737	194,126	1,808,863
Deferred outflows related to OPEB	158,274	-	158,274
Deferred amount on refunding	27,853	-	27,853
<b>Total Deferred Outflows of Resources</b>	<b>1,800,864</b>	<b>194,126</b>	<b>1,994,990</b>
<b>LIABILITIES</b>			
Deficit cash	118,068	-	118,068
Accrued liabilities	2,047,487	28,648	2,076,135
Unearned revenue	98,747	16,448	115,195
Long-term liabilities, current portion	2,654,085	30,124	2,684,209
Long-term liabilities, non-current portion	49,988,043	714,892	50,702,935
<b>Total Liabilities</b>	<b>54,906,430</b>	<b>790,112</b>	<b>55,696,542</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	3,889,300	329,763	4,219,063
Deferred inflows related to OPEB	191,685	-	191,685
<b>Total Deferred Inflows of Resources</b>	<b>4,080,985</b>	<b>329,763</b>	<b>4,410,748</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,356,724	23,908	12,380,632
Restricted:			
Capital projects	201,642	-	201,642
Debt service	2,717,048	-	2,717,048
Educational programs	547,323	-	547,323
Food service	325	-	325
Associated student body	90,134	-	90,134
Pupil transportation	20,000	-	20,000
Unrestricted	(5,440,141)	(697,711)	(6,137,852)
<b>Total Net Position</b>	<b>\$ 10,493,055</b>	<b>\$ (673,803)</b>	<b>\$ 9,819,252</b>

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

**MENDOCINO UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 5,463,743	\$ 20,538	\$ 964,235	\$ (4,478,970)	
Instruction-related services					
Instructional supervision and administration	3,793	-	2,349	(1,444)	
Instructional library, media, and technology	253,827	-	13,776	(240,051)	
School site administration	772,131	-	33,577	(738,554)	
Pupil services					
Home-to-school transportation	510,573	-	108	(510,465)	
Food services	275,542	16,473	199,650	(59,419)	
All other pupil services	503,625	23,726	54,286	(425,613)	
General administration					
Centralized data processing	69,986	-	-	(69,986)	
All other general administration	842,852	1,924	67,029	(773,899)	
Plant services	1,168,852	77,928	636,102	(454,822)	
Ancillary services	209,763	-	126,485	(83,278)	
Community services	17,960	-	-	(17,960)	
Interest on long-term debt	1,882,403	-	-	(1,882,403)	
Other outgo	195,792	5,090	35,130	(155,572)	
<b>Total Governmental Activities</b>	<b>\$ 12,170,842</b>	<b>\$ 145,679</b>	<b>\$ 2,132,727</b>	<b>(9,892,436)</b>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Enterprise activities	2,235,966	2,309,537	-	\$ 73,571	
<b>Total Business-Type Activities</b>	<b>2,235,966</b>	<b>2,309,537</b>	<b>-</b>	<b>73,571</b>	
<b>Total School District</b>	<b>\$ 14,406,808</b>	<b>\$ 2,455,216</b>	<b>\$ 2,132,727</b>	<b>\$ (9,818,865)</b>	
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes				5,865,543	5,865,543
Property taxes, levied for debt service				3,106,427	3,106,427
Property taxes, levied for other specific purposes				89,523	89,523
Federal and state aid not restricted for specific purposes				1,896,086	1,896,086
Interest and investment earnings				(532,259)	(531,988)
Interagency revenues				2,700	2,700
Miscellaneous				100,310	100,310
<b>Subtotal, General Revenue</b>				<b>10,528,330</b>	<b>10,528,601</b>
<b>Change in net position before transfers &amp; special items</b>				<b>635,894</b>	<b>709,736</b>
Internal transfers				30,906	(30,906)
<b>Total Transfers &amp; Special Items</b>				<b>30,906</b>	<b>(30,906)</b>
<b>CHANGE IN NET POSITION</b>				<b>666,800</b>	<b>709,736</b>
<b>Net Position - Beginning</b>				<b>9,826,255</b>	<b>9,109,516</b>
<b>Net Position - Ending</b>				<b>\$ 10,493,055</b>	<b>\$ (673,803)</b>

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



**MENDOCINO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2022**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 3,304,864	\$ 21,952,646	\$ 3,171,044	\$ 441,655	\$ 28,870,209
Accounts receivable	417,278	-	-	26,740	444,018
Due from other funds	614	-	-	114,350	114,964
Stores inventory	-	-	-	12,921	12,921
Prepaid expenditures	123,785	2,400	-	3,238	129,423
<b>Total Assets</b>	<b>\$ 3,846,541</b>	<b>\$ 21,955,046</b>	<b>\$ 3,171,044</b>	<b>\$ 598,904</b>	<b>\$ 29,571,535</b>
<b>LIABILITIES</b>					
Deficit cash	\$ -	\$ -	\$ -	\$ 118,068	\$ 118,068
Accrued liabilities	148,410	1,386,192	-	58,889	1,593,491
Due to other funds	114,350	-	-	614	114,964
Unearned revenue	98,747	-	-	-	98,747
<b>Total Liabilities</b>	<b>361,507</b>	<b>1,386,192</b>	<b>-</b>	<b>177,571</b>	<b>1,925,270</b>
<b>FUND BALANCES</b>					
Nonspendable	133,785	2,400	-	16,159	152,344
Restricted	543,898	20,566,454	3,171,044	315,526	24,596,922
Committed	-	-	-	89,648	89,648
Assigned	920,977	-	-	-	920,977
Unassigned	1,886,374	-	-	-	1,886,374
<b>Total Fund Balances</b>	<b>3,485,034</b>	<b>20,568,854</b>	<b>3,171,044</b>	<b>421,333</b>	<b>27,646,265</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,846,541</b>	<b>\$ 21,955,046</b>	<b>\$ 3,171,044</b>	<b>\$ 598,904</b>	<b>\$ 29,571,535</b>

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

**MENDOCINO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET  
POSITION  
JUNE 30, 2022**

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**Total Fund Balance - Governmental Funds** \$ 27,646,265

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 53,563,159	
Accumulated depreciation	<u>(15,565,692)</u>	37,997,467

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

27,853

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(453,996)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 46,237,450	
Compensated absences	68,274	
Total OPEB liability	963,229	
Net pension liability	<u>5,373,175</u>	(52,642,128)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 1,614,737	
Deferred inflows of resources related to pensions	<u>(3,889,300)</u>	(2,274,563)

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 158,274	
Deferred inflows of resources related to OPEB	<u>(191,685)</u>	(33,411)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

225,568

**Total Net Position - Governmental Activities** \$ 10,493,055

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

**MENDOCINO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 7,553,333	\$ -	\$ -	\$ 75,000	\$ 7,628,333
Federal sources	613,445	-	-	168,617	782,062
Other state sources	1,621,444	-	16,636	13,889	1,651,969
Other local sources	451,843	(335,291)	3,044,010	194,348	3,354,910
<b>Total Revenues</b>	<b>10,240,065</b>	<b>(335,291)</b>	<b>3,060,646</b>	<b>451,854</b>	<b>13,417,274</b>
<b>EXPENDITURES</b>					
Current					
Instruction	5,284,765	-	-	69,371	5,354,136
Instruction-related services					
Instructional supervision and administration	3,793	-	-	-	3,793
Instructional library, media, and technology	257,596	-	-	-	257,596
School site administration	864,869	-	-	-	864,869
Pupil services					
Home-to-school transportation	513,248	-	-	-	513,248
Food services	4,836	-	-	277,023	281,859
All other pupil services	634,282	-	-	-	634,282
General administration					
Centralized data processing	69,986	-	-	-	69,986
All other general administration	894,571	-	-	6,000	900,571
Plant services					
Facilities acquisition and construction	1,163,174	-	-	13,798	1,176,972
Ancillary services	502,384	8,451,119	-	242,783	9,196,286
Transfers to other agencies	186,313	-	-	33,692	220,005
Transfers to other agencies	19,037	-	-	-	19,037
Debt service					
Principal	-	-	2,325,000	-	2,325,000
Interest and other	-	647,628	262,389	-	910,017
<b>Total Expenditures</b>	<b>10,398,854</b>	<b>9,098,747</b>	<b>2,587,389</b>	<b>642,667</b>	<b>22,727,657</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(158,789)</b>	<b>(9,434,038)</b>	<b>473,257</b>	<b>(190,813)</b>	<b>(9,310,383)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	40,000	-	-	144,797	184,797
Other sources	-	14,494,755	-	-	14,494,755
Transfers out	(153,891)	-	-	-	(153,891)
<b>Net Financing Sources (Uses)</b>	<b>(113,891)</b>	<b>14,494,755</b>	<b>-</b>	<b>144,797</b>	<b>14,525,661</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(272,680)</b>	<b>5,060,717</b>	<b>473,257</b>	<b>(46,016)</b>	<b>5,215,278</b>
<b>Fund Balance - Beginning</b>	<b>3,757,714</b>	<b>15,508,137</b>	<b>2,697,787</b>	<b>467,349</b>	<b>22,430,987</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,485,034</b>	<b>\$ 20,568,854</b>	<b>\$ 3,171,044</b>	<b>\$ 421,333</b>	<b>\$ 27,646,265</b>

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

**MENDOCINO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

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**Net Change in Fund Balances - Governmental Funds** \$ 5,215,278

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

**Capital outlay:**

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 9,185,508	
Depreciation expense:	<u>(1,129,849)</u>	8,055,659

**Debt service:**

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

2,325,000

**Debt proceeds:**

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(14,494,755)

**Deferred amounts on refunding:**

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(27,853)

**Unmatured interest on long-term debt:**

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(129,771)

**Accreted interest on long-term debt:**

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(1,055,602)

(Continued on following page)

**MENDOCINO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2022**

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Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (25,206)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (18,454)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 736,936

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 64,085

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 21,483

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 666,800</b>
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**MENDOCINO UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2022**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Mendocino Community Network</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 182,970	\$ 225,568
Accounts receivable	14,944	-
Total current assets	<u>197,914</u>	<u>225,568</u>
Non-current assets		
Capital assets, net of accumulated depreciation	54,032	-
Total non-current assets	<u>54,032</u>	<u>-</u>
<b>Total Assets</b>	<u>251,946</u>	<u>225,568</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	194,126	-
<b>Total Deferred Outflows of Resources</b>	<u>194,126</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	28,648	-
Unearned revenue	16,448	-
Financed purchase	30,124	-
Total current liabilities	<u>75,220</u>	<u>-</u>
Non-current liabilities		
Compensated absences	12,243	-
Net pension liability	702,649	-
Total non-current liabilities	<u>714,892</u>	<u>-</u>
<b>Total Liabilities</b>	<u>790,112</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	329,763	-
<b>Total Deferred Inflows of Resources</b>	<u>329,763</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	23,908	-
Restricted	-	225,568
Unrestricted	(697,711)	-
<b>Total Net Position</b>	<u>\$ (673,803)</u>	<u>\$ 225,568</u>

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

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Mendocino Community Network</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,309,537	\$ 114,905
<b>Total operating revenues</b>	<u>2,309,537</u>	<u>114,905</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	789,286	-
Supplies and materials	96,195	-
Professional services	1,324,755	94,349
Depreciation	25,730	-
<b>Total operating expenses</b>	<u>2,235,966</u>	<u>94,349</u>
<b>Operating income/(loss)</b>	<u>73,571</u>	<u>20,556</u>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>		
Interest income	271	927
Transfers in	9,094	-
Transfers out	(40,000)	-
<b>Total non-operating revenues/(expenses)</b>	<u>(30,635)</u>	<u>927</u>
<b>CHANGE IN NET POSITION</b>	42,936	21,483
<b>Net Position - Beginning</b>	(716,739)	204,085
<b>Net Position - Ending</b>	<u>\$ (673,803)</u>	<u>\$ 225,568</u>

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

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Mendocino Community Network</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>		
Cash received from user charges	\$ 2,322,627	\$ 114,985
Cash payments for payroll, insurance, and operating costs	(2,287,011)	(94,885)
Net cash provided by (used for) operating activities	<u>35,616</u>	<u>20,100</u>
<b>Cash flows from non-capital financing activities</b>		
Interfund transfers in (out)	(30,906)	-
Net cash provided by (used for) non-capital financing activities	<u>(30,906)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>		
Financed purchase payments	(28,541)	-
Net cash provided by (used for) in capital and related financing activities	<u>(28,541)</u>	<u>-</u>
<b>Cash flows from investing activities</b>		
Interest received	271	927
Net cash provided by (used for) investing activities	<u>271</u>	<u>927</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(23,560)</u>	<u>21,027</u>
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	206,530	204,541
End of year	<u>\$ 182,970</u>	<u>\$ 225,568</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>		
Operating income/(loss)	\$ 73,571	\$ 20,556
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	25,730	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	11,373	80
(Increase) decrease in deferred outflows related to pensions	50,216	-
Increase (decrease) in accrued liabilities	11,837	(536)
Increase (decrease) in unearned revenue	1,717	-
Increase (decrease) in net pension liability	(425,924)	-
Increase (decrease) in compensated absences	(19,966)	-
Increase (decrease) in deferred inflows related to pensions	307,062	-
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 35,616</u>	<u>\$ 20,100</u>

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



**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Mendocino Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no such component units.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**Non-Major Governmental Funds**

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Student Activity Fund:** This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

**Special Revenue Funds: (continued)**

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Pupil Transportation Equipment Fund:** This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code Section 41852[b]*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Proprietary Funds**

**Enterprise Funds:** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Mendocino Community Network:** This fund is used to account for revenue and expenses for self-supporting entities. The Mendocino Community Network (MCN) provides internet access and related services to users on a cost-recovery basis.

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District.

**D. Basis of Accounting – Measurement Focus**

**Government-Wide and Proprietary Fund Financial Statements**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance. The principal operating revenues and expenses for Mendocino Community Network relate to providing internet access and related services to users on a cost-recovery basis.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus (continued)**

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 50 years depending on the asset class.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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 because 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.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary using the Alternative Measurement Method. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 through June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report 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 so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report 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 and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.



**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Fund Balance (continued)**

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**F. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**G. Estimates**

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

**H. Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Budgetary Data (continued)**

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

**I. Property Tax**

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 on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**J. New Accounting Pronouncements**

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 92** – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has fully implemented this Statement as of June 30, 2022.

**GASB Statement No. 96** – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has not yet determined the impact on the financial statements.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. New Accounting Pronouncements (continued)**

**GASB Statement No. 97** – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard’s primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

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

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

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

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Funds</b>	<b>Internal Service Fund</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Investment in county treasury*	\$ 29,211,478	\$ 225,568	\$ 29,437,046	\$ 49,757
Fair value adjustment	(559,796)	-	(559,796)	-
Cash on hand and in banks	90,459	-	90,459	118,213
Cash in revolving fund	10,000	-	10,000	15,000
<b>Total</b>	<b>\$ 28,752,141</b>	<b>\$ 225,568</b>	<b>\$ 28,977,709</b>	<b>\$ 182,970</b>

\*net of deficit cash

**B. Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Mendocino County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$28,927,007. The average weighted maturity for this pool is 489 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were not rated.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2022**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk.

**G. Fair Value**

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

Uncategorized - Investments in the Mendocino County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2022 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	<u>\$ 28,927,007</u>
<b>Total</b>	<b><u>\$ 28,927,007</u></b>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2022 consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Federal Government				
Categorical aid	\$ 136,431	\$ 25,100	\$ 161,531	\$ -
State Government				
Apportionment	48,690	1,640	50,330	-
Categorical aid	201,023	-	201,023	-
Lottery	15,737	-	15,737	-
Local Government				
Other local sources	15,397	-	15,397	14,944
<b>Total</b>	<b>\$ 417,278</b>	<b>\$ 26,740</b>	<b>\$ 444,018</b>	<b>\$ 14,944</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<b>Balance July 01, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2022</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,109,699	\$ -	\$ -	\$ 3,109,699
Construction in progress	2,004,029	8,930,278	-	10,934,307
Total capital assets not being depreciated	5,113,728	8,930,278	-	14,044,006
Capital assets being depreciated				
Land improvements	756,368	-	-	756,368
Buildings & improvements	37,489,494	-	-	37,489,494
Furniture & equipment	1,018,061	255,230	-	1,273,291
Total capital assets being depreciated	39,263,923	255,230	-	39,519,153
Less: Accumulated depreciation				
Land improvements	445,380	34,555	-	479,935
Buildings & improvements	13,016,309	833,587	-	13,849,896
Furniture & equipment	974,154	261,707	-	1,235,861
Total accumulated depreciation	14,435,843	1,129,849	-	15,565,692
Total capital assets being depreciated, net	24,828,080	(874,619)	-	23,953,461
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 29,941,808</b>	<b>\$ 8,055,659</b>	<b>\$ -</b>	<b>\$ 37,997,467</b>
<b>Business-Type Activities</b>				
Capital assets being depreciated				
Buildings & improvements	\$ 66,234	\$ -	\$ -	\$ 66,234
Furniture & equipment	235,343	-	-	235,343
Total capital assets being depreciated	301,577	-	-	301,577
Less: Accumulated depreciation				
Buildings & improvements	66,234	-	-	66,234
Furniture & equipment	155,581	25,730	-	181,311
Total accumulated depreciation	221,815	25,730	-	247,545
Total capital assets being depreciated, net	79,762	(25,730)	-	54,032
<b>Business-Type Activities Capital Assets, net</b>	<b>\$ 79,762</b>	<b>\$ (25,730)</b>	<b>\$ -</b>	<b>\$ 54,032</b>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

**NOTE 4 – CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,081,547
School site administration	13,628
Home-to-school transportation	12,392
All other general administration	2,085
Plant services	2,237
Community services	17,959
<b>Total</b>	<u>\$ 1,129,849</u>

Depreciation expense for business-type activities of \$25,730 was charged to enterprise activities.

**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2022 consisted of the following:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 114,350	\$ 114,350
Non-Major Governmental Funds	614	-	614
<b>Total</b>	<u>\$ 614</u>	<u>\$ 114,350</u>	<u>\$ 114,964</u>

Due from the General Fund to the Cafeteria Fund for the annual contribution to the program.	\$ 94,350
Due from the General Fund to the Pupil Transportation Fund for transportation equipment.	20,000
Due from the Cafeteria Fund to the General Fund for expenses.	614
<b>Total</b>	<u>\$ 114,964</u>

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2022 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>			Total
	General Fund	Non-Major Governmental Funds	Enterprise Fund - Mendocino Community Network	
General Fund	\$ -	\$ 144,797	\$ 9,094	\$ 153,891
Enterprise Fund - Mendocino Community Network	40,000	-	-	40,000
<b>Total</b>	<u>\$ 40,000</u>	<u>\$ 144,797</u>	<u>\$ 9,094</u>	<u>\$ 193,891</u>

Transfer from the General Fund to the Child Development Fund for contribution to the program.	\$ 28,533
Transfer from the General Fund to the Cafeteria Fund for contribution to the program.	96,264
Transfer from the General Fund to the Pupil Transportation Fund for transportation equipment.	20,000
Transfer from the General Fund to the Enterprise Fund for voice telephone services provided.	9,094
Transfer from the Enterprise Fund to the General Fund for District overhead.	40,000
<b>Total</b>	<u>\$ 193,891</u>



**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2022 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities	Business-Type Activities
Payroll	\$ 69,170	\$ -	\$ 2,557	\$ -	\$ 71,727	\$ 16,467
Construction	-	1,386,192	54,303	-	1,440,495	-
Vendors payable	79,240	-	2,029	-	81,269	12,181
Unmatured interest	-	-	-	453,996	453,996	-
<b>Total</b>	<b>\$ 148,410</b>	<b>\$ 1,386,192</b>	<b>\$ 58,889</b>	<b>\$ 453,996</b>	<b>\$ 2,047,487</b>	<b>\$ 28,648</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2022 consisted of the following:

	General Fund	Governmental Activities	Business-Type Activities
Federal sources	\$ 70,140	\$ 70,140	\$ -
State categorical sources	28,607	28,607	-
Local sources	-	-	16,448
<b>Total</b>	<b>\$ 98,747</b>	<b>\$ 98,747</b>	<b>\$ 16,448</b>

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 26,721,451	\$ 15,052,729	\$ 925,000	\$ 40,849,180	\$ 950,000
Unamortized premium	1,799,727	497,628	64,085	2,233,270	64,085
Subtotal general obligation bonds	28,521,178	15,550,357	989,085	43,082,450	1,014,085
Direct placement general obligation bonds	4,555,000	-	1,400,000	3,155,000	1,640,000
Subtotal direct placement general obligation bonds	4,555,000	-	1,400,000	3,155,000	1,640,000
Total general obligation bonds	33,076,178	15,550,357	2,389,085	46,237,450	2,654,085
Compensated absences	43,068	25,206	-	68,274	-
Total OPEB liability	933,788	29,441	-	963,229	-
Net pension liability	10,051,548	-	4,678,373	5,373,175	-
<b>Total</b>	<b>\$ 44,104,582</b>	<b>\$ 15,605,004</b>	<b>\$ 7,067,458</b>	<b>\$ 52,642,128</b>	<b>\$ 2,654,085</b>
<b>Business-Type Activities</b>					
Financed purchase	\$ 58,665	\$ -	\$ 28,541	\$ 30,124	\$ 30,124
Compensated absences	32,209	-	19,966	12,243	-
Net pension liability	1,128,573	-	425,924	702,649	-
<b>Total</b>	<b>\$ 1,219,447</b>	<b>\$ -</b>	<b>\$ 474,431</b>	<b>\$ 745,016</b>	<b>\$ 30,124</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for financed purchases are made in the Enterprise Fund for the Mendocino Community Network.
- Payments for compensated absences are typically liquidated in the General Fund and the Enterprise Fund for the Mendocino Community Network.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**A. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2022 amounted to \$68,274 for governmental activities and \$12,243 for business-type activities. These amounts are included as part of long-term liabilities in the statement of net position.

**B. General Obligation Bonds**

On April 5, 2007, the District issued \$15,499,521 of General Obligation Bonds, which were authorized at an election held in the District on November 7, 2006. The issue was comprised of \$10,325,000 Current Interest Bonds and \$5,174,521 of Capital Appreciation Bonds. The proceeds of the bonds were used for construction and modernization projects at the Little Lake Campus, the downtown grammar school and to qualify for \$4 million in State aid.

On May 22, 2019, the District issued 2019 General Obligation Refunding Bonds in the amount of \$7,070,000. The refunding resulted in a savings to the District of \$232,016 and a net present value of savings of \$220,450. The bonds were a direct placement issuance.

On May 20, 2020, the District issued \$17,000,000 of General Obligation Bonds, which were authorized at an election held in the District on March 3, 2020. The proceeds of the bonds will be used for the purpose of financing the renovation, construction and improvement of school facilities.

On May 20, 2022, the District issued \$13,997,127 of General Obligation Bonds, which were authorized at an election held in the District on March 3, 2020. The proceeds of the bonds will be used for the purpose of financing the renovation, construction and improvement of school facilities.

The outstanding bonded debt of Mendocino Unified School District at June 30, 2022, including accreted interest is as follows:

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Bonds Outstanding July 01, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>Bonds Outstanding June 30, 2022</b>
General obligation bonds:							
2007	8/1/2031	4.5-7.0%	\$ 15,499,521	\$ 9,721,451	\$ 474,919	\$ -	\$ 10,196,370
2020	8/1/2049	2.0-4.0%	17,000,000	17,000,000	-	925,000	16,075,000
2022	8/1/2051	3.1-4.0%	13,997,127	-	14,577,810	-	14,577,810
Subtotal general obligation bonds, including accreted interest				26,721,451	15,052,729	925,000	40,849,180
Direct placement general obligation bonds:							
2019	8/1/2023	2.20%	7,070,000	4,555,000	-	1,400,000	3,155,000
<b>Total</b>				<b>\$ 31,276,451</b>	<b>\$ 15,052,729</b>	<b>\$ 2,325,000</b>	<b>\$ 44,004,180</b>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**B. General Obligation Bonds (continued)**

The following table summarizes the annual debt service requirements:

Year Ended June 30,	General obligation bonds			Direct placement general obligation bonds		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,275,000	\$ 984,100	\$ 2,259,100	\$ 1,515,000	\$ 52,745	\$ 1,567,745
2024	565,000	899,355	1,464,355	1,640,000	70,785	1,710,785
2025	789,370	1,700,080	2,489,450	-	-	-
2026	824,274	1,764,876	2,589,150	-	-	-
2027	875,776	1,831,174	2,706,950	-	-	-
2028 - 2032	5,195,100	10,215,849	15,410,949	-	-	-
2033 - 2037	3,630,000	3,958,150	7,588,150	-	-	-
2038 - 2042	4,724,155	3,254,100	7,978,255	-	-	-
2043 - 2047	6,742,972	2,500,500	9,243,472	-	-	-
2048 - 2051	10,625,000	928,150	11,553,150	-	-	-
Accretion	5,602,533	(5,602,533)	-	-	-	-
<b>Total</b>	<b>\$ 40,849,180</b>	<b>\$ 22,433,801</b>	<b>\$ 63,282,981</b>	<b>\$ 3,155,000</b>	<b>\$ 123,530</b>	<b>\$ 3,278,530</b>

**C. Financed Purchases**

The District has entered into an agreement that extend beyond the current fiscal year for networking and storage devices under an agreement which provides for title to pass upon expiration of the lease period. The District has one remaining future minimum payments for \$30,124 at June 30, 2022.

**D. Other Postemployment Benefits**

The District's beginning total OPEB liability was \$933,788 and increased by \$29,441 during the year ended June 30, 2022. The ending total OPEB liability at June 30, 2022 was \$963,229. See Note 10 for additional information regarding the total OPEB liability.

**E. Net Pension Liability**

The District's combined beginning net pension liability was \$11,180,121 and decreased by \$5,104,297 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$6,075,824. See Note 11 for additional information regarding the net pension liability.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2022:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Stores inventory	-	-	-	12,921	12,921
Prepaid expenditures	123,785	2,400	-	3,238	129,423
Total non-spendable	<u>133,785</u>	<u>2,400</u>	<u>-</u>	<u>16,159</u>	<u>152,344</u>
Restricted					
Educational programs	543,898	-	-	3,425	547,323
Food service	-	-	-	325	325
Associated student body	-	-	-	90,134	90,134
Capital projects	-	20,566,454	-	201,642	20,768,096
Debt service	-	-	3,171,044	-	3,171,044
Pupil transportation	-	-	-	20,000	20,000
Total restricted	<u>543,898</u>	<u>20,566,454</u>	<u>3,171,044</u>	<u>315,526</u>	<u>24,596,922</u>
Committed					
Deferred maintenance	-	-	-	89,648	89,648
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,648</u>	<u>89,648</u>
Assigned					
Site accounts, SLIP, LUMP	43,798	-	-	-	43,798
Reserve for other than capital outlay	877,179	-	-	-	877,179
Total assigned	<u>920,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,977</u>
Unassigned	1,886,374	-	-	-	1,886,374
<b>Total Fund Balance</b>	<u>\$ 3,485,034</u>	<u>\$ 20,568,854</u>	<u>\$ 3,171,044</u>	<u>\$ 421,333</u>	<u>\$ 27,646,265</u>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 4 percent of General Fund expenditures and other financing uses.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2022**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description and Benefits Provided**

The Mendocino Unified School District’s defined benefit OPEB plan, the Mendocino Unified School District’s Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Certificated, Certificated Management, and Classified Management employees are eligible to retire and receive District-paid health benefits after attaining age 55, completing at least 5 years of full-time service, and retiring under CalSTRS. All retirees are subject to the limit on District-paid premiums effective in the first year of retirement. The cap is currently \$5,200 per year for retiree coverage and \$8,320 per year with a dependent. This limit is not expected to increase in future years. At age 65, full benefits stop, and a supplemental benefit is provided. The monthly supplemental amount of \$100 per month will be provided to these retirees at age 65 for a maximum of five years. Employees with full time employment status (FTE) less than 50% are not eligible for District-paid healthcare benefits, either before or after retirement. Benefits are prorated for employees working between 50% FTE and less than 75% FTE. Employees working 75% FTE or greater are treated as full time employees.

Classified employees may continue on any of the District health plans at their own expense. While the District does not directly contribute towards the cost of premiums for these retirees, the ability to obtain coverage at the active employee rate constitutes a significant economic benefit to the retirees, called an “implicit subsidy” under GASB 75. The inclusion of the retirees increases the District’s overall health insurance rates, therefore is included in this valuation.

**B. Contributions**

For the measurement period, the District contributed \$94,750 to the Plan, all of which was used for current premiums

**C. Plan Membership**

Membership of the Plan consisted of the following:

	<b><u>Number of participants</u></b>
Inactive employees receiving benefits	14
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>92</u>
<b>Total number of participants**</b>	<b><u>106</u></b>

\*Information not provided

\*\*As of the June 30, 2021 valuation date

**D. Total OPEB Liability**

The Mendocino Unified School District’s total OPEB liability of \$963,229 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**E. Actuarial Assumptions and Other Inputs**

The total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of that same date. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

**Economic assumptions:**

Salary increases	3.00%
Inflation rate	3.00%
Discount rate	1.92%
2021 trend rate	6.00%

Pre-retirement mortality rates were based on the CalSTRS Active Member Mortality (2015-2018) and the CalPERS Pre-Retirement Mortality Miscellaneous and School (1997-2015). Post-retirement mortality rates were based on the CalSTRS Retired Member Mortality (2015-2018) and the CalPERS Pre-Retirement Mortality Miscellaneous and School (1997-2015). Actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021. The discount rate was based on a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

**F. Changes in Total OPEB Liability**

	<u>June 30, 2022</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 89,793
Interest on total OPEB liability	23,924
Difference between expected and actual experience	(38,811)
Changes of assumptions	49,285
Benefits payments	<u>(94,750)</u>
Net change in total OPEB liability	29,441
Total OPEB liability - beginning	<u>933,788</u>
Total OPEB liability - ending	<u>\$ 963,229</u>
Covered-employee payroll	\$ 5,850,239
District's total OPEB liability as a percentage of covered-employee payroll	16.46%

**G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Mendocino Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92 percent) or one percentage point higher (2.92 percent) than the current discount rate:

	<b>1% Decrease (0.92%)</b>	<b>Valuation Discount Rate (1.92%)</b>	<b>1% Increase (2.92%)</b>
Total OPEB liability	\$ 1,047,632	\$ 963,229	\$ 884,552

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability of the Mendocino Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.90 percent) or one percentage point higher (6.90 percent) than the current healthcare cost trend rate:

	<b>1% Decrease (5.00%)</b>	<b>Valuation Trend Rate (6.00%)</b>	<b>1% Increase (7.00%)</b>
Total OPEB liability	\$ 874,900	\$ 963,229	\$ 1,068,449

**I. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the Mendocino Unified School District recognized OPEB expense of \$104,166. At June 30, 2022, the Mendocino Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 163,200
Changes in assumptions	135,754	28,485
District contributions subsequent to the measurement date	22,520	-
<b>Total</b>	<b>\$ 158,274</b>	<b>\$ 191,685</b>

The \$22,520 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended June 30,</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2023	\$ 49,103	\$ 28,485
2024	42,609	128,518
2025	44,042	34,682
<b>Total</b>	<b>\$ 135,754</b>	<b>\$ 191,685</b>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<b>Net pension liability</b>	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>	<b>Pension expense</b>
STRS Pension	\$ 2,821,041	\$ 1,150,482	\$ 2,736,047	\$ (24,523)
PERS Pension	3,254,783	658,381	1,483,016	265,682
<b>Total</b>	<b>\$ 6,075,824</b>	<b>\$ 1,808,863</b>	<b>\$ 4,219,063</b>	<b>\$ 241,159</b>

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. 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 percent 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 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. 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 percent 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 percent at age 65 or older.



**MENDOCINO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2022, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$586,782 for the year ended June 30, 2022.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$363,126 to CalSTRS.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 2,821,041
State's proportionate share of the net pension liability associated with the District	1,419,468
<b>Total</b>	<b>\$ 4,240,509</b>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District’s proportion was 0.006 percent, which did not change from its proportion measured as of June 30, 2020.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

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

For the year ended June 30, 2022, the District recognized pension expense of \$(24,523). In addition, the District recognized pension expense and revenue of \$(247,412) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,231,516
Differences between expected and actual experience	7,067	300,218
Changes in assumptions	399,711	-
Changes in proportion and differences between District contributions and proportionate share of contributions	156,922	204,313
District contributions subsequent to the measurement date	586,782	-
<b>Total</b>	<u>\$ 1,150,482</u>	<u>\$ 2,736,047</u>

The \$586,782 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 222,361	\$ 786,699
2024	222,548	621,693
2025	41,847	593,434
2026	41,848	666,570
2027	33,323	37,709
2028	1,773	29,942
<b>Total</b>	<u>\$ 563,700</u>	<u>\$ 2,736,047</u>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

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. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2021, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

\*20-year geometric average

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**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 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 5,742,629	\$ 2,821,041	\$ 396,178

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 22.91% of annual payroll. Contributions to the plan from the District were \$459,959 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$3,254,783 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.016 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2020.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

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

For the year ended June 30, 2022, the District recognized pension expense of \$265,682. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,249,089
Differences between expected and actual experience	97,164	7,673
Changes in proportion and differences between District contributions and proportionate share of contributions	101,258	226,254
District contributions subsequent to the measurement date	459,959	-
<b>Total</b>	<u>\$ 658,381</u>	<u>\$ 1,483,016</u>

The \$459,959 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 125,565	\$ 393,846
2024	71,090	368,656
2025	1,767	373,117
2026	-	347,397
<b>Total</b>	<u>\$ 198,422</u>	<u>\$ 1,483,016</u>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (continued)**

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. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>	<b>Real Return Years 11+**</b>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

\*An expected inflation of 2.00% used for this period.

\*\*An expected inflation of 2.92% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if 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 for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**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 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
District's proportionate share of the net pension liability	\$ 5,488,022	\$ 3,254,783	\$ 1,400,716

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.



**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

**C. Construction Commitments**

As of June 30, 2022, the District had commitments with respect to unfinished capital projects of \$2.4 million.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in four joint ventures under joint powers authorities (JPAs), the Northern California Schools Insurance Group, the Schools Insurance Group Northern Alliance, the Schools Excess Liability Fund, and the Mendocino County Youth Project. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**A. Refunded Debt**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2022, the deferred amount on refunding was \$27,853.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2022**

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**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)**

**B. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2022, total deferred outflows related to pensions was \$1,808,863 and total deferred inflows related to pensions was \$4,219,063.

**C. Other Postemployment Benefits**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2022, total deferred outflows related to other postemployment benefits was \$158,274 and total deferred inflows related to other postemployment benefits was \$191,685.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**MENDOCINO UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 7,493,576	\$ 7,530,181	\$ 7,553,333	\$ 23,152
Federal sources	399,296	690,552	613,445	(77,107)
Other state sources	778,652	1,057,091	1,621,444	564,353
Other local sources	407,372	412,399	510,907	98,508
<b>Total Revenues</b>	<b>9,078,896</b>	<b>9,690,223</b>	<b>10,299,129</b>	<b>608,906</b>
<b>EXPENDITURES</b>				
Certificated salaries	3,652,572	3,683,134	3,741,561	(58,427)
Classified salaries	1,865,108	1,927,157	1,917,824	9,333
Employee benefits	2,741,556	2,779,143	2,681,837	97,306
Books and supplies	556,937	543,087	542,846	241
Services and other operating expenditures	763,616	929,979	927,095	2,884
Capital outlay	-	447,249	502,384	(55,135)
Other outgo				
Excluding transfers of indirect costs	-	-	19,037	(19,037)
Transfers of indirect costs	(6,000)	(4,329)	(6,000)	1,671
<b>Total Expenditures</b>	<b>9,573,789</b>	<b>10,305,420</b>	<b>10,326,584</b>	<b>(21,164)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(494,893)</b>	<b>(615,197)</b>	<b>(27,455)</b>	<b>587,742</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	40,000	40,000	40,000	-
Transfers out	(161,584)	(181,614)	(153,891)	27,723
<b>Net Financing Sources (Uses)</b>	<b>(121,584)</b>	<b>(141,614)</b>	<b>(113,891)</b>	<b>27,723</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(616,477)</b>	<b>(756,811)</b>	<b>(141,346)</b>	<b>615,465</b>
<b>Fund Balance - Beginning</b>	<b>2,638,411</b>	<b>2,813,323</b>	<b>2,813,323</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,021,934</b>	<b>\$ 2,056,512</b>	<b>\$ 2,671,977</b>	<b>\$ 615,465</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- The amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects with the fund type definitions promulgated by GASB Statement No. 54.
- The schedule above does not reflect audit adjustments and the fair value adjustment made in relation to GASB Statement No. 31.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 89,793	\$ 93,507	\$ 71,923	\$ 64,096	\$ 62,151
Interest on total OPEB liability	23,924	28,656	33,809	26,697	25,369
Changes of benefit terms	-	-	50,967	-	-
Difference between expected and actual experience	(38,811)	-	(187,834)	-	-
Changes of assumptions	49,285	53,971	71,765	(44,997)	-
Benefits payments	<u>(94,750)</u>	<u>(127,737)</u>	<u>(34,214)</u>	<u>(39,190)</u>	<u>(50,934)</u>
Net change in total OPEB liability	29,441	48,397	6,416	6,606	36,586
Total OPEB liability - beginning	933,788	885,391	878,975	872,369	835,783
Total OPEB liability - ending	<u>\$ 963,229</u>	<u>\$ 933,788</u>	<u>\$ 885,391</u>	<u>\$ 878,975</u>	<u>\$ 872,369</u>
Covered-employee payroll	\$ 5,850,239	\$ 5,994,605	\$ 5,770,884	\$ 5,470,137	\$ 3,215,612
District's total OPEB liability as a percentage of covered-employee payroll	16.46%	15.58%	15.34%	16.07%	27.13%

See accompanying note to required supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.007%	0.006%
District's proportionate share of the net pension liability	\$ 2,821,041	\$ 5,940,296	\$ 5,345,552	\$ 5,361,321	\$ 5,493,330	\$ 5,120,771	\$ 4,536,357	\$ 3,506,220
State's proportionate share of the net pension liability associated with the District	1,419,468	3,062,198	2,916,380	3,069,621	3,249,834	2,915,593	2,399,226	2,090,442
<b>Total</b>	<u>\$ 4,240,509</u>	<u>\$ 9,002,494</u>	<u>\$ 8,261,932</u>	<u>\$ 8,430,942</u>	<u>\$ 8,743,164</u>	<u>\$ 8,036,364</u>	<u>\$ 6,935,583</u>	<u>\$ 5,596,662</u>
District's covered payroll	\$ 3,350,746	\$ 3,321,128	\$ 3,193,217	\$ 3,145,267	\$ 3,159,346	\$ 3,174,056	\$ 2,742,880	\$ 2,659,697
District's proportionate share of the net pension liability as a percentage of its covered payroll	84.2%	178.9%	167.4%	170.5%	173.9%	161.3%	165.4%	131.8%
Plan fiduciary net position as a percentage of the total pension liability	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.016%	0.017%	0.016%	0.016%	0.017%	0.019%	0.019%	0.017%
District's proportionate share of the net pension liability	\$ 3,254,783	\$ 5,239,825	\$ 4,795,147	\$ 4,370,373	\$ 4,167,306	\$ 3,682,090	\$ 2,803,902	\$ 1,958,852
District's covered payroll	\$ 2,297,891	\$ 2,459,327	\$ 2,279,850	\$ 2,163,202	\$ 2,226,041	\$ 2,154,416	\$ 2,242,514	\$ 1,803,111
District's proportionate share of the net pension liability as a percentage of its covered payroll	141.6%	213.1%	210.3%	202.0%	187.2%	170.9%	125.0%	108.6%
Plan fiduciary net position as a percentage of the total pension liability	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 586,782	\$ 539,928	\$ 553,964	\$ 507,461	\$ 444,563	\$ 390,777	\$ 340,205	\$ 271,558
Contributions in relation to the contractually required contribution*	(586,782)	(539,928)	(553,964)	(507,461)	(444,563)	(390,777)	(340,205)	(271,558)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,485,913	\$ 3,350,746	\$ 3,321,128	\$ 3,193,217	\$ 3,145,267	\$ 3,159,346	\$ 3,174,056	\$ 2,742,880
Contributions as a percentage of covered payroll	16.83%	16.11%	16.68%	15.89%	14.13%	12.37%	10.72%	9.90%

\*Amounts do not include on-behalf contributions



**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 459,959	\$ 475,349	\$ 389,222	\$ 328,863	\$ 267,326	\$ 240,545	\$ 263,301	\$ 251,527
Contributions in relation to the contractually required contribution*	(459,959)	(475,349)	(389,222)	(328,863)	(267,326)	(240,545)	(263,301)	(251,527)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,556,210	\$ 2,297,891	\$ 2,459,327	\$ 2,279,850	\$ 2,163,202	\$ 2,226,041	\$ 2,154,416	\$ 2,242,514
Contributions as a percentage of covered payroll	17.99%	20.69%	15.83%	14.42%	12.36%	10.81%	12.22%	11.22%

\*Amounts do not include on-behalf contributions

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Changes in Total OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation.

**Changes in Assumptions**

The discount rate was changed from 2.45% to 1.92% and the healthcare cost trend rate changed from 5.90% to 6.00% since the previous measurement.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued  
 FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2022, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 3,683,134	\$ 3,741,561	\$ 58,427
Capital outlay	\$ 447,249	\$ 502,384	\$ 55,135
Other outgo			
Excluding transfers of indirect costs	\$ -	\$ 19,037	\$ 19,037

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## **SUPPLEMENTARY INFORMATION**

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**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Rural Energy for America Program	84.010	14329	\$ 89,373
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	*	44,627
Title IV, Part A, Student Support and Academic Enrichment Grants	84.367	14341	12,940
Special Education Cluster	84.424	15396	10,000
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	68,566
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	2,689
Subtotal Special Education Cluster			<u>71,255</u>
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	117,877
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	162,382
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	1,630
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	24,562
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	11,372
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	32,302
Subtotal Education Stabilization Fund Discretionary Grants			<u>350,125</u>
<b>Total U. S. Department of Education</b>			<u>578,320</u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	38,085
National School Lunch Program	10.555	13391	120,052
USDA Commodities	10.555	*	9,867
Subtotal Child Nutrition Cluster			<u>168,004</u>
Pandemic EBT Local Administrative Grant	10.649	15644	614
<b>Total U. S. Department of Agriculture</b>			<u>168,618</u>
<b>FEDERAL COMMUNICATIONS COMMISSION:</b>			
<i>Passed through California Department of Education:</i>			
Emergency Connectivity Fund	32.009	*	35,124
<b>Total Federal Communications Commission</b>			<u>35,124</u>
<b>Total Federal Expenditures</b>			<u>\$ 782,062</u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2022**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third Regular ADA	92.16	90.91
Fourth through Sixth Regular ADA	81.29	81.51
Seventh through Eighth Regular ADA	52.38	52.36
Ninth through Twelfth Regular ADA	131.36	131.00
TOTAL SCHOOL DISTRICT	357.19	355.78

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2022**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Actual Instructional Minutes</b>	<b>Required Number of Days</b>	<b>Actual Number of Days</b>	<b>Credited Days Per the Approved Form J-13A*</b>	<b>Status</b>
Kindergarten	36,000	36,055	180	179	1	Complied
Grade 1	50,400	50,530	180	179	1	Complied
Grade 2	50,400	50,530	180	179	1	Complied
Grade 3	50,400	50,530	180	179	1	Complied
Grade 4	54,000	58,705	180	180	0	Complied
Grade 5	54,000	58,705	180	180	0	Complied
Grade 6	54,000	61,240	180	180	0	Complied
Grade 7	54,000	59,730	180	180	0	Complied
Grade 8	54,000	59,730	180	180	0	Complied
Grade 9	64,800	64,940	180	180	0	Complied
Grade 10	64,800	64,940	180	180	0	Complied
Grade 11	64,800	64,940	180	180	0	Complied
Grade 12	64,800	64,940	180	180	0	Complied

\*The District submitted a Form J-13A waiver for 1 instructional day for Comptche Elementary School on April 4, 2022.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>2023 (Budget)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 9,098,657	\$ 10,339,129	\$ 9,851,713	\$ 8,962,520
Expenditures And Other Financing Uses	10,268,674	10,480,475	9,309,997	9,207,920
Net change in Fund Balance	<u>\$ (1,170,017)</u>	<u>\$ (141,346)</u>	<u>\$ 541,716</u>	<u>\$ (245,400)</u>
Ending Fund Balance	<u>\$ 1,501,960</u>	<u>\$ 2,671,977</u>	<u>\$ 2,813,323</u>	<u>\$ 2,271,607</u>
Available Reserves*	<u>\$ 971,567</u>	<u>\$ 1,950,496</u>	<u>\$ 3,423,556</u>	<u>\$ 3,003,915</u>
Available Reserves As A Percentage Of Outgo	<u>9.46%</u>	<u>18.61%</u>	<u>36.77%</u>	<u>32.62%</u>
Long-term Liabilities	<u>\$ 49,988,043</u>	<u>\$ 52,642,128</u>	<u>\$ 44,104,582</u>	<u>\$ 44,043,657</u>
Average Daily Attendance At P-2***	<u>409</u>	<u>357</u>	<u>488</u>	<u>488</u>

The General Fund balance has increased by \$400,370 over the past two years. The fiscal year 2022-23 budget projects a decrease of \$1,170,017. For a District this size, the State recommends available reserves of the greater of 4% of General Fund expenditures, transfers out, and other uses (total outgo) or \$67,000.

The District has incurred operating deficits in two of the past three years and anticipates incurring a further operating deficit during the 2022-23 fiscal year. Total long-term obligations have increased by \$8,598,471 over the past two years.

Average daily attendance has decreased by 131 ADA over the past two years. An increase of 52 ADA is anticipated during the 2022-23 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54. Additionally, the schedule above does not reflect audit adjustments and the fair value adjustment made in relation to GASB Statement No. 31.

\*\*\*Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.



**MENDOCINO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Enterprise Fund - Mendocino Community Network</b>
June 30, 2022, annual financial and budget report fund balance	\$ 2,671,977	\$ 91,404	\$ 877,179	\$ 20,996,079	\$ 206,623	\$ 3,228,826	\$ (724,593)
Adjustments and reclassifications:							
Increase (decrease) in total fund balances:							
Year-end closing entries	-	-	-	-	-	3,930	(17,856)
Allocation of liability for employee pensions (GASB 68)	-	-	-	-	-	-	68,646
Fair value adjustment - cash in county treasury	(64,122)	(1,756)	-	(427,225)	(4,981)	(61,712)	-
Fund balance transfer (GASB 54)	877,179	-	(877,179)	-	-	-	-
Net adjustments and reclassifications	813,057	(1,756)	(877,179)	(427,225)	(4,981)	(57,782)	50,790
June 30, 2022, audited financial statement fund balance	\$ 3,485,034	\$ 89,648	\$ -	\$ 20,568,854	\$ 201,642	\$ 3,171,044	\$ (673,803)

See accompanying note to supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2022**

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There were no charter schools sponsored by the District for the year ended June 30, 2022.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2022**

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 90,134	\$ 5,351	\$ -	\$ 90,225	\$ -	\$ 255,945	\$ 441,655
Accounts receivable	-	-	26,740	-	-	-	26,740
Due from other funds	-	-	94,350	-	20,000	-	114,350
Stores inventory	-	-	12,921	-	-	-	12,921
Prepaid expenditures	-	-	3,238	-	-	-	3,238
<b>Total Assets</b>	<b>\$ 90,134</b>	<b>\$ 5,351</b>	<b>\$ 137,249</b>	<b>\$ 90,225</b>	<b>\$ 20,000</b>	<b>\$ 255,945</b>	<b>\$ 598,904</b>
<b>LIABILITIES</b>							
Deficit cash	\$ -	\$ -	\$ 118,068	\$ -	\$ -	\$ -	\$ 118,068
Accrued liabilities	-	1,926	2,083	577	-	54,303	58,889
Due to other funds	-	-	614	-	-	-	614
<b>Total Liabilities</b>	<b>-</b>	<b>1,926</b>	<b>120,765</b>	<b>577</b>	<b>-</b>	<b>54,303</b>	<b>177,571</b>
<b>FUND BALANCES</b>							
Non-spendable	-	-	16,159	-	-	-	16,159
Restricted	90,134	3,425	325	-	20,000	201,642	315,526
Committed	-	-	-	89,648	-	-	89,648
<b>Total Fund Balances</b>	<b>90,134</b>	<b>3,425</b>	<b>16,484</b>	<b>89,648</b>	<b>20,000</b>	<b>201,642</b>	<b>421,333</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 90,134</b>	<b>\$ 5,351</b>	<b>\$ 137,249</b>	<b>\$ 90,225</b>	<b>\$ 20,000</b>	<b>\$ 255,945</b>	<b>\$ 598,904</b>

See accompanying note to supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Non-Major Governmental Funds
<b>REVENUES</b>							
LCFF sources	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ 75,000
Federal sources	-	-	168,617	-	-	-	168,617
Other state sources	-	4,000	9,889	-	-	-	13,889
Other local sources	58,191	52,484	16,845	(1,208)	-	68,036	194,348
<b>Total Revenues</b>	<b>58,191</b>	<b>56,484</b>	<b>195,351</b>	<b>73,792</b>	<b>-</b>	<b>68,036</b>	<b>451,854</b>
<b>EXPENDITURES</b>							
Current							
Instruction	-	69,371	-	-	-	-	69,371
Pupil services							
Food services	-	-	277,023	-	-	-	277,023
General administration							
All other general administration	-	-	6,000	-	-	-	6,000
Plant services	-	13,221	-	577	-	-	13,798
Facilities acquisition and construction	-	-	-	74,035	-	168,748	242,783
Ancillary services	33,692	-	-	-	-	-	33,692
<b>Total Expenditures</b>	<b>33,692</b>	<b>82,592</b>	<b>283,023</b>	<b>74,612</b>	<b>-</b>	<b>168,748</b>	<b>642,667</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>24,499</b>	<b>(26,108)</b>	<b>(87,672)</b>	<b>(820)</b>	<b>-</b>	<b>(100,712)</b>	<b>(190,813)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	28,533	96,264	-	20,000	-	144,797
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>28,533</b>	<b>96,264</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>144,797</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>24,499</b>	<b>2,425</b>	<b>8,592</b>	<b>(820)</b>	<b>20,000</b>	<b>(100,712)</b>	<b>(46,016)</b>
<b>Fund Balance - Beginning</b>	<b>65,635</b>	<b>1,000</b>	<b>7,892</b>	<b>90,468</b>	<b>-</b>	<b>302,354</b>	<b>467,349</b>
<b>Fund Balance - Ending</b>	<b>\$ 90,134</b>	<b>\$ 3,425</b>	<b>\$ 16,484</b>	<b>\$ 89,648</b>	<b>\$ 20,000</b>	<b>\$ 201,642</b>	<b>\$ 421,333</b>

See accompanying note to supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2022**

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The Mendocino Unified School District was established in 1964 and is comprised of an area of approximately 420 square miles located in Mendocino County. There were no changes in the boundaries of the District during the current year. The District operates three elementary schools, one high school, one continuation high school, one preschool and one alternative education K-12.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Windspirit Aum	President	November 2022
Michael Schaeffer	Clerk	November 2024
Jim Gay	Member	November 2024
Jessica Grinberg	Member	November 2022
Mark Morton	Member	November 2024

**DISTRICT ADMINISTRATORS**

Jason Morse  
*Superintendent/Secretary to the Board*

Meg Kailikole  
*Business Manager*

Sage Statham  
*MCN Manager*

**MENDOCINO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2022**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the 10 percent de minimis indirect cost rate.

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

**Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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

Governing Board  
Mendocino Unified School District  
Mendocino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mendocino Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Mendocino Unified School District's basic financial statements, and have issued our report thereon dated December 9, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mendocino Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mendocino Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mendocino Unified School 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

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



## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive style.

San Diego, California  
December 9, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board  
Mendocino Unified School District  
Mendocino, California

**Report on Compliance for Each Major Federal Program*****Opinion on Each Major Federal Program***

We have audited Mendocino Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mendocino Unified School District's major federal programs for the year ended June 30, 2022. Mendocino Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mendocino Unified School 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit for Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mendocino Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Mendocino Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Report on Internal Control Over Compliance**

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

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

**Report on Internal Control Over Compliance (continued)**

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

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

*Christy White, Inc*

San Diego, California  
December 9, 2022

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

Governing Board  
Mendocino Unified School District  
Mendocino, California

**Report on State Compliance*****Opinion on State Compliance***

We have audited Mendocino Unified School District's compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Mendocino Unified School District's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Mendocino Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

***Basis for Opinion on State Compliance***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

**Auditor’s Responsibilities for the Audit of State Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mendocino Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Mendocino Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mendocino Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mendocino Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Mendocino Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Mendocino Unified School District's compliance with the state laws and regulations related to the following items:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>Local Education Agencies Other Than Charter Schools</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Yes

***Auditor’s Responsibilities for the Audit of State Compliance (continued)***

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>School Districts, County Offices of Education, and Charter Schools</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In-Person Instruction Grant	Yes
<b>Charter Schools</b>	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent because the ADA was immaterial.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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

***Report on Internal Control Over Compliance***

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

***Report on Internal Control Over Compliance (continued)***

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

*Christy White, Inc*

San Diego, California  
December 9, 2022



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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**MENDOCINO UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.425, 84.425U</u>	<u>Education Stabilization Fund Discretionary Grants</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**MENDOCINO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

There were no financial statement findings for the year ended June 30, 2022.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2022.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
43000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Apprenticeship: Related and Supplemental Instruction  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2022.

**MENDOCINO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**FINDING #2021-001: DISTRICT OF CHOICE (40000)**

**Criteria:** As set forth in California's Education Code section 48301(a)(1) the governing board of a school district that elects to operate as a school district of choice, shall, by resolution, determine and adopt the number of transfers it is willing to accept. Additionally, as set forth in California's Education Code section 48301(a)(2), if the number of transfer applications exceeds the number of transfers the governing board of a school district of choice elects to accept, approval for transfer shall be determined by a random drawing held in public at a regularly scheduled meeting of the governing board.

**Condition:** The District did not determine and adopt the number of transfers it was willing to accept during for the 2020-21 school year nor did they hold a random drawing at a public board meeting to determine transfers to accept.

**Effect:** The District is not in compliance with applicable State requirements.

**Cause:** The District was unaware of the requirement to have a resolution to adopt the number of transfers the District is willing to accept until after the 2020-21 date had passed.

**Questioned Costs:** There are no questioned costs related to District of Choice.

**Repeat Finding:** This is a repeat finding for the District, see Finding #2020-003.

**Recommendation:** We recommend that the District determines and adopts the number of transfers it is willing to accept through District of Choice and holds a random drawing at a public board meeting if the number of District of choice applications exceeds the number of transfers to accept.

**Corrective Action Plan:** The actions to meet the requirements of the District of Choice program have been added to the Annual Board Calendar, and will be considered at the regularly scheduled board meeting in May of each year. The action item will include the resolution to determine and adopt the number of transfer students MUSD is willing to accept. As necessary, a random drawing will be held to determine the transfers to accept.

**Current Status:** Implemented.