

**SONOMA COUNTY
JUNIOR COLLEGE DISTRICT
SANTA ROSA, CALIFORNIA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2020**

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

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SONOMA COUNTY JUNIOR COLLEGE DISTRICT

ORGANIZATION YEAR ENDED JUNE 30, 2020

DESCRIPTION OF DISTRICT

The Sonoma County Junior College District (the District) was established in 1918 with the founding of Santa Rosa Junior College. The District operates a campus in the City of Santa Rosa, a campus in the City of Petaluma, a criminal justice training center in the Town of Windsor, and classes at numerous other locations throughout the District. The District is comprised of an area of approximately 1,600 square miles. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jordan Burns	President	2022
Dorothy Battenfeld	Vice President	2022
Mariana Martinez	Clerk	2020
Don Edgar	Member	2020
Maggie Fishman	Member	2022
Jeff Kunde	Member	2022
W. Terry Lindley	Member	2020
Jocelyn Toscano	Student Member	2021

ADMINISTRATION

Dr. Frank Chong	Superintendent/President
Jane Saldaña-Talley	Vice President of Academic Affairs/Assistant Superintendent
Kate Jolley	Vice President of Finance & Administrative Services
Karen C. Furukawa-Schlereth.....	Vice President of Human Resources
Pedro Avila	Vice President of Student Services/Assistant Superintendent

AUXILIARY ORGANIZATIONS IN GOOD STANDING

<u>Auxiliary Name</u>	<u>Establishment Date</u>	<u>Current Master Agreement Date</u>	<u>Auxiliary Director's Name</u>
Santa Rosa Junior College Foundation	August 25, 1969	June 30, 2016	J Mullineaux, Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Members of the Board of Trustees
Sonoma County Junior College District
Santa Rosa, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedules of the District's Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information Section, as listed in the table of contents, is presented for purposes of additional analysis, and is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office, and is not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 February 4, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

**GILBERT CPAs
Sacramento, California**

February 4, 2021

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Sonoma County Junior College District for the year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

The Sonoma County Junior College District, familiarly called Santa Rosa Junior College (SRJC), is a public two-year community college, which serves approximately 37,500 students. The District has two campuses, located in Santa Rosa and Petaluma, California, and two centers, a Public Safety Training Center located in Windsor, California, and the Robert Shone Agricultural Center located in Forestville, California. Students may choose from associate degree majors and certificate programs, complete courses toward the first two years of a bachelor's degree program, or pursue courses for other professional or personal reasons.

Reporting Highlights

- ❖ The annual report consists of three basic financial statements that provide information on SRJC as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The information provided on the statements that follow includes all funds but excludes the fiduciary funds that are reported separately. The following information is provided to assist with the understanding of the financial statements and the financial position of the District. Each statement is presented in a consolidated format as required by GASB 34/35 and will be discussed separately.
- ❖ In 2017/18, the District implemented GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions). GASB 75 improves accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires the District to report an OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits.
- ❖ In 2017/18, the District also implemented GASB 89 (Accounting for Interest Cost Incurred before the End of a Construction Period). GASB 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and simplifies accounting for interest cost incurred before the end of a construction period. It requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred.

District's Fiduciary Responsibility

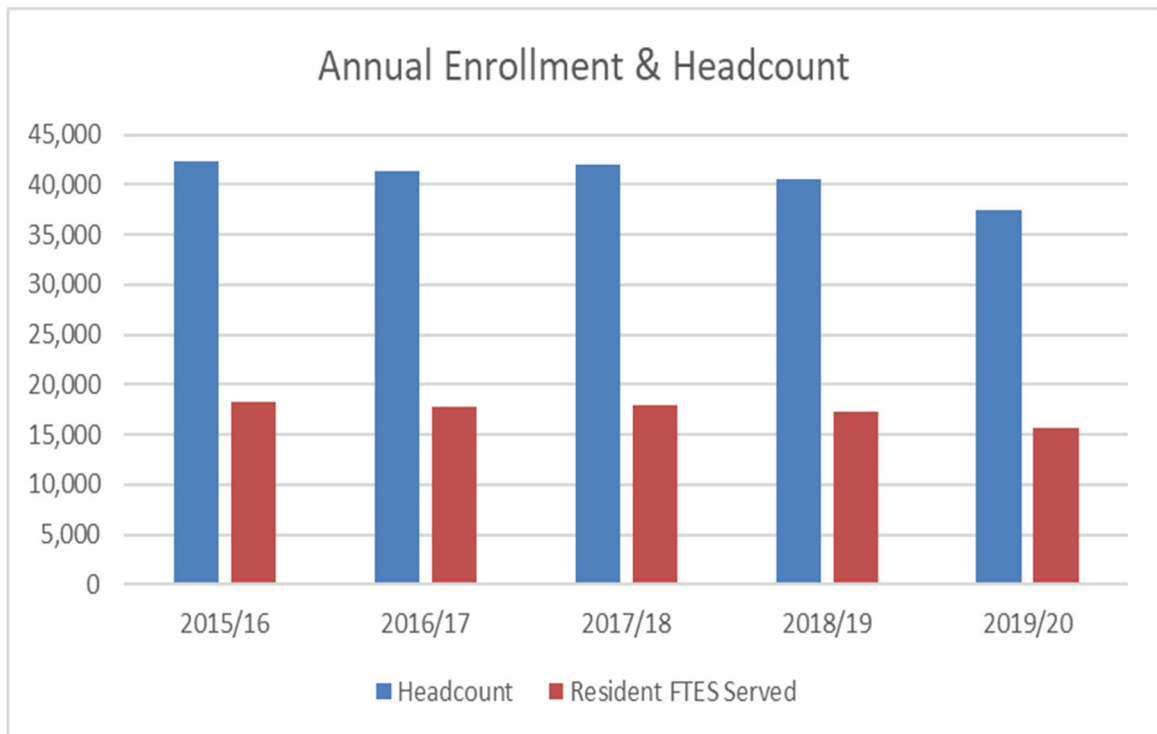
- ❖ The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.
- ❖ The District maintains fiduciary funds to account for assets held by the District as an agent on behalf of others. The District's fiduciary funds are the Student Representation Fee, Student Body Center Fee, and Associated Students, each reported as agency funds.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Attendance Highlights

- ❖ The District has had steadily declining enrollment since 2009/10. After numerous unsuccessful attempts to increase Full Time Equivalent Students (FTES), the District has not rebounded to its previously funded levels. Actual FTES served in 2018/19 was 17,291, a 20% decrease from the high of 21,684 FTES in 2008/09. When the COVID-19 worldwide pandemic hit in spring, 2020, FTES further declined in 2019/20 to 15,750
- ❖ The resident FTES in the following chart are actual resident FTES served at the district, which differs from funded FTES because of summer shifts, workload reductions, and the emergency conditions waiver from the October 2017 fires.



Financial Aid and Doyle Scholarships

For the years ended June 30, 2020 and 2019, the following sources of student financial aid were disbursed:

	2020	2019	Change	% Change
Federal	\$ 16,322,308	\$ 14,708,158	\$ 1,614,150	10.97%
State	3,040,571	2,983,808	56,763	1.90%
Scholarships	2,469,061	2,486,812	(17,751)	-0.71%
TOTAL	\$ 21,831,940	\$ 20,178,778	\$ 1,653,163	8.19%

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

The Federal financial aid includes the Pell, SEOG, Federal Family Education Loans, National Service Trust, Higher Education Emergency Relief Fund grants, and Federal Work Study Programs. The State programs include EOPS Grants, Full Time Student Success Grants, Promise Grants, and the Cal Grant Program. The Doyle scholarship funds are derived from the Frank P. Doyle and Polly O'Meara Doyle Trust. Just over fifty percent of the annual dividends generated from the common stock in Exchange Bank are distributed to the Doyle Trust, which then distributes the funds to SRJC for scholarships to assist students attending Santa Rosa Junior College. In 2019/20, there were 3,480 scholarships awarded for \$1,200 - \$1,700 each.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. Net Position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is an indicator of the financial health of a District.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
ASSETS			
Current assets	\$ 236,903,693	\$ 106,125,684	\$ 130,778,009
Non-current assets	<u>440,816,362</u>	<u>404,646,473</u>	<u>36,169,889</u>
TOTAL ASSETS	<u>677,720,055</u>	<u>510,772,157</u>	<u>166,947,898</u>
 DEFERRED OUTFLOW OF RESOURCES	 <u>\$ 46,310,531</u>	 <u>\$ 50,555,950</u>	 <u>\$ (4,245,419)</u>
 LIABILITIES			
Current liabilities	\$ 67,500,891	\$ 76,467,705	\$ (8,966,814)
Non-current liabilities	<u>579,027,477</u>	<u>411,698,694</u>	<u>167,328,783</u>
TOTAL LIABILITIES	<u>646,528,368</u>	<u>488,166,399</u>	<u>158,361,969</u>
 DEFERRED INFLOW OF RESOURCES	 <u>10,627,281</u>	 <u>9,086,609</u>	 <u>1,540,672</u>
 NET POSITION			
Invested in capital assets, net of related debt	161,774,244	173,480,567	(11,706,323)
Restricted	72,629,691	56,061,300	16,568,391
Unrestricted	<u>(167,528,998)</u>	<u>(165,466,768)</u>	<u>(2,062,230)</u>
 TOTAL NET POSITION	 <u>\$ 66,874,937</u>	 <u>\$ 64,075,099</u>	 <u>\$ 2,799,838</u>

Current assets at June 30, 2020 consist of:

- ❖ Current cash and cash equivalents, mainly held at the county treasury, total \$221.6 million.
- ❖ Restricted cash and cash equivalents which include cash in the Bond Funds (\$151.1 million) and General Obligation debt service fund held for current repayments of the bonds (\$64.6 million).
- ❖ Accounts receivables which include amounts due from grants, contracts, and general apportionment earned, but not received, by year-end. Accounts receivable increased \$4.8 million over prior year, due mainly to the timing of payments from the state.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Non-current assets consist of:

- ❖ Restricted cash and cash equivalents which consist of tax revenues collected by the county for payment of Measures A and H, General Obligation Bonds principal and interest in future years.
- ❖ Capital assets which are reported at historical cost of land, buildings, and equipment less accumulated depreciation, where applicable. The footnotes to the financial statements contain detailed information for capital assets.

Current liabilities consist of:

- ❖ Accounts payable which consist mainly of amounts due to vendors (\$10.1 million) and employees (\$3.3 million). Accounts payable decreased by \$11.3 million from prior year, mostly due to a change in the timing of payments to vendors.
- ❖ The current portion of debt, including interest (\$6.0 million) and principle payments (\$36.4 million) for the bonds and the current portion of the early retirement incentive (\$1.57 million). Interest payable increased by \$1.6 million and the current portion of bond payments increased by \$9.2 million over prior year. Detailed information regarding the District's debt can be found in the footnotes to the financial statements.
- ❖ Unearned revenue related to federal, state and local program funding that had been received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are deferred student fees for the Summer and Fall 2020 semesters (\$789 thousand). Unearned revenue decrease by \$2.7 million from prior year as grant funds were expended.

Non-current liabilities are:

- ❖ Liabilities and/or debt to be paid in one year or later. The major component of the non-current portion is the long-term debt related to Measures A and H General Obligation bonds (\$388.8 million), the net pension liability adjustment required by GASB 68 (\$151.0 million), the total other post-employment benefits liability adjustment required by GASB 75 (\$32.2 million), the long term portion of compensated absences (\$2.3 million) and future payments for the early retirement incentive (\$4.7 million). Detailed information regarding the District's long-term debt can be found in the footnotes to the financial statements.

Analysis of the District's Financial Position

Net Position is the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of liabilities, and is an indicator of the District's financial position. Net Position is reported in three components: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets (\$161.8 million) consists of capital assets net of accumulated depreciation, less outstanding capital debt net of unspent proceeds. The Restricted portion includes amounts legally restricted for payment of debt service (\$64.6 million) and capital projects (\$8.0 million). The Unrestricted portion (-\$167.5 million) represents resources with no external restrictions, but which may be designated by the Board of Trustees for contingencies and other special purposes.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Statement of Revenues, Expenses, and Changes in Net Position

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Total operating revenues	\$ 77,817,822	\$ 76,750,857	\$ 1,066,965
Total operating expenses	<u>220,128,573</u>	<u>217,565,527</u>	<u>2,563,046</u>
Operating income (loss)	(142,310,751)	(140,814,670)	(1,496,081)
Total non-operating revenues (expenses)	106,444,951	102,988,963	3,455,988
Income before other revenues, expenses, gains or losses	(35,865,800)	(37,825,707)	1,959,907
Capital revenues	<u>38,665,638</u>	<u>35,943,512</u>	<u>2,722,126</u>
Increase (Decrease) in net position	2,799,838	(1,882,195)	4,682,033
Net Position - Beginning of year	<u>64,075,099</u>	<u>65,957,294</u>	<u>(1,882,195)</u>
Net Position - End of year	<u>\$ 66,874,937</u>	<u>\$ 64,075,099</u>	<u>\$ 2,799,838</u>

Changes in operating revenues:

- ❖ Net tuition and fees decreased to \$12.3 million. Enrollment fees are set by the state legislature for all community colleges, which was \$46 a unit in 2019/20.
- ❖ Auxiliary enterprise sales and charges are primarily Farm sales (\$1.49 million) and commissions from vending, bookstore and food contracts (\$603 thousand).

Changes in non-operating revenues:

- ❖ State apportionment represents total state general revenue earned less property taxes and enrollment fees. State apportionments, non-capital, represent \$33.4 million of the non-operating revenues, the Education Protection Account is \$9.9 million and property taxes are \$64.0 million. State apportionment increased by \$9.2 million from prior year, property tax revenue increased by \$3.8 million, and Education Protection Act decreased by \$8.7 million.
- ❖ Investment income – non-capital includes a gain of \$1.26 million for adjusting the cash and investments to fair market value as required by GASB 31.

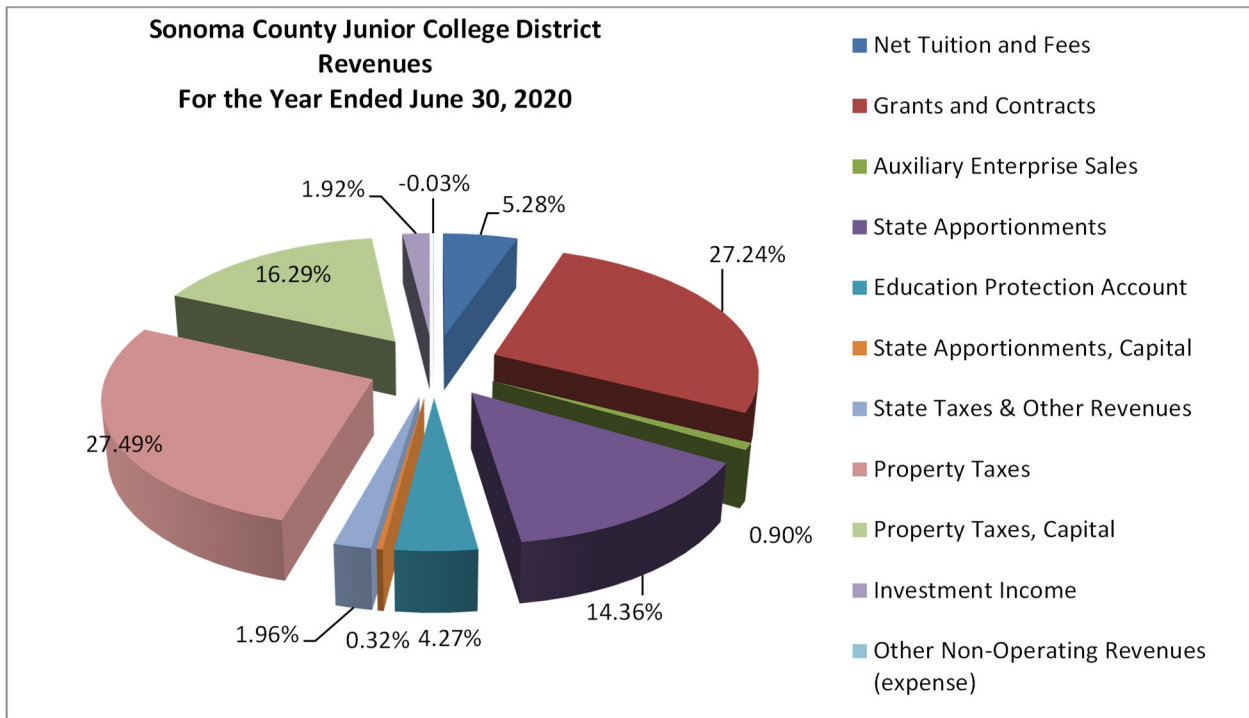
SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Revenues

For the Year Ended June 30, 2020

Net Tuition and Fees	\$ 12,293,412
Grants and Contracts	63,431,340
Auxiliary Enterprise Sales	2,093,070
State Apportionments	33,439,231
Education Protection Account	9,942,701
State Apportionments, Capital	738,488
State Taxes & Other Revenues	4,553,579
Property Taxes	64,002,983
Property Taxes, Capital	37,927,150
Investment Income	4,476,144
Other Non-Operating Revenues (expense)	<u>(58,582)</u>
Total Revenues	<u><u>\$ 232,839,516</u></u>



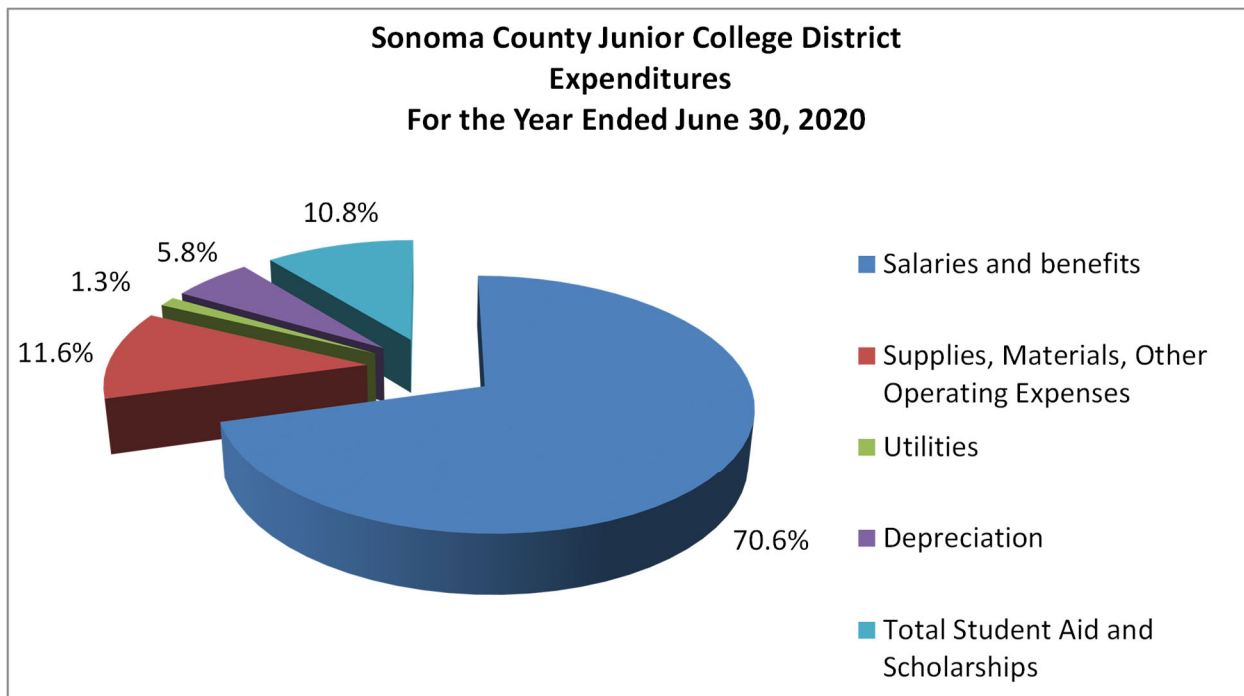
SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Operating Expenses (by natural classification)

	<u>For the Year Ended June 30, 2020</u>
Salaries	\$ 99,120,757
Employee Benefits	56,357,701
Supplies and Materials	6,966,118
Other Operating Expenses and Services	18,497,727
Utilities	2,757,242
Depreciation	12,680,581
Total Student Aid and Scholarships	<u>23,748,447</u>
 Total Operating Expenses	 <u><u>\$ 220,128,573</u></u>

Salaries and benefits	\$ 155,478,458
Supplies, Materials, Other Operating Expenses	25,463,845
Utilities	2,757,242
Depreciation	12,680,581
Total Student Aid and Scholarships	<u>23,748,447</u>
 Total Operating Expenses	 <u><u>\$ 220,128,573</u></u>

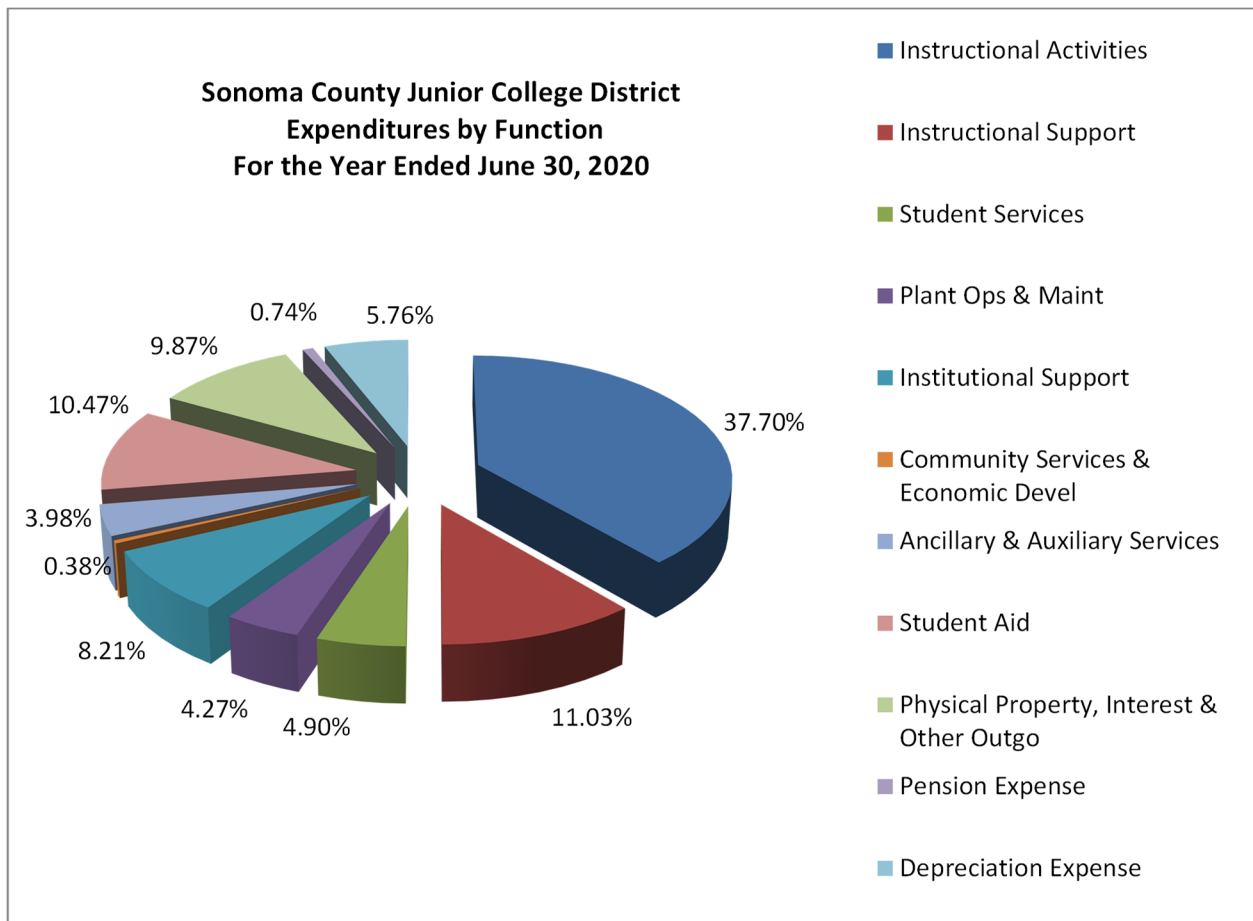


SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Operating Expenses (by function)

	For the Year Ended June 30, 2020
Instructional Activities	\$ 82,978,838
Instructional Support	24,279,421
Student Services	10,775,979
Plant Ops & Maint	9,394,181
Institutional Support	18,078,999
Community Services & Economic Devel	838,462
Ancillary & Auxiliary Services	8,760,321
Student Aid	23,042,388
Physical Property, Interest & Other Outgo	21,719,161
Pension Expense	1,625,571
Depreciation Expense	12,680,581
Bond Costs	5,954,670
Total	<u>\$ 220,128,573</u>



SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

Statement of Cash Flows

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

	For the Years Ended June 30	
	2020	2019
Net Cash provided (Used) By:		
Operating activities	\$(133,580,562)	\$(105,894,508)
Non-capital financing activities	108,020,659	105,479,503
Capital and related financing activities	156,869,440	(63,162,707)
Investment activities	1,558,399	1,909,082
Net increase (decrease) in cash	132,867,936	(61,668,630)
Cash - Beginning of the fiscal year	107,433,556	169,102,186
Cash - End of the fiscal year	<u>\$ 240,301,492</u>	<u>\$ 107,433,556</u>

- ❖ Net cash used for operating activities increased by \$27.7 million from the prior year. This change was largely due to changes in payments to suppliers and employees.
- ❖ Net cash provided by noncapital financing activities are from state apportionments and property taxes and increased by \$2.54 million over prior year, mostly due to changes in timing of payments.
- ❖ Capital and related financing activities include cash provided from local property taxes collected for debt service, state apportionment for capital purposes and interest on capital investments. Cash outflows relate to purchases of capital assets (\$42.1 million) and principal and interest payments on capital debt (\$35.9 million). Cash inflows were comprised of proceeds from the sale of Series B of Measure H (\$180 million) and related premium (\$15.2 million), property taxes (\$37.9 million), and interest in capital investments (\$2.9 million).

Capital Assets

- ❖ The \$251.7 million Measure A General Obligation Bond program, was completely expended in 2016/17. The District issued the 2002 General Obligation Bonds, Series A, in the amount of \$60 million on February 4, 2003 and the 2002 General Obligation Bonds, Series B, in the amount of \$105 million on October 13, 2005. The 2002 General Obligation Bonds, Series C in the amount of \$69.71 million were issued on September 17, 2007, and the 2002 General Obligation Bonds, Series D in the amount of \$16.99 million were issued on April 2, 2008. As of June 30, 2020, there was \$60.9 million outstanding and with the final payments to be made in 2029/30.
- ❖ In 2019/20, the sixth year of the \$410 million Measure H General Obligation Bond program, the District continued its major construction with the Burbank remodel, the Lindley Center for STEM education, and the renovation of the Athletic fields. The Jeff Kunde classroom building was completed and the District started the major Tauzer renovation and central plant projects. There were also numerous maintenance projects and technology and equipment purchases. The District had additions of \$42.1 million in capital assets for the year, of which \$39.6 million were for

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

construction costs and land improvements. Measure H was passed by the voters in November 2014 and the District issued the first series of the bonds for \$125 million in December 2016 and Series B for \$180 million in November 2019.

Economic Factors That May Affect the Future

- ❖ In October 2017, a devastating firestorm ripped through Santa Rosa and thousands of structures were destroyed. Hundreds of District students and employees lost their homes. The District received an emergency conditions waiver which held its apportionment funding at pre-fire levels plus increases for COLA for 2017/18, 2018/19, and 2019/20. The District has been granted an extension for two additional fiscal years (2020/21 and 2021/22) with the ability to request additional annual extensions for 2022/23 and 2023/24.
- ❖ The Student Centered Funding Formula went into effect for the California Community College system in 2018/19. The new formula would cause a decrease in funding for the District however, the District is operating under the emergency conditions waiver, and there is also a hold harmless provision in the funding formula, so the loss of revenue won't fully begin to impact the District until 2024/25.
- ❖ As noted earlier, student attendance has been steadily declining. To address this, the District entered a reorganization period of realigning resources and examining all district programs to ensure that they are meeting the core mission of the district. The District has been implementing the five-year long range plan back to fiscal stability that outlines multi-million dollar reductions over the next few years. The District continues to conduct reviews and realignments to ensure the needs of the students continue to be met as we continue to implement the plan.
- ❖ The State's primary employee pension providers, CalPERS and CalSTRS, are significantly underfunded and the system has seen dramatic increases in employer contributions. From 2013/14 to 2019/20, the employer contribution for CalSTRS increased from 8.25% to 17.1%. CalPERS employer contributions have also increased in that same time period from 11.442% to 19.72%. The State of California provided temporary relief as part of the 2019/20 budget package but the District expects to see additional significant contribution increases over the next couple years.
- ❖ COVID-19 created a worldwide pandemic in the spring of 2020. The District transitioned to remote services but has still seen a significant financial impact from the virus and subsequent recession. Enrollment has declined significantly, however the District expects it to rebound when onsite instruction resumes. The District also anticipates multi-million dollar losses of revenue in 2020/21 from services that cannot be charged for in the remote environment, such as loss of parking, facility use, commission, and other fee revenue. The recession also caused significant revenue loss at the state level, which equated to \$23 million in apportionment payment deferrals to the District. The District anticipates issuing Tax Revenue Anticipation Notes to bridge its cash needs until the payments from the state resume.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Institution	Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 23,425,125	\$ 6,592,550
Restricted Cash and Cash Equivalents	197,082,541	
Cash with Trustee	1,010,033	
Deposits Held in Escrow	122,824	
Accounts Receivable	15,058,743	1,015,372
Pledges Receivable		102,300
Inventory	31,028	
Prepaid Expenses	173,399	
Total Current Assets	<u>236,903,693</u>	<u>7,710,222</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	18,660,969	
Restricted Investments		57,597,824
Endowment Fund		976,252
Pledges Receivable		49,598
Nondepreciable Capital Assets	62,443,894	
Depreciable Capital Assets, Net	359,711,499	
Total Noncurrent Assets	<u>440,816,362</u>	<u>58,623,674</u>
TOTAL ASSETS	<u>677,720,055</u>	<u>66,333,896</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding	9,462,626	
Deferred Outflows of Resources Related to OPEB	3,249,558	
Deferred Outflows of Resources Related to Pensions	33,598,347	
Total Deferred Outflows of Resources	<u>46,310,531</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 724,030,586</u>	<u>\$ 66,333,896</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 13,876,422	\$ 95,759
Unearned Revenue	10,220,214	10,000
Interest Payable	6,015,247	
Liabilities Under Charitable Remainder Trusts		5,973
Amounts Held on Behalf of Others	972,238	1,188,223
Long-Term Liabilities Due Within One Year	36,416,770	
Total Current Liabilities	<u>67,500,891</u>	<u>1,299,955</u>
Noncurrent Liabilities:		
Total OPEB Liability	32,158,518	
Net Pension Liability	151,020,656	
Long-term Liabilities	395,848,303	
Total Noncurrent Liabilities	<u>579,027,477</u>	
TOTAL LIABILITIES	<u>646,528,368</u>	<u>1,299,955</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Charitable Remainder Trusts		2,749,384
Deferred Inflows of Resources Related to OPEB	1,292,289	
Deferred Inflows of Resources Related to Pensions	9,334,992	
Total Deferred Inflows of Resources	<u>10,627,281</u>	<u>2,749,384</u>
NET POSITION:		
Net Investment in Capital Assets	161,774,244	
Restricted for:		
Capital Projects	7,991,984	
Debt Service	64,637,707	
Other Special Purposes		
Restricted by Donors		59,783,273
Other (nonexpendable)		976,252
Unrestricted (Deficit)	<u>(167,528,998)</u>	<u>1,525,032</u>
TOTAL NET POSITION	<u>\$ 66,874,937</u>	<u>\$ 62,284,557</u>

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2020

	Primary Institution	Foundation
OPERATING REVENUES:		
Tuition and Fees (gross)	\$ 19,417,730	
Less: Scholarship Discounts and Allowances	(7,124,318)	
Net Tuition and Fees	12,293,412	
Grants, Contracts, and Donations, Noncapital:		
Federal	19,904,450	
State	37,332,339	
Local	6,194,551	
Contributions		\$ 6,141,917
Other		371,154
Auxiliary Enterprise Sales and Charges	2,093,070	
TOTAL OPERATING REVENUES	77,817,822	6,513,071
OPERATING EXPENSES:		
Academic Salaries	60,133,002	
Classified Salaries	38,987,755	
Employee Benefits	56,357,701	
Supplies and Materials	6,966,118	
Other Operating Expenses and Services	18,497,727	944,676
Utilities	2,757,242	
Depreciation	12,680,581	
Student Financial Aid and Scholarships	23,748,447	4,617,942
TOTAL OPERATING EXPENSES	220,128,573	5,562,618
OPERATING GAIN (LOSS)	(142,310,751)	950,453
NON-OPERATING REVENUES (EXPENSES):		
State Apportionments, Noncapital	33,439,231	
Education Protection Account	9,942,701	
Local Property Taxes	64,002,983	
State Taxes and Other Revenues	4,553,579	
Investment Income - Noncapital	1,558,399	2,855,043
Investment Income - Capital	2,917,745	
Interest Expense on Capital Asset-Related Debt	(9,911,105)	
Other Non-Operating Expenses	(58,582)	
Other Non-Operating Transfers		(1,116,821)
TOTAL NON-OPERATING REVENUES (EXPENSES)	106,444,951	1,738,222
GAIN (LOSS) BEFORE CAPITAL REVENUES:	(35,865,800)	2,688,675
State Apportionments, Capital	738,488	
Local Property Taxes and Revenues, Capital	37,927,150	
INCREASE IN NET POSITION	2,799,838	2,688,675
NET POSITION, BEGINNING OF YEAR	64,075,099	59,595,882
NET POSITION -- END OF YEAR	\$ 66,874,937	\$ 62,284,557

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2020

	<u>Primary Institution</u>	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	\$ 12,018,695	
Federal Grants and Contracts	18,575,990	
State Grants and Contracts	28,285,890	
Local Grants and Contracts	6,147,763	
Contributions		\$ 4,995,546
Payments to Suppliers	(39,552,436)	
Payments to/on behalf of Employees	(137,312,068)	
Payments to/on behalf of Students	(24,254,842)	(4,617,942)
Auxiliary Enterprise Sales and Charges	2,114,756	
Other Receipts and Payments	<u>395,690</u>	<u>(504,598)</u>
Net Cash Provided (Used) by Operating Activities	<u>(133,580,562)</u>	<u>(126,994)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State Apportionments and Receipts	44,179,469	
Property Taxes	64,002,983	
Student Organization Agency Disbursements	(161,793)	
Interest on Noncapital Investments		1,056,587
Other Transfers		<u>(1,116,821)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>108,020,659</u>	<u>(60,234)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Capital/Refunding Bonds	261,400,000	
Premiums Received on Capital/Refunding Bonds	15,216,872	
Bond Issuance Costs Paid on Capital/Refunding Bonds	(1,411,256)	
State Apportionments for Capital Purposes	(252,485)	
Purchases of Capital Assets	(42,084,734)	
Proceeds from Sales of Capital Assets	41,616	
Principal Paid on Capital Debt	(17,000,000)	
Payment to Escrow Account on Refunded Bonds	(80,932,551)	
Interest Paid on Capital Debt	(18,939,422)	
Interest on Capital Investments	2,917,745	
Local Property Taxes and Other Revenues for Capital Purposes	<u>37,913,655</u>	
Net Cash Provided by Capital and Related Financing Activities	<u>156,869,440</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments		(29,672,106)
Sales and Maturities of Investments		29,878,042
Gain on Pooled Cash and Cash Equivalents	<u>1,558,399</u>	
Net Cash Provided by Investing Activities	<u>1,558,399</u>	<u>205,936</u>
NET INCREASE IN CASH AND EQUIVALENTS	132,867,936	18,708
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	<u>107,433,556</u>	<u>6,573,842</u>
CASH AND EQUIVALENTS -- END OF YEAR	<u>\$ 240,301,492</u>	<u>\$ 6,592,550</u>

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (Continued) YEAR ENDED JUNE 30, 2020

	<u>Primary Institution</u>	<u>Foundation</u>
Reconciliation to Balance Sheet:		
Cash and Cash Equivalents	\$ 23,425,125	\$ 6,592,550
Restricted Cash and Cash Equivalents - Current	197,082,541	
Cash with Trustee	1,010,033	
Deposits Held in Escrow	122,824	
Restricted Cash and Cash Equivalents - Noncurrent	<u>18,660,969</u>	
Total Cash and Cash Equivalents	<u>\$ 240,301,492</u>	<u>\$ 6,592,550</u>
RECONCILIATION OF NET OPERATING GAIN (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	\$ (142,310,751)	\$ 950,453
Donated Investments		(24,632)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	12,680,581	
Changes in:		
Accounts Receivable	(1,746,190)	(1,013,428)
Pledges Receivable		182,586
Inventories, Prepaids, and Other Assets	64,131	216,620
Endowment Fund		41,937
Deferred Outflows Related to Pensions	4,852,859	
Deferred Outflows Related to OPEB	(1,549,924)	
Accounts Payable	(10,575,024)	(210,371)
Unearned Revenue	(1,675,308)	(257,834)
Charitable remainder trust assets		23,001
Compensated Absences	935,816	
Total OPEB Liability	1,858,973	
Net Pension Liability	3,909,050	
Early Retirement Incentive	(1,565,447)	
Liabilities Under Charitable Remainder Trusts		(295)
Amounts Held on Behalf of Others		(12,327)
Deferred Inflows Related to Charitable Remainder Trusts		(22,704)
Deferred Inflows Related to OPEB	(222,424)	
Deferred Inflows Related to Pensions	<u>1,763,096</u>	
Net Cash Provided (Used) by Operating Activities	<u>\$ (133,580,562)</u>	<u>\$ (126,994)</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Amortization of Deferred Charge on Refunding	\$ 942,484	
Amortization of Premium on Long-Term Debt	12,508,048	
Receipt of donated capital assets	<u>13,495</u>	
Net Non-Cash Investing, Capital, and Financing Activities	<u>\$ 13,464,027</u>	<u>\$</u>

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2020

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 819,361
Accounts Receivable	<u>5,723</u>
TOTAL ASSETS	<u><u>\$ 825,084</u></u>
LIABILITIES:	
Accounts Payable	\$ 15,454
Due to District	2,997
Amounts Held in Trust for Others	<u>806,633</u>
TOTAL LIABILITIES	<u><u>\$ 825,084</u></u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

1. ORGANIZATION AND REPORTING ENTITY

The Sonoma County Junior College District (the District) was established in 1918 with the founding of Santa Rosa Junior College. The District operates a campus in the City of Santa Rosa, a campus in the City of Petaluma, a criminal justice training center in the Town of Windsor, an agricultural center in the Town of Forestville, and classes at numerous other locations throughout the District.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statements No. 39 and 61. The District, based on its evaluation of these criteria, identified the Santa Rosa Junior College Foundation (the Foundation) as a component unit.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units*, issued by the American Institute of Certified Public Accountants (AICPA).

Basis of Accounting – For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. All significant interfund transactions have been eliminated.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office of the California Community Colleges' Budget and Accounting Manual, which is consistent with generally accepted accounting principles in the United States of America.

In addition to the District's business-type activities, the District maintains fiduciary funds. These funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are accounted for using the economic resources measurement focus. The District reports the following fiduciary funds:

Agency Funds – These funds include the Associated Students, Student Center Fee, and the Student Representation Fee funds. The amounts reported for the Associated Students Fund represent the combined totals of all accounts for the various student body clubs and activities within the District.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Individual totals, by club, are maintained within the Associated Student's accounting system. The Student Center Fee Fund accounts for an annual building and operating fee for the purpose of financing, constructing, enlarging, remodeling, refurbishing, and operating a student body center. The Student Representation Fee Fund accounts for the student representation fee assessment, which is used by students for legislative advocacy.

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

The budget is revised during the year to incorporate categorical funds which are awarded during the year and miscellaneous changes to the spending plans. Revisions to the budget are approved by the District's governing board.

Estimates Used in Financial Reporting – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. Funds invested in the county treasurer's investment pool are considered cash equivalents.

Restricted Cash, Cash Equivalents, and Investments – Cash, cash equivalents, and investments that are externally restricted per contractual obligations are classified as current or non-current assets in the statement of net position based on anticipated use.

Accounts Receivable – Accounts receivable consist of amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenses based on a contract or agreement between the District and the funding source. Additionally, accounts receivable consist of tuition and fee charges to students.

Inventory – Inventories are stated at the cost method (first-in, first-out method) or at market.

Capital Assets – Capital assets are those assets purchased or acquired with a minimum original cost of \$20,000 for Buildings and Improvement of Sites, and \$5,000 for all other capital assets. These assets are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvement of Sites	20
Buildings	50
Vehicles	8
Restricted Programs - Machinery	5-15
Machinery and Equipment	5-15

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Deferred Outflows/Deferred Inflows of Resources – In addition to assets, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred charge on refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension and OPEB plans after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability and OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 9 for further details related to these pension deferred outflows and inflows. See Note 10 for details related to the OPEB deferred outflows and inflows.

Pensions – Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Unearned Revenues – Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grants, contracts, and certain categorical programs that have not yet been earned.

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Noncurrent Liabilities – Non-current liabilities include estimated amounts for accrued postemployment benefits, net pension liabilities, and bond repayments and related interest that will not be paid within the next fiscal year.

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

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

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

Classification of Revenues – The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

- **Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) most Federal, State, and local grants and contracts and Federal appropriations.
- **Non-operating revenues:** Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting" and GASB No. 34, such as State appropriations and investment income.

Scholarship Discounts and Allowances and Financial Aid – Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. The District offers the California Community Colleges Promise grants to qualified students and these tuition waivers are reported as scholarship discounts and allowances. Grants, such as Federal, State, or non-governmental programs, are recorded as operating or non-operating revenues in the District's financial statements.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Property Taxes – Secured property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of Sonoma bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

Future Accounting Pronouncements – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the required implementation for the District during the year ending June 30, 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

In June 2017, the GASB issued Statement No. 87, *Leases*, amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the required implementation for the District during the year ending June 30, 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Management is in the process of evaluating the impact these two new statements will have on the District's future financial statements.

3. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position of the Primary Institution:	
Cash and Cash Equivalents	\$ 23,425,125
Restricted Cash and Cash Equivalents – Current	197,082,541
Restricted Cash and Cash Equivalents – Noncurrent	18,660,969
Deposits Held in Escrow	122,824
Cash with Trustee	1,010,033
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	<u>819,361</u>
Total Cash and Cash Equivalents	<u>\$ 241,120,853</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The District's cash and cash equivalents as of June 30, 2020 consist of the following:

Cash and Cash Equivalents in Sonoma County Treasury	\$ 237,593,139
Deposits with Financial Institutions	2,334,771
Cash on Hand	60,086
Deposits Held in Escrow	122,824
Cash Equivalents with Fiscal Agent:	
Cash Held by Trustee	<u>1,010,033</u>
Total Cash and Cash Equivalents	<u>\$ 241,120,853</u>

Cash in County Treasury

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

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

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

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptance	180 days	40%	30%
Commercial Paper (pooled and non-pooled)	270 days	25% or 40%	10%
Negotiable Certificates of Deposits	5 years	30%	30%
Non-negotiable Certificates of Deposits	5 years	None	None
Deposit Placement Services	5 years	50%	30%

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

<u>Authorized Investment Type (continued)</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
CD Placement Services	5 years	50%	30%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds & Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None
Public Bank Obligations	5 years	None	None

Investments Authorized by Debt Agreements

\$151,105,803 of the District's cash and cash equivalents with the Treasury represents unspent proceeds of the 2014 General Obligation Bonds, Series B at June 30, 2020, which is restricted for specific purposes under terms of the bonds offering.

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2020, the weighted average maturity of the investments contained in the District's Treasury's investment pool is approximately 787 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The proportion of investments in each of the permissible investment categories is restricted as defined in the *California Government Code*, Sections 53601 and 53635. The District does not hold any investments that constitute 5% or more of its total investment balance.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Cash on Hand, in Banks, and in Revolving Fund

As of June 30, 2020, the carrying amount of the District's bank balance was \$2,221,452. Of the bank balance, \$262,474 was insured by the Federal Depository Insurance Corporation (FDIC). Cash on hand of \$60,086 is not insured. District deposits held with financial institutions in excess of FDIC limits were \$1,958,978. Of the total bank balance, \$1,898,739 is held by the primary institution and \$322,713 is held by fiduciary funds.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents are \$215,743,510 at June 30, 2020. Included in this restricted balance is \$151,105,803 for the 2014 Series B General Obligation Bonds of unspent proceeds and \$64,637,707 for the assessments collected by the County Treasurer's Office on behalf of the District for the repayment of the District's general obligation bonds.

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available.

Fair Value Measurement

GASB 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The County Treasury Pooled Investment Fund is subject to fair value measurement; however, they are not subject to the fair value hierarchy.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2020:

Federal Grants and Contracts	\$ 2,651,141
State Grants and Contracts	1,866,889
Local Grants and Contracts	362,691
State Apportionment – Non-Capital	5,229,777
Auxiliaries	27,492
Tuition and Fees	1,734,562
Other	<u>3,186,191</u>
Totals	<u>\$ 15,058,743</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Capital Assets, Not Depreciated:					
Land	\$ 14,855,799	\$ 563,468			\$ 15,419,267
Construction in Progress	48,520,442	22,293,765		\$(23,789,580)	47,024,627
Total Capital Assets, Not Depreciated	<u>63,376,241</u>	<u>22,857,233</u>		<u>(23,789,580)</u>	<u>62,443,894</u>
Capital Assets, Depreciated:					
Buildings	409,672,027	14,157,040		23,789,580	447,618,647
Improvement of Sites	36,449,060	3,146,600			39,595,660
Vehicles	3,703,677	508,393	\$ (156,700)		4,055,370
Machinery and Equipment	18,695,751	1,428,964	(757,572)		19,367,143
Total Capital Assets, Depreciated	<u>468,520,515</u>	<u>19,240,997</u>	<u>(914,272)</u>	<u>23,789,580</u>	<u>510,636,820</u>
Less Accumulated Depreciation for:					
Buildings	(114,395,204)	(10,354,251)			(124,749,455)
Improvement of Sites	(11,015,480)	(1,409,827)			(12,425,307)
Vehicles	(2,601,587)	(289,077)	118,620		(2,772,044)
Machinery and Equipment	(11,046,543)	(627,426)	695,454		(10,978,515)
Total Accumulated Depreciation	<u>(139,058,814)</u>	<u>(12,680,581)</u>	<u>814,074</u>		<u>(150,925,321)</u>
Total Capital Assets, Depreciated, Net	<u>329,461,701</u>	<u>6,560,416</u>	<u>(100,198)</u>		<u>359,711,499</u>
Capital Assets, Net	<u>\$ 392,837,942</u>	<u>\$ 29,417,649</u>	<u>\$ (100,198)</u>	<u>\$</u>	<u>\$ 422,155,393</u>

6. LONG-TERM LIABILITIES

General Obligation Refunding Bonds

In November 2019, the District issued the 2019 General Obligation Refunding Bonds, in the amount of \$81,400,000, with interest rates ranging from 1.837% - 2.639%. The debt was issued by the District to advance refund \$71,185,000 of the District's outstanding 2013 General Obligation Refunding Bonds and pay the costs of issuance of the Refunding Bonds. The District completed the refunding to reduce debt service payments by \$3,260,530, which reduced the taxpayers yearly bond tax payment and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,916,368 in aggregate. The District defeased the bonds by placing proceeds of the 2019 General Obligation Refunding Bonds in an irrevocable escrow account to provide for future debt service, accordingly the assets and liabilities of the defeased bonds are not included in the Statement of Net Position.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The 2019 General Obligation Refunding Bonds mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,140,000	\$ 1,414,976	\$ 3,554,976
2022	1,270,000	1,927,451	3,197,451
2023	1,295,000	1,904,121	3,199,121
2024	1,320,000	1,878,622	3,198,622
2025	10,535,000	1,852,341	12,387,341
2026-2030	<u>64,840,000</u>	<u>5,217,959</u>	<u>70,057,959</u>
Totals	<u>\$ 81,400,000</u>	<u>\$ 14,195,470</u>	<u>\$ 95,595,470</u>

In December 2016, the District issued General Obligation Refunding Bonds, in the amount of \$20,795,000, with interest rates ranging from 3.00% - 5.00%. The debt was issued to provide resources to defease the remaining outstanding principal amount of General Obligation Bonds, Series B, and interest accrued until the date of defeasement. The net carrying amount of the old debt, made up of outstanding principal and unamortized premium, exceeded the reacquisition price, resulting in a deferred amount on refunding. This deferred amount on refunding is included in the net deferred outflows of resources on the statement of net position. The deferred charge on refunding at June 30, 2020 of \$(652,735) is being amortized over the remaining life of the new debt.

The 2016 General Obligation Refunding Bonds mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021		\$ 936,688	\$ 936,688
2022		936,687	936,687
2023		936,688	936,688
2024		936,687	936,687
2025	\$ 3,035,000	860,813	3,895,813
2026-2030	<u>17,205,000</u>	<u>2,021,518</u>	<u>19,226,518</u>
Subtotal	20,240,000	6,629,081	26,869,081
Plus: Unamortized Premium	<u>2,400,164</u>		<u>2,400,164</u>
Totals	<u>\$ 22,640,164</u>	<u>\$ 6,629,081</u>	<u>\$ 29,269,245</u>

In May 2013, the District issued General Obligation Refunding Bonds, in the amount of \$133,215,000, with interest rates ranging from 2.00% - 5.00%. The debt was issued to provide resources to purchase U.S. Government State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$137,302,500 of General Obligation Bonds, Series B, and \$93,758,875 of General Obligation Bonds, Series C. As a result, the refunded bonds are considered to be partially defeased as a legal defeasance and a prorated portion of the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt resulting in a deferred charge on refunding. The deferred charge on refunding at

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

June 30, 2019 of \$10,115,361 is being amortized over the remaining life of the new debt. As described above, the outstanding balance on these bonds was partially refunded in November 2019. The remaining liability is presented below.

The 2013 General Obligation Refunding Bonds mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 8,845,000	\$ 5,255,150	\$ 14,100,150
2022	9,640,000	4,866,500	14,506,500
2023	10,560,000	4,382,000	14,942,000
2024	<u>11,580,000</u>	<u>4,382,000</u>	<u>15,962,000</u>
Subtotals	40,625,000	18,885,650	59,510,650
Plus: unamortized premiums	<u>6,415,241</u>		<u>6,415,241</u>
Totals	<u>\$ 47,040,241</u>	<u>\$ 18,885,650</u>	<u>\$ 65,925,891</u>

General Obligation Bonds

In November 2019, the District issued the 2014 General Obligation Bonds, Series B, in the amount of \$180,000,000, with an interest rate of 2.875% - 4.00%.

The General Obligation Bonds, Series B mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 20,535,000	\$ 4,715,846	\$ 25,250,846
2022	19,635,000	5,733,444	25,368,444
2023	19,300,000	4,948,044	24,248,044
2024	3,025,000	4,176,044	7,201,044
2025	3,305,000	4,055,044	7,360,044
2026-2030	21,260,000	18,046,619	39,306,619
2031-2035	30,760,000	13,072,819	43,832,819
2036-2040	42,015,000	6,836,738	48,851,738
2041-2042	<u>20,165,000</u>	<u>902,711</u>	<u>21,067,711</u>
Subtotal	180,000,000	62,487,309	242,487,309
Plus: Unamortized Premium	<u>14,752,164</u>		<u>14,752,164</u>
Totals	<u>\$ 194,752,164</u>	<u>\$ 62,487,309</u>	<u>\$ 257,239,473</u>

In December 2016, the District issued the 2014 General Obligation Bonds, Series A, in the amount of \$125,000,000, with an interest rate of 3.00% - 5.00%.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The General Obligation Bonds, Series A mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 630,000	\$ 3,102,900	\$ 3,732,900
2022	770,000	3,074,900	3,844,900
2023	915,000	3,041,200	3,956,200
2024	1,070,000	3,001,500	4,071,500
2025	1,235,000	2,955,400	4,190,400
2026-2030	9,165,000	13,666,700	22,831,700
2031-2035	15,455,000	10,923,625	26,378,625
2036-2040	24,090,000	6,307,700	30,397,700
2041-2042	12,760,000	650,750	13,410,750
Subtotal	66,090,000	46,724,675	112,814,675
Plus: Unamortized Premium	9,027,009		9,027,009
Totals	<u>\$ 75,117,009</u>	<u>\$ 46,724,675</u>	<u>\$ 121,841,684</u>

Early Retirement Incentive

During 2019, District made available and approved a Supplemental Employee Retirement Plan (SERP) to provide eligible employees with a monthly income supplement. 98 employees accepted the incentive. The amount of the incentive is eighty percent of the eligible employee's final base salary, offered in several benefit payment alternatives, with total eligible benefits being paid to retirees ranging between 5 and 10 years. The benefits will be paid through annuities purchased through an insurance company by the District. District contributions to the eligible employees will not be considered creditable compensation for CalPERS and CalSTRS. The District's liability for this early retirement incentive is \$6,261,789 as of June 30, 2020. Annual requirements to amortize the liability outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2021	\$ 1,565,447
2022	1,565,447
2023	1,565,447
2024	1,565,448
	<u>\$ 6,261,789</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 255,240,754	\$ 276,616,872	\$ 110,908,048	\$ 420,949,578	\$ 32,150,000
Early Retirement Incentive	7,827,236		1,565,447	6,261,789	1,565,447
Compensated Absences	4,117,890	3,046,235	2,110,419	5,053,706	2,701,323
Total	<u>\$ 267,185,880</u>	<u>\$ 279,663,107</u>	<u>\$ 114,583,914</u>	<u>\$ 432,265,073</u>	<u>\$ 36,416,770</u>

7. SELF INSURANCE AND JOINT VENTURES (Joint Powers Agreements)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and students; natural disasters; and providing dental benefits to employees. The District is partially self-insured for its general liability and property coverage, and is 100% self-insured for dental benefit coverage. The District has chosen to establish a risk financing internal service fund where assets are set aside for claim settlements associated with the above risks of loss up to certain limits.

The District participates in four joint ventures under joint powers agreements (JPAs), the Statewide Association of Community Colleges (SWACC), Schools Association for Excess Risk (SAFER), the Protected Insurance Program for Schools (PIPS), and the Statewide Educational Wrap Up Program (SEWUP). The relationship between the District and each JPA is such that no JPA is a component unit of the District for financial reporting purposes.

Each JPA is governed by a board consisting of a representative from each member organization. The boards control the operations of the JPAs, including selection of management and approval of operating budgets independent of any influence by the members beyond their representation on the governing boards. SWACC provides property and liability insurance for its members. PIPS arranges for and provides workers' compensation insurance for its members. SAFER provides services for the establishment, operation, and maintenance of a self-funded excess property and liability fund for California schools and community college districts. SEWUP provides workers' compensation, liability coverage, builder' risk, pollution, and owner's professional insurance (OPPI) for construction projects. The members of each JPA pay premiums commensurate with the level of coverage requested, and they share surpluses and deficits proportionate to their participation in the JPAs.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than that of the JPAs' governing boards. Complete separate financial statements for the JPAs may be obtained from:

<u>JPA</u>	<u>Address</u>
SWACC	180 Grand Avenue, Suite 1380; Oakland, CA 94612
PIPS	2355 Crenshaw Blvd., Suite 200; Torrance, CA 90501
SAFER	2355 Crenshaw Blvd., Suite 200; Torrance, CA 90501
SEWUP	2355 Crenshaw Blvd., Suite 200; Torrance, CA 90501

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

All property is insured at full replacement value. For the past three years, there have been no significant reductions in any of the District's insurance coverage types and no settlement amounts have exceeded commercial or authority insurance coverage.

Annual premiums are charged by each JPA using various allocation methods that include actual costs, trends in claims experience, and number of participants.

Condensed financial information reported by each JPA for the years indicated are as follows (not covered by independent auditor's report):

	SWACC Property/ Liability June 30, 2019	SAFER Property/ Liability June 30, 2019	PIPS Workers' compensation June 30, 2019	SEWUP Workers' compensation/ Liability June 30, 2019
Total Assets	<u>\$ 53,983,748</u>	<u>\$ 43,494,593</u>	<u>\$ 113,474,239</u>	<u>\$ 32,862,987</u>
Total Liabilities	<u>\$ 36,138,632</u>	<u>\$ 52,232,601</u>	<u>\$ 99,564,236</u>	<u>\$ 30,315,600</u>
Net Position (Deficit)	<u>17,845,116</u>	<u>(8,738,008)</u>	<u>33,910,003</u>	<u>2,547,387</u>
Total Liabilities and Net Position	<u>\$ 53,983,748</u>	<u>\$ 43,494,593</u>	<u>\$ 113,474,239</u>	<u>\$ 32,862,987</u>
Total Revenues	<u>\$ 25,464,876</u>	<u>\$ 67,893,879</u>	<u>\$ 315,861,808</u>	<u>\$ 16,291,936</u>
Total Expenses	<u>25,634,995</u>	<u>77,777,714</u>	<u>306,086,109</u>	<u>15,739,846</u>
Net Increase (Decrease) in Net Position	<u>\$ (170,119)</u>	<u>\$ (9,883,835)</u>	<u>\$ 9,775,699</u>	<u>\$ 522,090</u>

8. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

Litigation

The District is a defendant in various lawsuits. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Sick Leave

Employees do not gain a vested right to accumulated sick leave; however, they are entitled to service credit for the calculation of their retirement benefits. The District tracks the sick leave balance for each employee and reports it to PERS or STRS at retirement to determine the service credit.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Construction Commitments

The District has construction commitments of approximately \$29,354,979 at June 30, 2020. General Obligation Bonds have been approved for such construction commitments.

9. RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 16.15% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2020, was 17.10% of annual pay. District contributions to the CalSTRS Plan were \$7,234,088 for the year ended June 30, 2020.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

from 1.437% in 2014-15 to 5.811% in 2019-20. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the measurement period ended June 30, 2019, was 10.328% of the District's 2014-15 creditable CalSTRS compensation.

In addition to AB1469, California Senate Bill 90 (SB 90) signed June 27, 2019, appropriated from the State's General Fund \$1,117,000,000 in contributions on-behalf of school employers for the 2019-20 fiscal year to be transferred to the CalSTRS Plan. Furthermore, SB 90 will appropriate contributions for the 2020-21 fiscal year, such that it will result in school employers having to contribute .70 percentage points less than amounts set in existing prescribed schedules in the 2020-21 fiscal year. The District's proportionate share of the State's SB90 on-behalf contribution to the CalSTRS Plan for the period ended June 30, 2020 was \$1,403,131.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to the measurement date of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return ⁽¹⁾	7.10%
Mortality	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple for DB (Annually)
	Maintain 85% purchasing power
	Level for DB
	Not applicable for DBS /CBB

⁽¹⁾ Net of investment expenses, but gross of administrative expenses.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates 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%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS 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.

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-

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	47.00%	4.80%
Fixed Income	12.00%	1.30%
Real Estate	13.00%	3.60%
Private Equity	13.00%	6.30%
Risk Mitigating Strategies	9.00%	1.80%
Inflation Sensitive	4.00%	3.30%
Cash / Liquidity	2.00%	-0.40%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits 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. PEPPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2020, was 19.721% of annual pay. District contributions to the CalPERS Plan were \$7,388,619 for the year ended June 30, 2020.

Actuarial Assumptions

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases ⁽¹⁾	Varies
Investment Rate of Return	7.15%
Mortality ⁽²⁾	CalPERS' Membership Data
Post-Retirement Benefit Increase ⁽³⁾	Up to 2.50%

⁽¹⁾ Varies by entry age and service

⁽²⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, refer to the December 2017 CalPERS Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on CalPERS website.

⁽³⁾ 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results can be found on CalPERS' website.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class^(a)	New Strategic Allocation	Real Return Years 1 – 10^(b)	Real Return Years 11+^(c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

^(a) In the Plan's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.00% was used for this period.

^(c) An expected inflation of 2.92% was used for this period.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

As of June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's 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:	
CalSTRS Plan	\$ 73,155,960
CalPERS Plan	77,864,696
Total District net pension liability	<u>151,020,656</u>
State's proportionate share of CalSTRS net pension liability associated with the District	<u>40,047,052</u>
Total	<u>\$ 191,067,709</u>

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2019, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2019, was 0.081% and 0.2672% for the CalSTRS and CalPERS Plans, respectively, which was a decrease of 0.0010% and 0.0019%, respectively, from its proportion measured as of June 30, 2018 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2019, the District recognized pension expense of \$35,468,307 and revenue of \$10,320,595 for support provided by the State. At June 30, 2020, 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 expected and actual experience	\$ 5,840,783	\$ (2,061,450)
Changes in assumptions	12,959,231	(2,817,990)
Changes in proportion		(3,461,587)
Change in proportionate share of contributions	175,626	(271,756)
Net differences between projected and actual investment earnings of pension plan investments		(722,209)
District contributions subsequent to measurement date	<u>14,622,707</u>	
Total	<u>\$ 33,598,347</u>	<u>\$ (9,334,992)</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The \$14,622,707 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2021	\$ 7,056,773
2022	(519,558)
2023	1,230,148
2024	2,335,547
2025	(133,540)
Thereafter	(328,722)

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 of the Plans as of the measurement date, calculated using the discount rate, 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 or 1 percentage-point higher than the current rate:

	<u>Discount Rate -1% (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>Discount Rate +1% (8.10%)</u>
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 108,935,280	\$ 73,155,960	\$ 43,488,090

	<u>Discount Rate -1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
District's proportionate share of the CalPERS Plan's net pension liability	\$ 112,236,840	\$ 77,864,696	\$ 49,350,629

Defined Contribution Plans

Two defined contribution retirement plans are offered to part-time employees. First, in addition to the CalSTRS plan previously described, effective January 1, 1998, the District offered its part-time employees participation in the Cash Balance Benefit Program (the Cash Balance Plan) for employees of California's public schools, sponsored by CalSTRS. Eligibility is determined by CalSTRS and retirement benefits are based on an amount equal to the balance of the participant's account, including interest earned on contributions, payable as either a lump-sum distribution or an annuity for balances over \$3,500. Participants have an immediate vested right to their benefits and no annual maintenance fees are allocated to the Cash Balance Plan.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The Cash Balance Plan requires contributions from the eligible members and from the District. Currently, the faculty members' and the District's required contributions are each 4% of gross salary. During the fiscal year ended June 30, 2020, employees and the District each contributed \$335,361 to the Cash Balance Plan.

The second defined contribution plan is a 403(b) plan administered by Fidelity Investments. The IRS recognizes a 403(b) investment plan as a qualified pension plan that employers may offer in lieu of Social Security to employees not covered by CalSTRS or CalPERS. This alternative retirement system has been in effect since January 1, 1992, and is an employee-directed defined contribution plan. Currently, both the members and the District contribute 3.75% of gross salary. Participants contributing to the 403(b) plan have an immediate vested right to their benefits. During the fiscal year ended June 30, 2020, employees and the District each contributed \$100,598 to the 403(b) plan.

10. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

In addition to the pension benefits described in Note 9, the District provides other postemployment health and welfare benefits (medical, prescription drug, and dental insurance) for eligible retired employees through a single-employer defined benefit OPEB plan (the Plan). The medical benefits are provided through the Self-Insured Schools of California (SISC). Dental benefits are self-insured by the District and administered by outside consultants. As of June 30, 2020, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Although not set aside in an irrevocable trust, the District has established a Retiree Benefits Fund whose assets are designated for payment of other postemployment benefits. This fund had a fund balance of \$1,521,145 at June 30, 2020.

Benefits Provided

Employees who have attained age 55 and have completed at least 15 years of full-time service with the District are eligible to retire and receive District-paid medical and dental coverages for retiree and dependents until age 65. For employees hired on or after October 1, 2013, the eligibility requirements are age 62 and 17 years of full-time service. Classified employees who work less than 100% full-time are credited with service on a pro-rata basis. Survivor benefits continue until the date the retiree would have reached age 65.

For almost all retirees, the District contributes up to the respective Kaiser HMO premium. The cap varies by coverage. There are four Classified retirees who are receiving grandfathered benefits and subject to existing 2014-15 co-premium levels, with the co-premium level increasing annually by the greater of the statutory COLA or the ongoing increase to the Classified salary schedule.

Upon attainment of age 65, retirees who have been covered under the District's Plan will receive a medical/dental stipend for life equal to \$84/month for single retirees and \$136.50/month for retiree and spouse. The continued payment of the stipend is conditioned upon the retiree providing proof of eligible medical or dental coverage. Effective July 1, 2020, the monthly stipend will increase to \$100/month for single retirees and \$176/month for retiree and spouse.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Employees Covered

As of the July 1, 2018 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	377
Inactive employees entitled to but not receiving benefits	0
Participating active employees	<u>822</u>
Total	<u>1,199</u>

Total OPEB Liability

The District's total OPEB liability of \$32,158,518 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated July 1, 2018, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount rate ⁽¹⁾	3.13%
Salary increases	3.00%
Inflation rate	3.00%
Health care cost trend rates	5.90% for 2019; 5.80% for 2020 decreasing 0.10% per year to 5.00% for 2028 and later years

⁽¹⁾ Based on Municipal Bond 20-Year High Grade Rate Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2018 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2018.

Changes in Assumptions

For the measurement date June 30, 2019, the discount rate was decreased from 3.62% to 3.13%.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (TOL)
Balance at June 30, 2019 (Measurement date June 30, 2018)	\$ 30,299,545
Changes recognized for the measurement period:	
Service cost	1,206,930
Interest on TOL	1,109,355
Changes in assumptions	1,280,758
Benefit payments	(1,738,070)
Net changes	<u>1,858,973</u>
Balance at June 30, 2020 (Measurement date June 30, 2019)	<u>\$ 32,158,518</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (2.13%)	Current Discount Rate (3.13%)	Discount Rate +1% (4.13%)
Total OPEB liability	\$ 35,031,579	\$ 32,158,518	\$ 29,624,196

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (4.90% decreasing to 4.00%)	Health Care Trend Rate (5.90% decreasing to 5.00%)	Discount Rate +1% (6.90% decreasing to 6.00%)
Total OPEB liability	\$ 29,642,219	\$ 32,158,518	\$ 35,064,095

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$2,255,543. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 2,168,918	
Differences between expected and actual experience		\$ (653,906)
Changes of assumptions	<u>1,080,640</u>	<u>(638,383)</u>
Total	<u>\$ 3,249,558</u>	<u>\$ (1,292,289)</u>

The \$2,168,918 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30</u>	
2021	\$ (22,306)
2022	(22,306)
2023	(22,306)
2024	(22,306)
2025	(22,306)
Thereafter	(100,119)

11. RISKS AND UNCERTAINTIES

On March 13, 2020, the District experienced disruption to its campuses as they were required by public health orders to close and move to virtual learning format in response to the Coronavirus/COVID-19 pandemic. Although the disruption is expected to be temporary, the District anticipates some financial impact due to the pandemic. However, the financial impact and duration cannot be reasonably estimated at this time

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIODS ENDED JUNE 30 LAST 10 YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 1,206,930	\$ 1,295,188	\$ 1,010,410
Interest	1,109,355	960,570	955,617
Differences between expected and actual experience		(858,135)	
Changes of assumptions	1,280,758	(879,002)	
Benefit payments	<u>(1,738,070)</u>	<u>(1,802,528)</u>	<u>(1,812,992)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	1,858,973	(1,283,907)	153,035
TOTAL OPEB LIABILITY, Beginning	<u>30,299,545</u>	<u>31,583,452</u>	<u>31,430,417</u>
TOTAL OPEB LIABILITY, Ending	<u><u>\$ 32,158,518</u></u>	<u><u>\$ 30,299,545</u></u>	<u><u>\$ 31,583,452</u></u>
 Covered-employee payroll	 \$ 70,431,864	 \$ 69,304,708	 \$ 66,331,272
 District's total OPEB liability as a percentage of covered-employee payroll	 45.66%	 43.72%	 47.61%

Notes to Schedule:

There were no changes to benefit terms during the measurement periods ending June 30, 2019 and 2018.

The District changed the assumed interest rate from 3.13% to 3.62% during the measurement period ending June 30, 2018 and from 3.62% to 3.13% during the measurement period ending June 30, 2019.

The District has not accumulated assets in a trust to pay for related OPEB benefits.

* Fiscal year 2018 was the 1st year of implementation, therefore only three years are presented.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2020 LAST 10 YEARS*

	CalSTRS Plan					
	Measurement Date					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.081%	0.082%	0.080%	0.083%	0.089%	0.086%
District's proportionate share of the net pension liability	\$ 73,155,960	\$ 75,363,740	\$ 73,984,000	\$ 67,131,230	\$ 59,918,360	\$ 50,255,820
State's proportionate share of the net pension liability associated with the District	<u>40,047,052</u>	<u>43,378,990</u>	<u>43,483,412</u>	<u>38,263,861</u>	<u>31,811,375</u>	<u>30,231,043</u>
Total	<u>\$ 113,203,012</u>	<u>\$ 118,742,730</u>	<u>\$ 117,467,412</u>	<u>\$ 105,395,091</u>	<u>\$ 91,729,735</u>	<u>\$ 80,486,863</u>
District's covered-employee payroll	\$ 43,979,286	\$ 43,191,311	\$ 41,128,188	\$ 39,288,231	\$ 37,976,024	\$ 35,051,949
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166%	174%	180%	171%	158%	143%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2019, 2018, 2016, 2015 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10% and wage growth changed from 3.75% to 3.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2020 LAST 10 YEARS*

	CalPERS Plan					
	Measurement Date					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2672%	0.2691%	0.2797%	0.2791%	0.2757%	0.2714%
District's proportionate share of the net pension liability	\$ 77,864,696	\$ 71,747,866	\$ 66,759,836	\$ 55,122,423	\$ 40,638,452	\$ 30,810,508
District's covered-employee payroll	\$ 37,962,083	\$ 36,703,058	\$ 35,663,359	\$ 33,475,412	\$ 30,965,438	\$ 29,799,775
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205%	195%	187%	165%	131%	103%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2019, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%. For the measurement date ended June 30, 2018, the demographic assumptions and inflation rates were changed. The inflation rate was lowered from 2.75% to 2.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

AS OF JUNE 30, 2020

LAST 10 YEARS*

	CalSTRS Plan					
	Fiscal Year					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 7,234,088	\$ 7,123,847	\$ 6,213,226	\$ 5,166,959	\$ 4,208,991	\$ 3,354,769
Contributions in relation to the contractually required contributions	<u>(7,234,088)</u>	<u>(7,123,847)</u>	<u>(6,213,226)</u>	<u>(5,166,959)</u>	<u>(4,208,991)</u>	<u>(3,354,769)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 42,314,096	\$ 43,979,286	\$ 43,191,311	\$ 41,128,188	\$ 39,288,231	\$ 37,976,024
Contributions as a percentage of covered-employee payroll	17.10%	16.20%	14.39%	12.56%	10.71%	8.83%

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

AS OF JUNE 30, 2020

LAST 10 YEARS*

	CalPERS Plan					
	Fiscal Year					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 7,388,619	\$ 6,813,269	\$ 5,667,937	\$ 4,952,867	\$ 3,965,995	\$ 3,592,525
Contributions in relation to the contractually required contributions	<u>(7,388,619)</u>	<u>(6,813,269)</u>	<u>(5,667,937)</u>	<u>(4,952,867)</u>	<u>(3,965,995)</u>	<u>(3,592,525)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 37,757,134	\$ 37,962,083	\$ 36,703,058	\$ 35,663,359	\$ 33,475,412	\$ 30,965,438
Contributions as a percentage of covered-employee payroll	19.57%	17.95%	15.44%	13.89%	11.85%	11.60%

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Award Amount	Program Expenditures
U.S. Department of Education:				
Student Financial Assistance Programs Cluster:				
Pell Grant Program	84.063	N/A	\$ 13,387,992	\$ 13,387,992
Supplemental Educational Opportunity Grant Program	84.007	N/A	373,459	373,459
Federal Work-Study Program	84.033	N/A	381,855	381,855
Direct Student Loan Program	84.268	N/A	1,407,964	1,407,964
Subtotal Student Financial Assistance Programs Cluster			<u>15,551,270</u>	<u>15,551,270</u>
Child Care Access Means Parents in School (CCAMPIS)	84.335	N/A	<u>55,083</u>	<u>55,083</u>
Education Stabilization Funds:				
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Student Portion	84.425E	N/A	710,630	710,630
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Institutional Portion	84.425F	N/A	696,595	696,595
Subtotal Education Stabilization Fund			<u>1,407,225</u>	<u>1,407,225</u>
Passed Through Humboldt State University:				
HSI STEM	84.031C	N/A	11,313	11,313
Hispanic Serving Institute - SRJC Meta4	84.031S	P031S140184-15	143,981	143,981
Subtotal CFDA 84.031			<u>155,294</u>	<u>155,294</u>
TRIO Student Support Services Cluster	84.042A	N/A	<u>290,943</u>	<u>290,943</u>
Passed Through California Community Colleges Chancellor's Office (CCCCO):				
Title II-C	84.048	04-C01-061	630,719	630,719
CTE Transitions	84.048	04-139-069	46,193	46,193
Subtotal Career and Technical Education			<u>676,912</u>	<u>676,912</u>
Passed Through California Department of Education:				
Adult Education (English As a Second Language)	84.002A	14508	<u>326,445</u>	<u>326,445</u>
Passed Through Office of Migrant Education:				
High School Equivalency Program	84.141A	N/A	<u>451,413</u>	<u>451,413</u>
Passed Through California Department of Rehabilitation:				
College to Career	84.126A	28109	<u>250,000</u>	<u>250,000</u>
Total U.S. Department of Education			<u>19,164,585</u>	<u>19,164,585</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued) YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Award Amount	Program Expenditures
U.S. Department of Health and Human Services:				
Passed Through CCCCO:				
Temporary Assistance to Needy Families (TANF)	93.558	N/A	75,667	75,667
Passed Through County of Sonoma:				
Temporary Assistance to Needy Families (SonomaWorks)	93.558	17-0405-1SW	200,000	200,000
Subtotal 477 Cluster			<u>275,667</u>	<u>275,667</u>
Local Dental Pilot Project (Cavity Free)	93.778	2017-0077-A00	1,910	1,910
Medical Administrative Activities - Medicaid Cluster	93.778	04-35070	<u>7,210</u>	<u>7,210</u>
Total U.S. Department of Health and Human Services			<u>284,787</u>	<u>284,787</u>
U.S. National Science Foundation:				
Passed Through City College of San Francisco:				
STEM Miles	47.076	DUE-1742635	<u>114,911</u>	<u>114,911</u>
Total U.S. National Science Foundation			<u>114,911</u>	<u>114,911</u>
U.S. Department of Agriculture:				
Passed Through CSU Chico:				
Cal Fresh Outlet - SNAP Cluster	10.561	N/A	96,370	96,370
Passed Through California Department of Education:				
Child and Adult Care Food Program	10.558	1800-1A	<u>36,430</u>	<u>36,430</u>
Total U.S. Department of Agriculture			<u>132,800</u>	<u>132,800</u>
U.S. Corporation of National and Community Service:				
National Service Trust Grant	94.006	N/A	<u>60,446</u>	<u>60,446</u>
Total U.S. Corporation of National and Community Service			<u>60,446</u>	<u>60,446</u>
Total Expenditures of Federal Awards			<u>\$ 19,757,529</u>	<u>\$ 19,757,529</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2020

Program Title	Entitlements	Program Revenues				Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Unearned/ Payables	Total	
21st Century Alternative Fuel		\$ 251,867		\$ 4,266	\$ 247,601	\$ 247,601
Adult Ed AB 86	\$ 1,004,730	1,918,359		826,857	1,091,502	1,091,502
Apprenticeship	270,620	270,620			270,620	270,620
Block Grant 00/01		709,225		709,225		
Cal Grants	1,773,868	1,740,774	\$ 33,094		1,773,868	1,773,868
California College Promise	1,432,216	1,709,383		536,809	1,172,574	1,172,574
CalWorks	421,525	443,965			443,965	443,965
Campus Safety Sexual Assault		23,748		23,323	425	425
Career Education (CE) Online	462,235	73,007	74,991		147,998	147,998
Child Development	935,921	907,000	13,921		920,921	920,921
Child Development Consortium	6,250	4,401		61	4,340	4,340
Classified Professional Devel.		90,477		81,258	9,219	9,219
Cooperative Agency Resource Education	92,234	92,234			92,234	92,234
CTE Food/Beverage		12		12		
CTE Outcomes Survey	1,867,150	1,160,470			1,160,470	1,160,470
CTE Outcomes Survey 2020	1,938,362	50,320	557,796	1,661	606,455	606,455
CTE Strong Workforce 17/18		402,611			402,611	402,611
CTE Strong Workforce 18/19		949,500		263,222	686,278	686,278
CTE Strong Workforce 19/20	2,124,883	2,122,127		924,508	1,197,619	1,197,619
CTE Strong Workforce Regional 16/17		24,356		24,356		
CTE Strong Workforce Regional 17/18		521,812			521,812	521,812
CTE Strong Workforce Regional 18/19			288,455		288,455	288,455
CTE Strong Workforce Regional 19/20	1,168,685		189,199		189,199	189,199
Deputy Sect Navigator Project	343,374	310,968			310,968	310,968
Deputy Sect Navigator Project 19/20	600,000	480,000		86,438	393,562	393,562
Disabled Student Program & Services	2,906,475	2,911,943		73,626	2,838,317	2,838,317
Dreamers		846		846		
DSN Rancho Sub Award	11,247	11,247			11,247	11,247
Education Planning Initiative		495		495		
Enrollment Growth	263,097	263,097		74,181	188,916	188,916
Extended Opportunity Program and Services	996,170	996,170		5	996,165	996,165
Faculty and Staff Diversity	50,000	111,577		67,695	43,882	43,882

See the accompanying notes to supplemental information.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2020

Program Title	Entitlements	Program Revenues				Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Unearned/ Payables	Total	
Financial Aid Administration	634,684	634,684		49,742	584,942	584,942
Financial Aid Technology	61,166	204,623		68,701	135,922	135,922
Foster Parent Training Program	132,602	106,182	22,569		128,751	128,751
Full Time Student Success						
Grants	1,208,006	1,439,514	2,335	233,843	1,208,006	1,208,006
Guided Pathways	380,676	1,007,879		876,206	131,673	131,673
Health Workforce Initiative		91,666			91,666	91,666
Hunger Free Campus 18/19		189,664		70,645	119,019	119,019
IEPI Leadership Development		2,840		1,118	1,722	1,722
Incarcerated Reentry Program	113,636	45,454		24,766	20,688	20,688
Innovation Grant		1,328,424		704,431	623,993	623,993
Instruction Equipment 18/19		65,763			65,763	65,763
Instruction Equipment 19/20	107,955	107,955		42,531	65,424	65,424
Instructional Equip 07/08		47,193		47,193		
Mental Health Services	147,158		137,050		137,050	137,050
Mental Health Support		98,783			98,783	98,783
MESA	113,636					
MESA Schools Pilot Program	74,515	29,806	24,768		54,574	54,574
MHSA-PEI	200,000	188,898	11,102		200,000	200,000
Microgrid Demo Project		(1,238,205)	416,929		(821,276)	(821,276)
NextUp	576,043	576,043		4	576,039	576,039
Program for Infant/Toddler						
Caregivers	29,592		29,592		29,592	29,592
Prop 39 CEA		381,798		23,101	358,697	358,697
Puente		7,948		7,948		
Scheduled Maintenance 13/14	1,500	1,500		527	973	973
Scheduled Maintenance 14/15		3,533			3,533	3,533
Scheduled Maintenance 16/17		40		40		
Scheduled Maintenance 17/18		226,988			226,988	226,988
Scheduled Maintenance 18/19		123,010			123,010	123,010
Scheduled Maintenance 19/20	107,955	107,955		62,265	45,690	45,690
Student Equity 18/19	5,880,014	5,880,014		1,503,619	4,376,395	4,376,395
Student Equity 19/20		1,472,667			1,472,667	1,472,667
Textbook Affordability Program		1,065		1,065		
Veterans Resource Center	17,699	151,550		90,533	61,017	61,017
YESS-ILP	22,500	15,608	6,892		22,500	22,500
Total	<u>\$ 28,478,379</u>	<u>\$ 31,853,453</u>	<u>\$ 1,808,693</u>	<u>\$ 7,507,122</u>	<u>\$ 26,155,024</u>	<u>\$ 26,155,024</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2020

STATE GENERAL APPORTIONMENT	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
<u>Categories</u>			
A. Summer Intersession (Summer 2019 Only)			
1. Noncredit	695.43		695.43
2. Credit	1,237.18		1,237.18
B. Summer Intersession (Summer 2020, Prior to July 1, 2020)			
1. Noncredit	0.00		0.00
2. Credit	15.03		15.03
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	7,455.16		7,455.16
(b) Daily Census Contact Hours	638.56		638.56
2. Actual Hours of Attendance Courses:			
(a) Noncredit	2,234.75		2,234.75
(b) Credit	897.35		897.35
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	1,849.49		1,849.49
(b) Daily Census Procedure Courses	527.16		527.16
(c) Noncredit Independent Study	0.00		0.00
D. Total Full-Time Equivalent Students	<u>15,550.11</u>		<u>15,550.11</u>
<u>Supplemental Information</u>			
E. In-service Training Courses (FTES)	218.75		218.75
F. Basic Skills Courses and Immigrant Education (FTES)			
(a) Noncredit	418.00		418.00
(b) Credit	157.72		157.72
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	449.21		449.21
Centers FTES			
(a) Noncredit	146.81		146.81
(b) Credit	2,340.45		2,340.45

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2020

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries:							
Contract or Regular	1100	\$ 20,448,737		\$ 20,448,737	\$ 20,448,737		\$ 20,448,737
Other	1300	22,162,809		22,162,809	22,162,809		22,162,809
Total Instructional Salaries		42,611,546		42,611,546	42,611,546		42,611,546
Non-Instructional Salaries:							
Contract or Regular	1200				10,074,908		10,074,908
Other	1400				1,647,553		1,647,553
Total Non-Instructional Salaries					11,722,461		11,722,461
Total Academic Salaries		42,611,546		42,611,546	54,334,007		54,334,007
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				20,824,150		20,824,150
Other	2300				1,914,344		1,914,344
Total Non-Instructional Salaries					22,738,494		22,738,494
Instructional Aides:							
Regular Status	2200	3,193,832		3,193,832	3,193,832		3,193,832
Other	2400	361,251		361,251	361,251		361,251
Total Instructional Aides		3,555,083		3,555,083	3,555,083		3,555,083
Total Classified Salaries		3,555,083		3,555,083	26,293,577		26,293,577
Employee Benefits	3000	13,943,859		13,943,859	27,468,873		27,468,873
Supplies and Materials	4000				1,780,360		1,780,360
Other Operating Expenses	5000	1,369,562		1,369,562	9,600,244		9,600,244
Equipment Replacement	6420						
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		61,480,050		61,480,050	119,477,061		119,477,061

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2020

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	837,561		837,561	1,471,430		1,471,430
Student Health Services Above Amount Collected	6441				(8,191)		(8,191)
Student Transportation	6491				106,478		106,478
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740				633,869		633,869
Objects to Exclude:							
Rents and Leases	5060				168,020		168,020
Lottery Expenditures:							
Academic Salaries	1000				585,464		585,464
Classified Salaries	2000				1,556,172		1,556,172
Employee Benefits	3000				538,464		538,464
Supplies and Materials:	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional Supplies & Materials	4400						
Total Supplies and Materials							
Other Operating Expenses and Services	5000						
Capital Outlay:	6000						
Library Books	6300						
Equipment:	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						
						</	

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2020

Education Protection Act (EPA) Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				\$ 9,942,701
Activity Classification	Activity Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 9,942,701			9,942,701
Total Expenditures for EPA*		<u>\$ 9,942,701</u>	<u>\$</u>	<u>\$</u>	<u>9,942,701</u>
Revenues less Expenditures					<u><u>\$</u></u>

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO NET POSITION YEAR ENDED JUNE 30, 2020

Fund Balance:

General Fund	\$ 7,428,735
Farm Operation Fund	1,123,515
Revenue Bond Project Fund	110,229
Other Special Revenue Fund	77,423
Capital Outlay Projects Fund	7,991,984
General Obligation Bond Fund	143,450,532
Self-Insurance Fund	62,070
Other Internal Service Fund	<u>1,521,145</u>

Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	161,765,633
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Net audit adjustments:

No adjustments were made to the District's Funds	
Total Fund Balance	<u>161,765,633</u>

Reconciliation to Net Position:

Restricted Cash and Deposits Held in Escrow	66,028,832
Total OPEB Liability	(32,158,518)
Interest Payable	(6,015,247)
Capital Assets, Net	422,155,393
Early Retirement Incentive	(6,261,789)
Deferred Charge on Refunding	9,462,626
Deferred Outflows of Resources Related to Pensions	33,598,347
Deferred Outflows of Resources Related to OPEB	3,249,558
Deferred Inflows of Resources Related to OPEB	(1,292,289)
Deferred Inflows of Resources Related to Pensions	(9,334,992)
Long Term Compensated Absences	(2,352,383)
Net Pension Liability	(151,020,656)
Bonds Payable	<u>(420,949,578)</u>

Total Net Position	<u>\$ 66,874,937</u>
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SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

AUDITOR COMMENTS

No adjustments were made to the District's Fund Financial Statements.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2020, was conducted in accordance with Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, which requires disclosure of the financial activities of all federally funded programs, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements. Negative amounts shown on the Schedule of Expenditures of Federal Awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2020.

Coronavirus Aid, Relief, and Economic Security (CARES) Act – The District applied for and received federal CARES Act Awards in fiscal year 2020-2021 from the State of California through the State's 2020-2021 budget appropriation. The State allowed the District to retroactively apply expenditures from their 2019-2020 year-end incurred between March 2020 through June 30, 2020. Although these expenditures occurred during the June 30, 2020 fiscal year, the District did not have an award from the State of California until the June 30, 2021 fiscal year. Therefore, the following June 30, 2020 fiscal year expenditures will be reported on the District's Schedule of Federal Awards at June 30, 2021 and subject to the federal single audit at that time:

<u>Award Description</u>	<u>CFDA</u>	<u>Amount</u>
Coronavirus Relief Fund (CRF)	21.019	\$ 146,921

Schedule of State Financial Assistance

The California Community Colleges Chancellor's Office requires disclosure of the financial activities of all state funded programs. To comply with this requirement, the Schedule of State Financial Assistance is presented.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

Full-time equivalent students (FTES) is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of ECS 84362 (50 Percent Law) Calculation

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

Reconciliation of Education Protection Account Expenditures to District Accounting Records

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

Reconciliation of Governmental Funds to Net Position

This schedule provides the reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business type activities reporting model.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

OTHER INDEPENDENT AUDITOR'S REPORTS

**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 Auditor's Report

**Members of the Board of Trustees
Sonoma County Junior College District
Santa Rosa, 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 business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

**GILBERT CPAs
Sacramento, California**

February 4, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

**Members of the Board of Trustees
Sonoma County Junior College District
Santa Rosa, California**

Report on Compliance for Each Major Federal Program

We have audited the Sonoma County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**GILBERT CPAs
Sacramento, California**

February 4, 2021

REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH THE CONTRACTED DISTRICT AUDIT MANUAL

Independent Auditor's Report

**Members of the Board of Trustees
Sonoma County Junior College District
Santa Rosa, California**

Report on Compliance with Applicable Requirements

We have audited the Sonoma County Junior College District's (the District) compliance with the types of compliance requirements described in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office identified in the schedule below for the year ended June 30, 2020.

Management's Responsibilities

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards and the *Contracted District Audit Manual* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we have selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

- SCFF Data Management Control Environment
- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Activities Funded from Other Sources

- Student Centered Funding Formula Base Allocation: FTES
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Dual Enrollment (CCAP and Non-CCAP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Proposition 39 Clean Energy Fund
- Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- Education Protection Account Funds

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the types of compliance requirements referred to above is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. This response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2020.



**GILBERT CPAs
Sacramento, California**

February 4, 2021

FINDINGS AND RECOMMENDATIONS SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes

 X No

Significant deficiency(ies) identified?

_____ Yes

 X None Reported

Noncompliance material to financial statements noted?

_____ Yes

 X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes

 X No

Significant deficiency(ies) identified?

_____ Yes

 X None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

_____ Yes

 X No

Identification of major programs

CFDA Numbers

84.063, 84.007, 84.033, 84.268

84.425E, 84.425F

Name of Federal Programs or Cluster

Student Financial Assistance Programs Cluster
COVID-19 Higher Education Emergency Relief
Fund (HEERF)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes

_____ No

State Awards

Internal control over state programs:

Material weakness(es) identified?

_____ Yes

 X No

Significant deficiency(ies) identified?

_____ Yes

 X None Reported

Any audit findings disclosed that are required to be disclosed in accordance with Contracted District Audit Manual?

 X Yes

_____ No

Type of auditor's report issued on compliance for state programs:

Unmodified

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III – STATE COMPLIANCE

2020-001: APPRENTICESHIP RELATED AND SUPPLEMENTAL INSTRUCTION (RSI) FUNDS

Criteria:

The District offers apprenticeship programs to its students through the use of participating apprenticeship program sponsors subject to Education Codes 8150.5, 8152, and 79149.3. Hours for related and supplemental instruction reported to each community college district by a participating apprenticeship program sponsor and requests for reimbursements must be supported by source documents to support hours reported for reimbursement.

Condition/Cause:

Documentation reviewed to support hours claimed for 4 of 25 tested courses did not accurately support hours claimed due to manual errors in the program sponsors invoicing process. A review of 100% of apprenticeship courses for which RSI was claimed found that 19 of 71 courses had errors in reported hours which resulted in net understatement of total apprenticeship hours reported through the 2019-2020 3rd Period Apprenticeship Attendance Report (321) of 128 hours.

Effect:

Hours reported through the 2019-2020 3rd Period Apprenticeship Attendance Report (321) were not accurate, however, errors identified were subsequently corrected by the District through the Recal Reporting Period.

Questioned Costs:

There are no questioned costs related to this finding as the District has corrected the reported apprenticeship hours of instruction for 2019-2020 through the Recal Reporting Period.

Recommendation:

We recommend the District perform internal reviews of supporting documentation for hours invoiced and reported from apprenticeship program sponsors to ensure hours reported on Apprenticeship Attendance Reports are accurate and sufficiently supported.

Management's Response:

The District agrees with the finding and recommendation. The District has created and is implementing processes and procedures to ensure accuracy moving forward. The Apprenticeship office will withhold final payments to the partners until submitted rosters agree with the SRJC official rosters. The District has met with the individual apprentice programs to explain the situation, the findings, and inform them of the new changes being initiated to ensure accuracy. District staff will continue to verify enrollment and input all student hours into a database created to verify enrollment hours for the entire semester for each course for each apprentice program.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

SECTION IV - FEDERAL COMPLIANCE

There were no federal compliance findings reported.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported in the prior year.

FEDERAL COMPLIANCE

There were no federal compliance findings reported in the prior year.

STATE COMPLIANCE

There were no state compliance findings reported in the prior year.