

**SONOMA COUNTY JUNIOR
COLLEGE DISTRICT
MEASURE H BOND FUND**

SANTA ROSA, CALIFORNIA

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2020

**SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURE H BOND FUND**

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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 Measure H Bond Fund (the Bond Fund) 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 Bond Fund'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure H Bond Fund of the District, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2020, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 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 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.



GILBERT CPAs
Sacramento, California

February 3, 2021

FINANCIAL STATEMENTS

**SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURE H BOND FUND**

**BALANCE SHEET
JUNE 30, 2020**

ASSETS:	
Restricted cash and cash equivalents	\$ 151,313,672
Due from other funds	281,896
Accounts receivable	<u>20,022</u>
TOTAL ASSETS	<u>\$ 151,615,590</u>
 LIABILITIES AND FUND BALANCE:	
Accounts payable	\$ 8,138,366
Due to other funds	<u>26,692</u>
TOTAL LIABILITIES	<u>8,165,058</u>
 FUND BALANCE:	
Restricted fund balance	<u>143,450,532</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 151,615,590</u>

**SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURE H BOND FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

REVENUES:

Interest and investment income	\$ 1,990,573
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EXPENDITURES:

Classified salaries	747,094
Employee benefits	320,729
Supplies and materials	27,617
Other operating expenses and services	3,405,737
Capital outlay	<u>42,440,777</u>
Total expenditures	<u>46,941,954</u>

OTHER FINANCING SOURCES:

Proceeds from issuance of bonds	<u>180,000,000</u>
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Change in fund balance	135,048,619
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Restricted fund balance - beginning	<u>8,401,913</u>
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Restricted fund balance - ending	<u>\$ 143,450,532</u>
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SONOMA COUNTY JUNIOR COLLEGE DISTRICT MEASURE H BOND FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

1. ORGANIZATION AND NATURE OF ACTIVITIES

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. These financial statements present only the Measure H General Obligation Bond Fund (the Bond Fund). These financial statements do not include financial data for the remainder of the District's Funds and component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The Measure H bond authorization (Measure H) is a facilities improvement and equipment bond measure adopted by the District's Board of Trustees and passed by voters in November 2014. Measure H authorizes up to \$410,000,000 in bond issues. Through June 30, 2020, bonds totaling \$305,000,000 have been issued as follows:

- In October 2019, the District issued General Obligation Bonds, Series B, in the amount of \$180,000,000, with an interest rate of 2.88% - 4.00%.
- In December 2016, the District issued General Obligation Bonds, Series A, in the amount of \$125,000,000, with an interest rate of 3.00% - 5.00%.

The Sonoma County Board of Supervisors is empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and interest on the bond. The District has established a separate capital project fund to account for the activities of the Measure H.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

**SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURE H BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 the categorical Fund which was 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 the purpose of the financial statements, 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 Sonoma County Treasury investment pool is considered cash equivalents.

Restricted cash and cash equivalents – Cash and cash equivalents that are externally restricted per contractual obligations are classified as current or non-current assets in the balance sheet based on anticipated use.

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

Encumbrances – Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30, 2020.

3. RESTRICTED CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents in Sonoma County Treasury	\$ 151,105,803
Cash held by trustee	122,569
Cash and cash equivalents in banks	<u>85,300</u>
Total cash and cash equivalents	<u>\$ 151,313,672</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT MEASURE H BOND FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of the Measure H cash in the Sonoma County Treasury (the Treasury). The Treasury pools this Bond Fund with those of other districts in the county and invests the cash. The share of the fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to the Fund that is 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 Fund amounts by California Government Code Section 53648 et seq. and is restricted by Government Code Section 53635, pursuant to Section 53601. The Fund amounts maintained by the Treasury are either secured by federal depository insurance or is collateralized.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code 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

The investment policy contains no limitations on the amount that can be invested in any one issuer. The District had no investments that represented 5% or more of the total investments balance as of June 30, 2020.

**SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURE H BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, it is not subject to the fair value hierarchy.

4. CONSTRUCTION COMMITMENTS

The District's Bond Fund has construction commitments of approximately \$27,116,961 at June 30, 2020.

OTHER REPORT

**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 Measure H Bond Fund (the Bond Fund) 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 comprise the Bond Fund's basic financial statements and have issued our report thereon dated February 3, 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. 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 Bond Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



GILBERT CPAs
Sacramento, California

February 3, 2021