SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Mateo County Community College District
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the fiduciary activities and the discretely presented component unit of San Mateo County Community College District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise San Mateo County Community College 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 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 opinions.

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary activities and the discretely presented component unit of the San Mateo County Community College District, as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance 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 on pages 4 to 22 and the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 68 to 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 San Mateo County Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Organization, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the information on page 74 titled Organization, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(Continued)

The information on page 74 titled Organization has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020 on our consideration of San Mateo County Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Mateo Community College 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 San Mateo County Community College District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2020

Introduction

The San Mateo County Community College District ("District") was established in 1922, and operates three colleges: Cañada College, College of San Mateo, and Skyline College. Located between San Francisco and the Silicon Valley, the District's colleges provide community college educational services to residents of the County of San Mateo, California. In total the three Colleges of the District serve approximately 30,000 students annually and offer the first two years of college-level instruction in a wide variety of transfer programs as well as more than 120 career and technical education (CTE) programs. Students can earn either an Associate in Arts or Science degree or receive Certificates of Proficiency in their chosen fields. Additionally, Skyline College offers one of only fifteen baccalaureate programs in the California Community College System, where students can earn a Bachelor of Science degree in Respiratory Care. Distance education courses are available at all three colleges as well as courses and programs serving concurrently enrolled students. Noncredit short courses are offered for a fee through the District's Community Education Program.

This section of the District's Annual Financial Report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. The discussion and analysis should be read in conjunction with the financial statements and the notes which follow this section.

The annual report consists of three basic financial statements that provide information on the District as a whole:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Change in Net Position
- The Statement of Cash Flows

Each one of these statements will be discussed in the following pages.

Economic Position of the District within the State

The District continues its community-supported status for the tenth consecutive year (since FY 2011-12). When the State sets the District's revenue limit (determining how many students the District is funded to serve) and deducts from the revenue limit local property taxes, student fees, funds received from the Education Protection Account, and an on-going allocation since FY 2015-16 for full-time faculty hiring, there is no need for State apportionment to sum to the revenue limit. This means that the District has more resources than it would normally receive as a revenue limit district and is no longer subject to the State's budgetary constraints for general apportionment resources. The District is now firmly in community-supported status and anticipates to receive upwards of $80 million in FY 2020-21 in excess of what the District would have received had it been subject to the revenue limit established by the State. In addition to an increase in property taxes, the District continues to receive funds from the dissolution of Redevelopment Agencies (RDAs). As fewer property taxes are diverted to RDAs, more of this revenue is redirected to the District. The former RDAs are also slowly selling assets, which brings additional one-time resources to the District's coffers. All in all, the District's revenues have steadily increased over the years; however, the impact of the pandemic on property taxes and thus this revenue stream for the District is uncertain. Given the District's community-supported status and its reliance on property taxes, which is dependent on assessed valuation (an economic lagging indicator), the District is anticipating lower property tax revenue increases over the next couple years and budgeting accordingly to ensure balanced budget. The District has planned for three scenarios. The 2020-21 Final Budget is based upon Scenario 1 with assessed valuation for 2020-21 anticipating an increase of 7.02%, which is consistent with data from the Assessor's Office, [1] with modest decreases in the out years. For contingency planning purposes, Scenario 2 and 3 have been discussed across the organization. The scenarios are noted below:

Property Taxes	2020-21	2021-22	2022-23
Scenario 1 (Current)	7.02%	4.5%	4%
Scenario 2		1.5%	.5%
Scenario 3		-1.5%	-3.5%

With this modest reduction in projected property tax revenue the District still projects a balanced budget for the next three fiscal years.

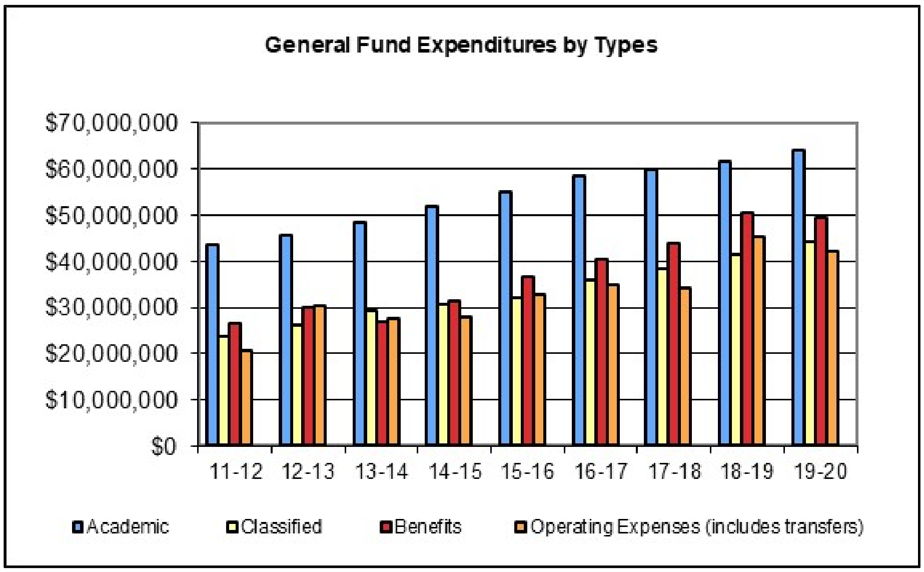
Salaries and Benefits

The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments. FY 2019-20 includes actual as well as accrued salary adjustments for all employee groups The FY 2020-21 budget includes an anticipated salary adjustments for all employee groups and increases in health premium rates for employees and retirees effective January 1, 2021. On average, the rates increased approximately 7.22% across all medical plans. Dental and vision insurance premiums remained unchanged.

[1] https://www.smcacre.org/assessor-clerk-recorder-press-releases-0

The 2020-21 State Budget redirected $2.3 billion from the 2019-20 State Budget Act that was allocated to provide long-term relief for the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) to further reduce the employer contribution rates for 2020-21 and 2021-22. This action reduced the employer contribution rates by approximately 2% and does provide short-term relief to employers; however, districts continue to grapple with long-term funding strategies as rates are expected to continue to rise for the next several years. For 2020-21, the PERS employer rate increased from 19.72% to 20.70% for classified employees and the STRS employer rate decreased from 17.1% to 16.15% for faculty and other academic employees. The District's Workers' Compensation costs have remained low; however, given the pandemic, the District elected to increase its internal charge percentage from a rate of .71% of payroll to .90% of payroll based upon the 90% confidence level per the District's actuarial study. The unemployment insurance contribution rate remained unchanged at 0.055%.

Below is a historical graphical depiction of unrestricted general fund expenditures by expenditure type:



Other Postemployment Benefits

To comply with Governmental Accounting Standards Board Statement 45, in FY 2009-10, the District began assessing an amount to cover the future retiree medical benefit costs for current employees. These charges appear as part of benefit expenses across all funds.

The District adopted Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in FY 2016-17. This Statement replaced the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB plans. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, established new accounting and financial reporting requirements for OPEB plans.

GASB Statement 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result of GASB Statement 75 implementation, the District was required to recognize all of the OPEB liability rather than amortize it over 30 years.

The District made no contributions in FY 2019-20 and contracted to prepare an actuarial study as of June 30, 2020. This recent study determined that the District has fully funded its OPEB liability of $118 million. The fiduciary net position of the trust on June 30, 2020 was $128.5 million (or nine percent "over-funded"). (See Note 13 in the financial statements for additional details.)

Given this funding status, the District anticipates disbursing $7.1 million from the Reserve Fund for Post-Retirement to fund its "pay as you go" retiree benefit costs in FY 2020-21. The District anticipates to start drawing from the Futuris Other Post-Employment Benefits (OPEB) Trust in FY 2021-22 to fund "pay as you go" retiree benefit costs while continuing to charge itself for future OPEB benefits for current employees. Effective FY 2020-21, this charge is 3% of payroll, which is a decrease of 2% of payroll in prior years.

Bond construction

As of June 30, 2020, $289 million of the $388 million authorization for the Measure H November 2014 General Obligation Bond Program has either been spent or encumbered by contract. Below is a sample of projects funded:

Building 1 Progress

Building 9

Various projects were completed throughout the year including:

- Campus Bus Stop Relocation
- Astronomy Observatory
- Building 9 Exterior Envelope Repairs

College of San Mateo

Edison Lot Progress

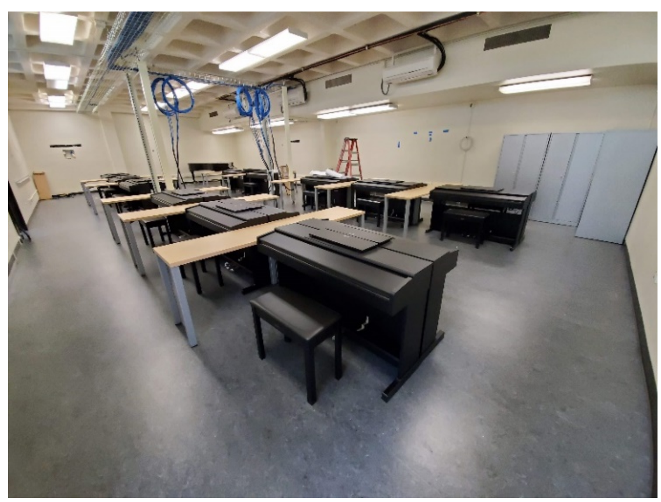
Building 17 Sparkpoint

Various projects were completed throughout the year including:

- Building 17 Student Life and Learning Communities Renovation

Skyline College

Building B3A-E Portable Replacement Progress



Building 1 Midi/Piano Lab Progress

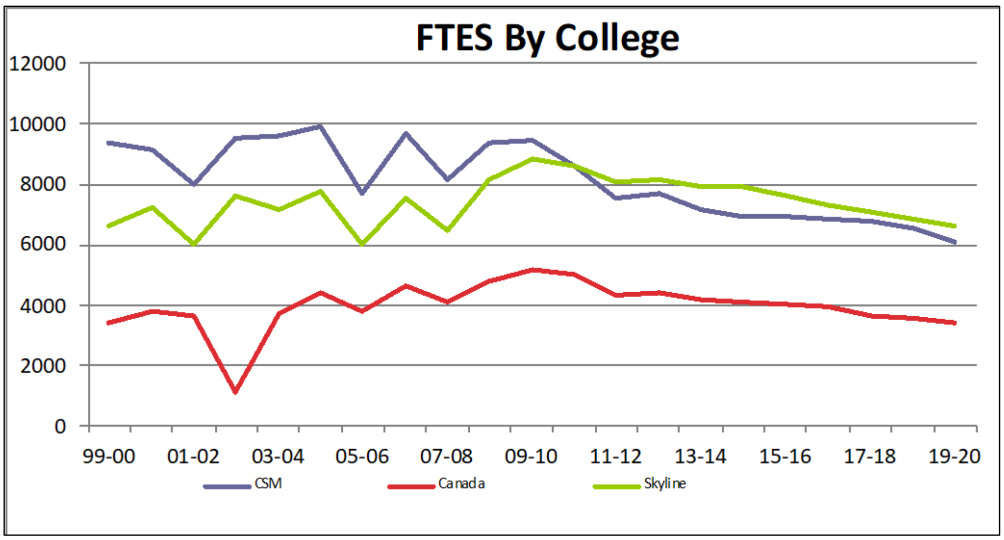
Various projects were completed throughout the year including:

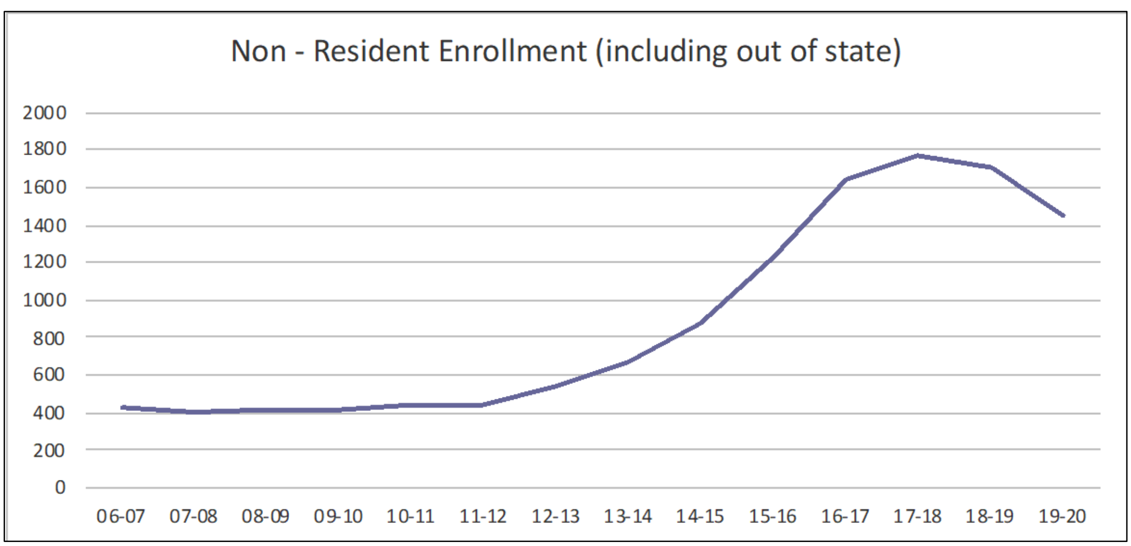
- Building 3 South Wall Waterproofing
- Building 6 Fireside Furniture Refresh
- Parkland and Accessible Route to College Ridge

Enrollment:

For the District, enrollment is no longer the main driver of funding since property taxes and fees primarily determine its resource as a community-supported district. Historically, community college districts' enrollment increases when unemployment increases and decreases when the economy recovers. Accordingly, the District's enrollment has declined over the past ten years partially due to the dramatic improvement in the economy in the Bay Area. In FY 2019-20, the District's resident enrollment continued to decline accelerated by the pandemic. Additionally, federal anti-immigration policies coupled with the pandemic pushed international student enrollment back to the level of FY 2015-16, a 44% decline. The District anticipates educating close to 460 international students in FY 2020-21 and is implementing a program upon which international students can enroll in courses from their home country via distance education.

Below is a historical graphical depiction illustrating Full Time Equivalent Students (FTES) enrolled in the District's colleges:





PERS and STRS Retirement Pensions. The District participates in the Public Employees Retirement System (CalPERS) and State Teachers Retirement System (CalSTRS). The District and the employee each pay a percentage of the employee's salary into one of these systems. The State of California contributes to these systems as well. The rates that are paid are set by the CalPERS Board for CalPERS and, pursuant to AB 1469, the legislation gives the CalSTRS Board limited authority to adjust employer contribution rates for CalSTRS. For many years, the employee rate for both systems did not change, but the CalPERS Board has increased the employer rate as deemed necessary. For the past few years, the employee rate for CalSTRS as well as the employer rates for both systems have increased significantly. At this time, both systems are underfunded in terms of their actuarially determined liability. The employer rate for CalPERS is projected (subject to change) to steadily increase to 27.30% by FY 2023-24 while the employer rate for CalSTRS will increase to 18.10% by FY 2023-24. Management anticipates these increases to cost the District by at least $6.5 million by FY 2023-24.

Below is a chart illustrating the employer rates for the PERS and STRS Retirement Pensions as known and projected:

	CalPERS	CalSTRS
2013-14	11.44%	8.25%
2014-15	11.77%	8.88%
2015-16	11.85%	10.73%
2016-17	13.89%	12.58%
2017-18	15.53%	14.43%
2018-19	18.06%	16.28%
2019-20	19.72%	17.10%
2020-21	20.70%	16.15%
2021-22	23.01%	16.00%
2022-23	26.24%	18.10%
2023-24	27.30%	18.10%

Effective FY 2014-15, GASB Statement 68 required the District to record its share of the pension systems' total liabilities for retirement benefits. The rationale is that public employers have pooled to create these systems and thus are jointly responsible for any shortfall in the systems' reserves. Each of the systems have less funding than their actuarial studies determined is needed to provide benefits for current and future retirees. Below is a chart illustrating the effect of GASB Statement 68:

	CalSTRS	CalPERS	Total
Net Pension Liability	$ 90,316,000,000	$ 29,144,251,322	
SMCCCD Share	0.099%	0.412%	
SMCCCD Liability	$ 89,413,000	$ 120,075,000	$ 209,488,000

Accordingly, the District's net position as of June 30, 2020 will reflect an additional $11.7 million liability for a total of $209.5 million.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
AS OF JUNE 30, 2020 and 2019

	(In Thousands) 2020	(In Thousands) 2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 79,015	$ 62,246
Accounts Receivable, net	26,553	21,152
Inventories	4,703	3,673
Prepaid Expenditures and other assets	3,265	2,893
Total Current Assets	113,536	89,964
Noncurrent Assets		
Restricted Cash and Cash Equivalents	416,219	496,899
OPEB Asset	10,539	13,462
Depreciable Capital Assets, Net	558,156	533,748
Nondepreciable Capital Assets	218,642	183,285
Total Noncurrent Assets	1,203,556	1,227,394
TOTAL ASSETS	1,317,092	1,317,358
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	9,998	10,664
Deferred outflows - pensions	55,105	60,639
Deferred outflows - OPEB	9,483	2,447
TOTAL ASSETS & DEFERRED LOSS ON REFUNDING	$ 1,391,678	$ 1,391,108
LIABILITIES		
Current Liabilities		
Accounts Payable & Accrued Expenses	$ 27,809	$ 29,205
Accrued Interest	8,767	9,179
Unearned Revenue	16,162	18,708
Compensated absences	3,408	3,937
Long-Term Debts, Current Portion	47,921	45,636
Total Current Liabilities	104,067	106,665
Noncurrent Liabilities		
Compensated Absences	3,818	1,795
Long Term Debt - Non- Current Portion	1,026,018	1,049,780
Net OPEB Liability	209,103	197,690
Aggregate net pension obligation		
Total Noncurrent Liabilities	1,238,939	1,249,265
TOTAL LIABILITIES	1,343,006	1,355,930
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	12,322	10,351
Deferred inflows - OPEB	11,947	13,874
Deferred inflows - debt refunding	4,596	4,529
NET POSITION		
Net Invested in capital assets	9,050	235,442
Restricted for:		
Capital Projects	32,383	26,750
Debt Service	70,757	80,976
Educational Programs	16,229	47,024
Other activities	19,787	16,918
Unrestricted	(128,399)	(400,686)
TOTAL NET POSITION	19,807	6,424
TOTAL LIABILITIES AND NET POSITION	$ 1,391,678	$ 1,391,108

Statement of Net Position

The Statement of Net Position above includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting basis used by private companies. Net Position, the difference between total assets and total liabilities, is one way to measure the financial condition of the District. The following are explanatory remarks regarding the statement:

- Cash and cash equivalents consist of cash in the Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Investment Pool, a special deposit bond with Wells Fargo Bank, proceeds from the District's general obligation bonds, institutional investment pool, and certificates of deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources which were not received as of June 30, 2020.
- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress, and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of benefits, salaries, and amounts owed to local vendors which the District incurred but for which payments were not issued as of June 30, 2020.
- Unearned revenues represent cash received during FY 2019-20 from the State, Federal grants, and student fees which were not “earned” as of June 30, 2020.
- Long-term liabilities include obligations to be paid over a period longer than one year. The current portion represents payments due within the next 12 months. The District has compensated absences payable and construction bonds payable in its long-term liabilities.
- According to the Governmental Accounting Standards Board, equity is to be reported as net position, rather than fund balance. The District's net position is classified as follows:
    - Net investment in capital assets, represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
    - Restricted net position consists of both expendable and nonexpendable portions. Restricted expendable net position includes resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
    - Unrestricted net position represents resources used for transactions relating to the educational and general operations of the District.

Statement of Revenues, Expenses and Change in Net Position

The Statement of Revenues, Expenses and Change in Net Position shown below consists of operating and non- operating results for the District. Operating revenues represent all revenues from “exchange” transactions, in which each party gives and receives essentially equal value. Non-operating revenues include State revenues, property tax revenues, investment earnings, certain Federal and State grants, entitlements, and donations.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

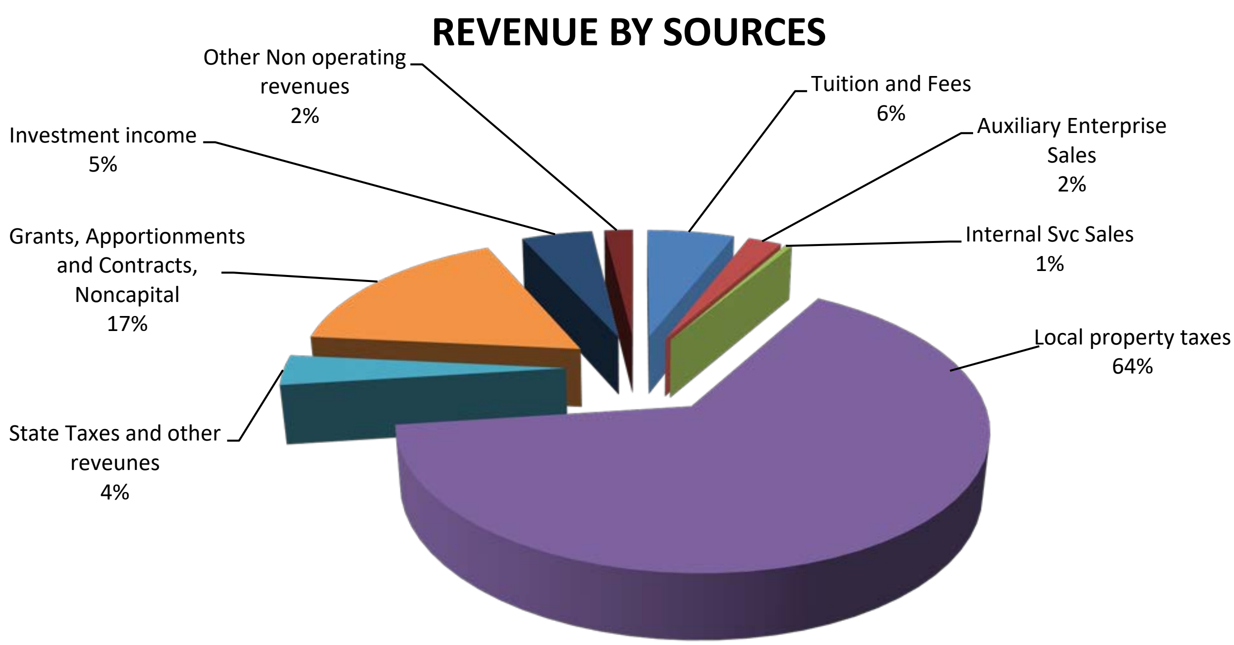
	(In Thousands) 2020	(In Thousands) 2019
OPERATING REVENUES		
Net Student Tuition and Fees	$ 21,307	$ 22,944
Auxiliary Enterprise Sales and Charges	8,254	10,010
Other Sales and Charges	1,611	1,908
TOTAL OPERATING REVENUES	31,172	34,862
OPERATING EXPENSES		
Salaries	144,028	135,998
Employee benefits	74,825	70,645
Supplies, Materials, and Other Operating Expenses and Services	33,875	36,976
Student Aid	25,459	19,622
Depreciation	29,121	27,467
TOTAL OPERATING EXPENSES	307,308	290,708
OPERATING LOSS	(276,136)	(255,846)
NONOPERATING REVENUES (EXPENSES)		
Local Property Taxes, Levied for General Purposes	168,332	157,586
Local Property Taxes, Levied for Special Purposes	66,689	43,981
State Taxes and Other Revenues	13,177	17,257
Grants, Apportionments and Contracts, Noncapital	61,112	52,961
Investment Income	17,336	8,122
Interest Expense	(44,396)	(32,799)
Gain (Loss) on Disposal of Asset	(23)	29,977
Other Non-Operating Revenues (Expenses)	6,963	26,218
TOTAL NON-OPERATING REVENUES (EXPENSES)	289,190	303,303
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	13,054	47,457
State revenues, capital	186	398
Local revenues, capital	143	269
TOTAL OTHER REVENUES AND EXPENSES	329	667
CHANGE IN NET POSITION	13,383	48,124
NET POSITION, BEGINNING OF YEAR	6,424	(41,700)
RESTATEMENT	-	-
Cumulative effect of GASB 75 implementation		
NET POSITION, BEGINNING OF YEAR AS RESTATED	6,424	(41,700)
NET POSITION, END OF YEAR	$ 19,807	$ 6,424

The following are explanatory remarks regarding the statement:

- Tuition and fees include enrollment, health, non-resident tuition, and other student fees, less scholarship discounts and allowances as defined by GASB Statement 35.
- Auxiliary enterprise sales and charges consist of bookstore and cafeteria sales, community and contract instruction, and fitness center income.
- Internal services include premiums and self-insurance charges for general liability and workers compensation.
- State apportionments, non-capital includes state apportionment, apprenticeship, and child development apportionment. (This is not to be confused with general apportionment as the District does not receive this type of revenue given its community-funded status.)
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and April of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State lottery revenue and miscellaneous local income.
- Federal and state grants and contract services are exchange transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or enters into contracts.
- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and the Local Agency Investment Fund (LAIF).
- State and local revenues - capital includes State scheduled maintenance funding and proceeds from the issuance of general obligation bonds issuance. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:

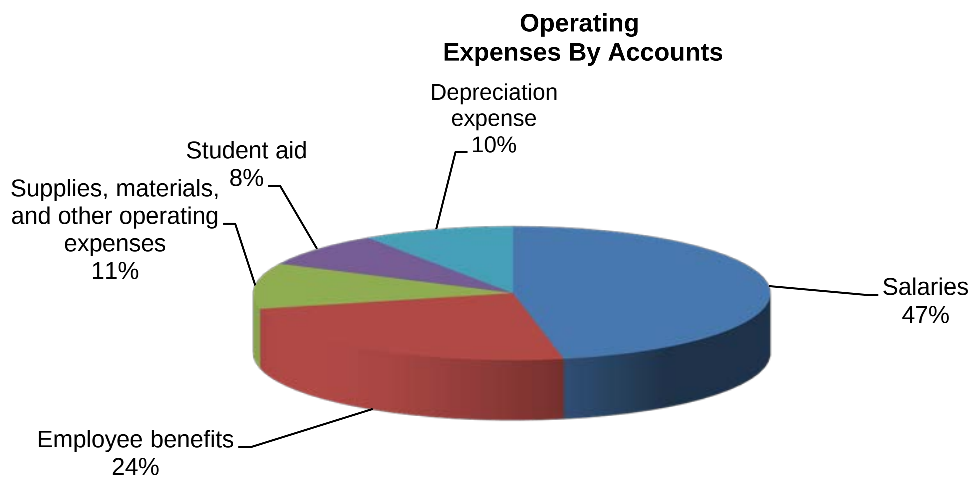
Graph 1. Revenue by Sources



Revenues and expenses changed mainly due to the following:

- Operating revenue experienced a decrease due to a decrease in tuition and fees as well as reduction to Auxiliary operations revenue due to covid-19 pandemic.
- Non-operating revenue increased mainly due to an increase in local property taxes, state as well as federal grants and investment income.

Graph 2. Operating Expenses By Accounts



The following are explanatory remarks regarding the above graph:

- Salaries and benefits expenses represent the largest percentage of the District's operating expenses.

- Supplies, materials, other operating expenses, services and utilities are the normal cost of operating expenses for exchange transactions.

- Depreciation of capital assets is computed and recorded using the straight-line method. The District maintains a capitalization threshold of $5,000 for equipment and $100,000 for building improvements. Useful lives of the assets are estimated as follows:

  - 5 to 10 years for equipment
  - 25 to 50 years for improvements
  - 25 to 50 years for buildings

Cash Flows

The Statement of Cash Flows shown below provides information about cash receipts and cash payments during the fiscal year. The statement also assists readers in understanding the District's ability to generate net cash flows and its ability to meet obligations as they come due and the District's need for assistance via external financing. The District has adopted the direct method, and under this method, data for cash flow present operating activities by major categories of gross receipts and gross payments as well as the resulting net amount. Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of tuition, student fees, and auxiliary enterprise sales. Cash outlays include payment of salaries, benefits, supplies, and operating expenses.
- State apportionments, property taxes, and grants are the primary source of non-capital financing.
- For capital financing activities, the main sources are from special state apportionments and general obligation bond.
- Cash from investing activities consists of interest from the County Investment Pool, the institutional investment pool, certificates of deposits, general obligation bonds, and the Local Agency Investment Fund (LAIF).

Table 3 - Statement of Cash Flows

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

	(In Thousands) 2020	(In Thousands) 2019
CASH FLOWS (USED IN) PROVIDED BY:		
Operating Activities	$ (240,223)	$ (228,320)
Noncapital financing activities	312,609	292,832
Capital financing activities	(153,633)	171,164
Investing activities	17,336	8,122
NET INCREASE IN CASH AND CASH EQUIVALENTS	(63,911)	243,798
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	559,144	315,346
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 495,233	$ 559,144

Economic Factors and the FY 2020-21 Budget

Being community-supported, the District's revenues primarily consist of property tax revenues and student fees and are relatively predictable. The County Assessor's Office has stated that the secured roll's assessed valuation increased 7.02% county-wide in FY 2020-21. Accordingly, the District's has projected property tax revenues in FY 2020-21 to increase by 7.02%. This coupled with solid reserves of 15% and state, federal, and local dollars designated for response to pandemic-related expenditures puts the District on solid financial footing. The District continues to build multi-year financial plans and has planned balanced budgets through FY 2022-23.

Construction Planning FY 2020-21 and Beyond

The District continues to revise and update its master schedule and the master budget associated with the Capital Improvement Program to coincide with funding and programming requirements. For several years, the District experienced a decline in State Capital Outlay funds for projects due to the fact that the State had failed to approve an educational facilities bond. However, with the passage of Proposition 51, a $9.1 billion statewide education facilities bond, in November 2016, the District is receiving $34.5M for three projects, one at each campus, with local matching funds from Measure H. The District could receive close to $55 million for facilities upgrades contingent on local match. The State process is in flux so the timing is uncertain.

Compilations of site-specific activities, which are currently in design or construction phase, are listed below:

Cañada College:

- Building 1N Kinesiology and Wellness Center
- Building 13 Multiple Program Instructional Center
- Building 13 Swing Space
- Building 16/18 Swing/Secondary Effects
- Building 22 Swing Space
- Cañada Vista Envelope Repairs
- Parking Lot 6 Expansion

College of San Mateo:

- Building 3 Theatre Modernization
- Building 19 Facelift
- Building 20 Edison Lot Expansion
- Water Supply Tank Replacement

Skyline College:

- Building 1 Social Science and Creative Arts Building Facelift
- Building 2 Workforce and Economic Development Prosperity Center
- Buildings 3A/B/C/D/E Portable Replacement
- Building 19 Pacific Heights Swing Space

Districtwide:

- Districtwide UPS Device (MDF/IDF) Replacement
- Districtwide Telephone System Replacement
- Districtwide Network Switch Upgrade
- Districtwide Firewall Network Switch Upgrade
- Districtwide Wireless Access Point Replacement
- Districtwide ADA Transition Plan Upgrade
- Districtwide Server Replacement
- Districtwide Video Camera Replacement

The District is fortunate in having legislative authority to use a variety of construction delivery methods to best suit each project's character and bring best value to the colleges and community, including design-build, multiple-prime contracting, as well as the traditional design-bid-build delivery method.

Staff and Faculty Housing

In response to regional housing costs that are among the highest in the country, the District has undertaken initiatives to assist faculty and staff with the high cost of housing. The District currently owns and operates 104 housing units at its College of San Mateo and Cañada College, and a third complex with 30 units is under development at Skyline College. Employees are eligible to live in these units for up to seven years and pay rent that is well below market rate. Residents of the employee housing program are strongly encouraged to save the money from their reduced rent to apply towards a down payment to buy housing in the area. The District also has a second loan program for first-time homebuyers that will supplement employees' down payment savings up to $150,000 with a closing cost grant of up to a $1,000.

Locations

College Vista, located on the College of San Mateo campus, is a two and three-story complex with 44 units built on a 2-acre site with stunning views of the South Bay.

Cañada Vista, located at Cañada College, consists of two three-story residential buildings with 60 units on 3.3 acres overlooking mountain views.

College Ridge, located at Skyline College, has completed initial site work development and it is anticipated that a contractor will be selected by late 2020 to begin construction on the 30-unit development. Anticipated opening of the new complex is spring 2022.

Contacting the District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to illustrate the District's accountability for funding it receives. Questions or concerns about this report or requests for additional financial information should be addressed to Bernata Slater, Chief Financial Officer, by phone at 650-358-6755 or by e-mail at slaterb@smccd.edu.

ASSETS	
Current assets:	
Cash and cash equivalents	$ 79,015,364
Accounts receivables, net	26,553,340
Inventory	4,703,709
Prepaid expenses	3,264,380
Total current assets	113,536,793
Noncurrent assets:	
Restricted cash and cash equivalents	416,219,303
Net OPEB asset	10,538,993
Nondepreciable capital assets	218,641,584
Depreciable capital assets, net	558,155,936
Total noncurrent assets	1,203,555,816
Total assets	1,317,092,609
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - OPEB	9,483,032
Deferred outflow of resources - debt refundings	9,997,917
Deferred outflow of resources - pensions	55,104,900
Total deferred outflows of resources	74,585,849
Total assets and deferred outflows of resources	$ 1,391,678,458
LIABILITIES	
Current liabilities:	
Accounts payable	$ 27,808,908
Interest payable	8,766,925
Unearned revenue	16,162,300
Compensated absences payable - current portion	3,407,764
Long-term debt - current portion	47,921,439
Total current liabilities	104,067,336
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion	3,817,778
Bonds and notes payable - noncurrent portion	1,026,017,528
Net pension liability	209,103,000
Total noncurrent liabilities	1,238,938,306
Total liabilities	1,343,005,642
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - OPEB	11,946,750
Deferred inflows of resources - debt refundings	4,596,838
Deferred inflows of resources - pensions	12,322,000
Total deferred inflows of resources	28,865,588
NET POSITION	
Net investment in capital assets	9,050,197
Restricted for capital projects	32,382,818
Restricted for debt service	70,756,983
Restricted for educational programs	16,229,135
Restricted for other activities	19,787,749
Unrestricted	(128,399,654)
Total net position	19,807,228
Total liabilities, deferred inflows of resources and net position	$ 1,391,678,458

See accompanying notes to the basic financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2020

Operating revenues:	
Tuition and fees	$ 29,097,193
Less: Fee waivers and allowance	(7,790,516)
Net tuition and fees	21,306,677
Auxiliary enterprise sales and charges:	
Bookstore	3,000,505
Cafeteria	282,598
Fitness center	4,971,302
Other sales and charges	1,611,079
Total operating revenues	31,172,161
Operating expenses:	
Salaries	144,027,756
Employee benefits	74,825,070
Supplies, materials, and other operating expenses	33,875,260
Student financial aid	25,459,324
Depreciation	29,120,378
Total operating expenses	307,307,788
Loss from operations	(276,135,627)
Non-operating revenues (expenses):	
Local property taxes, levied for general purposes	168,332,141
Local property taxes, levied for special purposes	66,688,644
State taxes and other revenues	13,176,975
Federal grants and contracts, noncapital	24,726,255
State grants, apportionment, contracts, noncapital	31,922,316
Local grants and contracts, noncapital	4,463,974
Investment income	17,336,000
Interest expense on capital asset-related debt	(44,395,984)
Loss on disposal of asset	(23,323)
Other non-operating revenues	6,962,498
Total non-operating revenues	289,189,496
Income before capital contributions	13,053,869
Capital contributions:	
State revenues, capital	185,549
Local revenues, capital	143,470
Change in net position	13,382,888
Net position, beginning of year	6,424,340
Net position, end of year	$ 19,807,228

See accompanying notes to the basic financial statements.

Cash flows from operating activities:	
Tuition and fees	$ 21,522,829
Payments to suppliers	(41,669,786)
Payments to / on behalf of employees	(204,481,870)
Payments to students	(25,459,324)
Auxiliary sales and charges	9,865,484
Net cash used in operating activities	(240,222,667)
Cash flows from noncapital financing activities:	
Property taxes, levied for general purposes	168,332,141
Property taxes, levied for special purposes	66,688,644
State taxes and other apportionments	13,176,975
Federal grants and contracts	24,726,255
State grants, apportionment,contracts, noncapital	31,922,316
Local grants and contracts	4,463,974
Other receipts and disbursements	3,298,955
Net cash provided by noncapital financing activities	312,609,260
Cash flows from capital and related financing activities:	
State apportionment for capital purposes	185,549
Purchase of capital assets	(92,075,372)
Principal paid on capital debt	(34,366,574)
Interest paid on capital debt	(27,519,840)
Local property taxes and other revenues for capital purposes	143,470
Net cash used in capital and related financing activities	(153,632,767)
Cash flows from investing activities:	
Interest received from investments	17,336,000
Net cash provided by investing activities	17,336,000
Net change in cash and cash equivalents	(63,910,174)
Cash and cash equivalents, beginning of year	559,144,841
Cash and cash equivalents, end of year	$ 495,234,667

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (276,135,627)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	29,120,378
Changes in assets and liabilities:	
Receivables, net	(5,401,827)
Inventory and prepaid assets	(1,402,606)
Deferred outflows - pensions and OPEB	(1,502,465)
Accounts payable	1,771,503
Unearned revenue	(2,545,444)
Compensated absences	1,492,981
Net OPEB liability	2,923,336
Net pension liability	11,413,000
Deferred inflows - pensions and OPEB	44,104
Total adjustments	35,912,960
Net cash used in operating activities	$ (240,222,667)
Cash and cash equivalents consist of the following:	
Cash and cash equivalents	$ 79,015,364
Restricted cash and cash equivalents	416,219,303
Total cash and cash equivalents	$ 495,234,667
Non-cash transactions:	
Amortization of premiums	$ 3,731,356
Accretion of interest	$ 229,778,251
Amortization of deferred (gain) loss on refunding	$ 666,570

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	OPEB Trust Fund	Agency Funds: Associated Students Trust	Agency Funds: Student Representation Fee
ASSETS			
Cash and cash equivalents	$ -	$ 1,788,180	$ 258,866
Investments:			
Mutual funds – fixed income	71,241,803	-	-
Mutual funds – equity	49,780,432	-	-
Mutual funds – real estate	7,859,063	-	-
Accounts receivable	-	152,100	-
Fixed assets	-	3,578	-
Total assets	$ 128,881,298	$ 1,943,858	$ 258,866
LIABILITIES AND NET POSITION			
Accounts payable	$ 359,439	$ -	$ -
Due to student groups and other	-	1,943,858	258,866
Total liabilities	359,439	$ 1,943,858	$ 258,866
Net position restricted for OPEB	128,521,859		
Total liabilities and net position	$ 128,881,298		

See accompanying notes to the basic financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2020

	OPEB Trust Fund
Additions	
Employer contributions	$ 7,409,326
Net investment income:	
Dividends and other income	4,919,681
Realized and unrealized gains, net	1,010,576
Investment fees	(450,368)
Total additions	12,889,215
Deductions	
Retiree benefits	7,409,326
Net increase in net position	5,479,889
Net Position restricted for OPEB:	
Net position, beginning of year	123,041,970
Net position, end of year	$ 128,521,859

See accompanying notes to the basic financial statements.

ASSETS		
Cash and cash equivalents	$	35,471
Due from District		122,286
Total assets	$	157,757
LIABILITIES AND NET ASSETS		
Liabilities:		
Unearned rent	$	19,976
Rent security deposits		102,573
Total liabilities		122,549
Net assets without donor restriction		35,208
Total liabilities and net assets	$	157,757

See accompanying notes to the basic financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Revenues:	
Rental income	$ 1,168,703
Other local income	1,125
Total revenues	1,169,828
Expenses:	
Operating expenses	420,108
Transfer to District	747,020
Total expenses	1,167,128
Change in net assets	2,700
Net assets without donor restriction, beginning of year	32,508
Net assets without donor restriction, end of year	$ 35,208

See accompanying notes to the basic financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash flow from operating activities:	
Change in net assets	$ 2,700
Changes in assets and liabilities	
Accounts receivable	(93,266)
Unearned rent	(7,004)
Rent security deposits	(19,803)
Net cash flows used in operating activities	(117,373)
Net change in cash and cash equivalents	(117,373)
Cash and cash equivalents, beginning of year	152,844
Cash and cash equivalents, end of year	$ 35,471

See accompanying notes to the basic financial statements.

NOTE 1 - ORGANIZATION

San Mateo County Community College District (the "District") was established in 1922 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering post-secondary educational services to residents of San Mateo County and surrounding areas. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the following potential component units:

- San Mateo County Community College District Financing Corporation
- San Mateo County Community College Educational Housing Corporation
- San Mateo County Community College Foundation

The *San Mateo County Community College District Financing Corporation* (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been “blended” or consolidated within the financial statements as of the District as if the activity was the District’s. This activity is accounted for in the District’s COP Payment Fund and COP Construction Fund. Individually-prepared financial statements are not prepared for the Corporation.

The *San Mateo County Community Colleges Educational Housing Corporation* (the Housing Corp.) is a non- profit organization under IRS Code Section 501(c)(3). The Housing Corp. meets the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity. Its purpose is to operate staff and faculty housing. The financial activity of the Housing Corp. is reported as a separate discretely presented component unit. Individually-prepared financial statements are not prepared for the Housing Corp.

The *San Mateo County Community Colleges Foundation* (the Foundation) is a non-profit organization under IRS Code Section 501(c)(3). The District has determined that the Foundation does not meet the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's report entity. It is dedicated to providing assistance to the students, teachers, and programs of the Colleges. The financial activity of the Foundation is not included in this report. Individually-prepared financial statements can be obtained from the Foundation at https://foundation.smccd.edu/.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position at the fund financial statement level.

Cash and Cash Equivalents: The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt or construction of capital assets.

Accounts Receivable: Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at $2,032,402 as of June 30, 2020.

Prepaid Expenses: Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventory: Inventory consists primarily of bookstore merchandise and supplies held for resale at each of the colleges. Inventories are stated at lower of cost or market, utilizing the first in, first out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation: Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 for equipment and $100,000 for land, buildings and improvements. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Unearned Revenue: Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Postemployment Benefits Other Than Pensions (OPEB): For purpose of measuring the net OPEB liability, information about the fiduciary net position of the Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and interest-earning investment contracts that are reported at cost. The Plan is included in the District's financial report and separately presented as a fiduciary fund. Separate financial statements are also prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability and OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and net OPEB (asset) liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) program of CalSTRS and Public Employers Retirement Fund B (PERF B) a program of CalPERS, and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	STRP	PERF B	Total
Deferred outflows of resources	$ 25,069,546	$ 30,035,354	$ 55,104,900
Deferred inflows of resources	$ 11,209,000	$ 1,113,000	$ 12,322,000
Net pension liability	$ 89,111,000	$ 119,992,000	$ 209,103,000
Pension expense	$ 18,989,838	$ 28,557,432	$ 47,547,270

Compensated Absences: Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The District also participates in “load-banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

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 associated outstanding debt obligations related to those capital assets and deferred outflows of resources. 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: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2020 there is no balance of nonexpendable restricted net position.

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Payments: GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' on behalf of all Community Colleges in California. The government-wide conversion entries relating to the pension reporting requirements of GASB Statement No. 68 rely on Local Educational Agencies (LEAs) having recognized the state's on-behalf pension contribution in their funds. Prior to the issuance of GASB Statement No. 68, the District recorded this entry at the consolidation entry level for GASB Statement No. 35 business-type activity reporting.

Classification of Revenues and Expenses: The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: 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. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, most Federal, State and local grants and contracts and Federal appropriations, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is a non-operating expense.

State Apportionments: Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these calculations and corrections are accrued in the year in which the measurements are generated.

Property Taxes: Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Mateo bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received. San Mateo County is on the Teeter Plan, which means that the District receives the property taxes that are owed to the District, regardless of the taxes actually collected by the County.

The voters of the District passed General Obligation Bonds in 2001, 2005, and 2014 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bonds, property taxes are assessed on the property within the District specifically for the repayment of the debts incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

California Promise Grant: Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through the California Promise Grant in the Statement of Revenues, Expenditures, and Change in Net Position. Allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and payments have been used to satisfy tuition and fee charges, the District has recorded an allowance.

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

Interfund Activity: Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Component Unit - Educational Housing Corporation Financial Statement Presentation: The Educational Housing Corporation (the "Housing Corp.") presents its financial statements in accordance with the FASB Accounting Standards Codification. Under these reporting requirements, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction, and net assets with donor restriction.

The assets, liabilities, and net assets of the Housing Corp. are reported as unrestricted funds, which represent the portion of resources that are available for general purpose of the Housing Corp.'s operations.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Summary of Cash and Cash Equivalents: Cash and cash equivalents of the District as of June 30, 2020 consisted of the following:

Cash in County Treasury	$ 461,492,187
Cash with fiscal agent	30,718,083
Cash on hand and in banks	2,686,713
Cash in revolving	70,000
Certificates of deposit	267,684
Total cash and cash equivalents	$ 495,234,667

Cash and cash equivalents of the Fiduciary Funds as of June 30, 2020, consisted of the following:

Cash on hand and in banks	$ 490,540
Cash in County Treasury	1,815,373
Total cash and cash equivalents	$ 2,305,913

Cash and cash equivalents of the Educational Housing Corporation as of June 30 2020, consisted of the following:

Cash on hand and in banks	$ 35,471
Total cash and cash equivalents	$ 35,471

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The District is considered to be an involuntary participant in an external investment pool. The District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2020.

Cash with Fiscal Agent: Cash with Fiscal Agent represents bond funds to be used in the future. At June 30, 2020, the funds are held with a bank in a money market account and recorded at fair value.

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - Deposits and Certificate of Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC") and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the District's cash in banks was $33,518,038 and the bank balance was $33,486,038.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by the financial institutions that is not insured is collateralized.

NOTE 4 - INVESTMENTS - OPEB TRUST

The District's OPEB (the "Trust") Trust fund, a fiduciary fund, has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Trust has written investment policies regarding the type of investments that may be made specifically for the Trust and the amount, which may be invested in any one financial institution or amounts that may be invested in long-term instruments. Management believes the Trust has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

The fair values of the Trust's individual investments as of June 30, 2020 consisted of the following::

Mutual funds – fixed income	$ 71,241,803
Mutual funds – equity	49,780,432
Mutual funds – real estate	7,859,063
Total investments	$ 128,881,298

During the fiscal year ended as of June 30, 2020, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Dividends and other income	$ 4,919,681
Realized gains	361,609
Unrealized gains	648,967
Investment fees	(450,368)
Total investment income, net	$ 5,479,889

NOTE 4 - INVESTMENTS - OPEB TRUST (Continued)

Custodial Credit Risk: The California Government Code requires California banks and savings and loan associations to secure the Trust's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Trust. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: The Trust's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Trust Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2020, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Interest Rate Risk: The Trust's investments consisted of open and closed-end mutual funds, therefore, there are no significant interest rate risk related to the investments held, as there are no maturities related to the mutual funds held.

Fair Value of Financial Instruments: The following methods and assumptions were used by the Trust to estimate the fair value of its financial instruments at June 30, 2020.

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(Continued)

NOTE 4 - INVESTMENTS - OPEB TRUST (Continued)

Assets Recorded at Fair Value: The following table presents information about the District's assets measured at fair value on a recurring basis:

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
OPEB Investments:				
Mutual funds - fixed income	$ 71,241,803	$ 71,241,803	$ -	$ -
Mutual funds - equity	49,780,432	49,780,432	-	-
Mutual funds – real estate	7,859,063	7,859,063	-	-
Total	$128,881,298	$128,881,298	$ -	$ -

Mutual funds were valued at closing prices from securities exchanges and are classified as Level 1 investments.

During the year ended June 30, 2020, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2020.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivables for the District as of June 30, 2020, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The accounts receivable are as follows:

Federal Government	
Categorical aid	$ 2,587,220
State Government	
Categorical aid	2,877,702
Lottery	830,390
Local sources	
Interest	1,797,054
Financial aid receivables	1,562,756
Student receivables	1,303,706
Other local sources	17,626,914
Subtotal	28,585,742
Less allowance for bad debt	(2,032,402)
Total accounts receivable, net	$ 26,553,340

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

As of June 30, 2020, receivables from other local sources includes $836,517 for loans made to District employees to purchase houses. All full-time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to $150,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-10, with final payment of any remaining balance, as well as shared appreciation, in year 10. Selling the property, withdrawing cash from the equity, or leaving the District's employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2020, the District had over $4.7 million available for new loans.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District consists of the following at June 30, 2020:

	Balance July 1, 2019	Additions and Transfers	Deductions and Transfers	Balance June 30, 2020
Non-depreciable:				
Land	$ 20,586,318	$ -	$ -	$ 20,586,318
Construction in progress	162,698,992	85,985,593	(50,629,319)	198,055,266
Depreciable:				
Land improvements	138,592,997	1,827,083	-	140,420,080
Buildings and improvements	670,266,434	48,802,236	(179,982)	718,888,688
Furniture, equipment and vehicles	26,447,407	2,960,150	(287,412)	29,120,145
Total	1,018,592,148	139,575,062	(51,096,713)	1,107,070,497
Less accumulated depreciation:				
Land improvements	49,644,056	6,622,433	-	56,266,489
Buildings and improvements	234,166,433	20,141,472	(179,982)	254,127,923
Furniture, equipment and vehicles	17,748,026	2,356,473	(225,934)	19,878,565
Total	301,558,515	29,120,378	(405,916)	330,272,977
Capital assets, net	$ 717,033,633	$110,454,684	$ (50,690,797)	$ 776,797,520

(Continued)

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District as of June 30, 2020, consisted of the following:

Vendor and other	$ 9,508,233
Payroll related liabilities	4,653,783
Construction	11,473,660
Workers' compensation	2,173,000
Federal	232
Total	$ 27,808,908

The accounts payable of the Fiduciary Fund consists primarily of funds held for student clubs.

The accounts payable of the Educational Housing Corporation consists of local vendor payables.

NOTE 8 - UNEARNED REVENUE

Unearned revenue as of June 30, 2020, consisted of the following:

State categorical aid	$ 8,116,764
Enrollment fees	2,981,727
Other local	5,063,809
Total	$ 16,162,300

NOTE 9 - LONG TERM LIABILITIES

The long-term liabilities activity for the year ended June 30, 2020, is as follows:

	July 1, 2019	Additions	Payments and Reductions	June 30, 2020	Current Portion
General obligation bonds	$ 801,050,076	$ -	$ 34,366,573	$ 766,683,503	$ 32,192,541
Unamortized bond premiums	64,587,448	-	3,731,357	60,856,091	3,731,356
Accreted interest	229,778,251	24,159,550	7,538,427	246,399,374	11,997,541
Net pension liability	197,690,000	11,413,000	-	209,103,000	-
Net OPEB liability	(13,462,329)	2,923,336	-	(10,538,993)	-
Compensated absences	5,732,561	5,146,339	3,653,358	7,225,542	3,407,764
Total	$ 1,285,376,007	$ 43,642,225	$ 49,289,715	$ 1,279,728,517	$ 51,329,202

On June 4, 2002, the District issued $96,857,613 of General Obligation Bonds Series 2001A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $53,335,000 were refunded during the fiscal year ended June 30, 2012. Capital Appreciation Bonds of $18,045,613 mature September 1, 2016 through September 1, 2026 with interest accreting at an average 5.55% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $138,641 and $19,229,063 at June 30, 2020, respectively.

(Continued)

NOTE 9 - LONG TERM LIABILITIES (Continued)

The following is a schedule of future payments as of June 30, 2020 for the Series 2001A Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ 1,727,950	$ 2,952,050	$ 4,680,000
2022	1,750,546	3,304,454	5,055,000
2023	1,771,958	3,678,042	5,450,000
2024	1,499,173	3,415,827	4,915,000
2025	1,522,960	3,792,040	5,315,000
2026-2027	3,117,408	8,797,592	11,915,000
Totals	$ 11,389,995	$ 25,940,005	$ 37,330,000

On February 9, 2005, the District issued $69,995,132 of General Obligation Bonds Series 2001B. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $22,375,000 were refunded during the fiscal years ended June 30, 2012 and 2015. Capital Appreciation Bonds of $23,095,132 mature September 1, 2021 through September 1, 2028 with interest accreting at an average 4.78% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $350,775 and $24,165,478 at June 30, 2020, respectively.

The following is a schedule of future payments as of June 30, 2020 for the Series 2001B Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ -	$ -	$ -
2022	2,127,124	2,367,876	4,495,000
2023	2,126,338	2,623,662	4,750,000
2024	2,123,259	2,896,741	5,020,000
2025	2,117,543	3,187,457	5,305,000
2026-2029	14,600,868	28,859,132	43,460,000
Totals	$ 23,095,132	$ 39,934,868	$ 63,030,000

On April 11, 2006, the District issued $40,124,660 of General Obligation Bonds Series 2001C. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $7,500,000 were partially refunded during the fiscal year ended June 30, 2015 with the remaining bonds maturing during the year ended June 30, 2016. Capital Appreciation Bonds of $25,469,660 mature September 1, 2016 through March 30, 2031 with interest accreting at an average 4.90% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $114,613 and $21,734,779 at June 30, 2020, respectively.

(Continued)

NOTE 9 - LONG TERM LIABILITIES (Continued)

The following is a schedule of future payments as of June 30, 2020 for the Series 2001C Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ 872,212	$ 852,788	$ 1,725,000
2022	874,686	950,314	1,825,000
2023	879,786	1,055,214	1,935,000
2024	883,714	1,166,286	2,050,000
2025	884,316	1,280,684	2,165,000
2026-2030	8,256,620	16,128,380	24,385,000
2031	9,388,318	22,551,682	31,940,000
Totals	$ 22,039,652	$ 43,985,348	$ 66,025,000

On April 11, 2006, the District issued $135,429,395 of General Obligation Bonds Series 2005A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $61,795,000 matured during the fiscal year ended June 30, 2015. Capital Appreciation Bonds of $73,634,395 mature September 1, 2015 through September 1, 2030 with interest accreting at an average 4.86% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $593,168 and $47,862,495 at June 30, 2020, respectively.

The following is a schedule of future payments as of June 30, 2020 for the Series 2005A Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ 4,707,415	$ 4,602,585	$ 9,310,000
2022	4,658,602	5,061,398	9,720,000
2023	4,617,174	5,537,826	10,155,000
2024	4,571,603	6,033,397	10,605,000
2025	4,525,737	6,554,263	11,080,000
2026-2030	22,003,302	41,366,698	63,370,000
2031	4,274,697	10,190,303	14,465,000
Totals	$ 49,358,530	$ 79,346,470	$ 128,705,000

On December 12, 2006, the District issued $332,570,194 of General Obligation Bonds Series 2005B. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The Current Interest Bonds of $41,155,000 were partially refunded during the fiscal years ended June 30, 2012 and 2015. The remaining Current Interest Bonds of $6,865,000 matured during the fiscal year ending June 30, 2017. Capital Appreciation Bonds of $163,005,194 mature September 1, 2020 through September 1, 2038 with interest accreting at an average 4.58% compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $4,155,970 and $133,407,558 at June 30, 2020, respectively.

(Continued)

NOTE 9 - LONG TERM LIABILITIES (Continued)

The following is a schedule of future payments as of June 30, 2020 for the Series 2005B General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ 4,689,965	$ 4,030,035	$ 8,720,000
2022	4,957,819	4,687,181	9,645,000
2023	5,244,307	5,430,693	10,675,000
2024	5,502,657	6,217,343	11,720,000
2025	5,754,962	7,070,038	12,825,000
2026-2030	32,404,327	50,760,673	83,165,000
2031-2035	53,814,067	120,255,933	174,070,000
2036-2039	50,637,090	148,607,910	199,245,000
Totals	$ 163,005,194	$ 347,059,806	$ 510,065,000

On April 26, 2012, the District issued $107,595,000 of 2012 General Obligation Refunding Bonds. Proceeds were used to refund portions of the outstanding Series 2001A General Obligation Bonds, Series 2001B General Obligation Bonds, and Series 2005B General Obligation Bonds. The 2012 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2012 Refunding Bonds mature through September 1, 2026 and bear interest at rates ranging from 2.00% to 5.00% with interest due annually on September 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2020, $42,925,000 of bonds outstanding are considered defeased.

Unamortized premiums on the 2012 Refunding Bonds were $8,791,944 as of June 30, 2020.

The following is a schedule of the future payments as of June 30, 2020 for the 2012 Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ 9,645,000	$ 1,953,725	$ 11,598,725
2022	5,945,000	1,517,925	7,462,925
2023	6,225,000	1,280,125	7,505,125
2024	7,550,000	998,875	8,548,875
2025	4,160,000	678,000	4,838,000
2026-2027	9,400,000	714,250	10,114,250
Totals	$ 42,925,000	$ 7,142,900	$ 50,067,900

On May 27, 2015, the District issued $127,000,000 of General Obligation Bonds Series 2014A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities. The General Obligation Bonds Series 2014A mature September 1, 2016 through September 1, 2045 and bear interest at rates ranging from 3.00% to 5.00% with interest due semiannually on September 1 and March 1.

Unamortized premiums on the 2015 General Obligation Bonds Series 2014A were $7,535,987 as of June 30, 2020.

(Continued)

NOTE 9 - LONG TERM LIABILITIES (Continued)

The following is a schedule of future payments as of June 30, 2020 for the Series 2014A General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ -	$ 3,185,750	$ 3,185,750
2022	-	3,185,750	3,185,750
2023	205,000	3,180,625	3,385,625
2024	385,000	3,165,875	3,550,875
2025	580,000	3,141,750	3,721,750
2026-2030	5,340,000	15,067,250	20,407,250
2031-2035	12,315,000	12,973,625	25,288,625
2036-2040	3,595,000	10,553,625	14,148,625
2041-2045	31,895,000	7,460,125	39,355,125
2046	9,960,000	249,000	10,209,000
Totals	$ 64,275,000	$ 62,163,375	$ 126,438,375

On September 4, 2014, the District issued $121,805,000 of 2014 General Obligation Refunding Bonds. Proceeds were used to refund portions of the outstanding Series 2001B General Obligation Bonds, Series 2001C General Obligation Bonds, and Series 2005B General Obligation Bonds. The 2014 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2014 Refunding Bonds mature September 1, 2015 through September 1, 2034 and bear interest at rates ranging from 2.00% to 5.00% with interest due annually on September 1.

Unamortized premiums on the 2014 Refunding Bonds were $9,978,166 as of June 30, 2020.

The following is a schedule of the future payments as of June 30, 2020 for the 2014 Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ 495,000	$ 4,135,350	$ 4,630,350
2022	515,000	4,115,150	4,630,150
2023	535,000	4,094,150	4,629,150
2024	255,000	4,078,350	4,333,350
2025	3,505,000	3,985,625	7,490,625
2026-2030	35,700,000	16,756,750	52,456,750
2031-2035	42,260,000	5,211,000	47,471,000
Totals	$ 83,265,000	$ 42,376,375	$ 125,641,375

On October 30, 2018, the District issued $261,000,000 of 2018 General Obligation Bonds Series 2018B. The Bonds were issued to finance the acquisition, construction, and modernization of certain District property and facilities. The 2018 General Obligation Bonds Series 2018B mature September 1, 2019 through September 1, 2045 and bear interest at rates ranging from 3.75% to 5.00% with interest due semiannually on September 1 and March 1.

Unamortized premiums on the 2018 General Obligation Bonds Series 2018B were $25,530,128 as of June 30, 2020.

(Continued)

NOTE 9 - LONG TERM LIABILITIES (Continued)

The following is a schedule of the future payments as of June 30, 2020 for the 2018B Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ 10,055,000	$ 11,452,725	$ 21,507,725
2022	3,905,000	11,154,000	15,059,000
2023	-	11,056,375	11,056,375
2024	370,000	11,047,125	11,417,125
2025	845,000	11,016,750	11,861,750
2026-2030	13,945,000	53,580,750	67,525,750
2031-2035	34,110,000	47,750,600	81,860,600
2036-2040	63,165,000	37,692,988	100,857,988
2041-2045	98,870,000	19,643,250	118,513,250
2046	25,675,000	641,875	26,316,875
Totals	$ 250,940,000	$ 215,036,438	$ 465,976,438

On October 30, 2018 the District issued $33,665,000 of 2018 General Obligation Refunding Bonds. Proceeds were used to refund portions of the outstanding principal amount of the District's 2014 General Obligation Refunding Bonds. The 2018 Refunding Bonds mature September 1, 2035 through September 1, 2038 and bear interest at rates ranging from 3.75% to 4.00% with interest due semiannually on September 1 and March 1.

Unamortized premiums on the 2014 Refunding Bonds were $914,217 as of June 30, 2020.

The following is a schedule of the future payments as of June 30, 2020 for the 2018 Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ -	$ 1,325,388	$ 1,325,388
2022	-	1,325,388	1,325,388
2023	-	1,325,388	1,325,388
2024	-	1,325,388	1,325,388
2025	-	1,325,388	1,325,388
2026-2030	-	6,626,938	6,626,938
2031-2035	-	6,626,938	6,626,938
2036-2039	33,665,000	2,629,252	36,294,252
Totals	$ 33,665,000	$ 22,510,068	$ 56,175,068

NOTE 9 - LONG TERM LIABILITIES (Continued)

On October 30, 2018 the District issued $22,725,000 of 2018 General Obligation Bonds (2019 Forward Delivery Refunding Bonds). Proceeds were used to refund portions of the outstanding principal amount of the District's 2015 General Obligation Bonds Series 2014A. The 2019 Forward Delivery Refunding Bonds mature September 1, 2036 through September 1, 2040 and bear interest at 5.00% with interest due annually on September 1.

There was no accrued interest or sinking fund resources related to the new debt proceeds.

Unamortized premiums on the 2018 Forward Delivery Bonds were $2,752,484 as of June 30, 2020.

The following is a schedule of the future payments as of June 30, 2020 for the 2018 Forward Delivery Bonds:

Year Ending June 30,	Principal	Interest	Total
2021	$ -	$ 1,136,250	$ 1,136,250
2022	-	1,136,250	1,136,250
2023	-	1,136,250	1,136,250
2024	-	1,136,250	1,136,250
2025	-	1,136,250	1,136,250
2026-2030	-	5,681,250	5,681,250
2031-2035	-	5,681,250	5,681,250
2036-2040	17,105,000	4,096,125	21,201,125
2041	5,620,000	140,500	5,760,500
Totals	$ 22,725,000	$ 21,280,375	$ 44,005,375

NOTE 10 - RISK MANAGEMENT

Insurance Coverage: The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2020, the District contracted with Risk Strategies, Inc., an insurance broker, to manage the District’s insurance claims. The District is self-insured for the first $150,000. Settled claims have not exceeded this commercial coverage. The District has an Owner-Controlled Insurance Program (OCIP) that covers its capital projects over $1 million.

Workers' Compensation: For the fiscal year, the District contracted with Andreini and Company for placement of excess workers’ compensation insurance program. The District is self-insured for the first $350,000.

Employee Medical Benefits: The District has contracted with the CalPERS to provide employee medical and surgical benefits. CalPERS is a shared risk pool comprised of nearly 2,500 employers and covers five regions (Bay Area, Other Northern California, Southern California, Other Southern California, and Out of State). Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The CalPERS Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. CalPERS requires the District to have a post-retirement medical benefit plan for CalPERS members.

(Continued)

NOTE 10 - RISK MANAGEMENT (Continued)

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate costs of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Claim Liabilities: The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2020:

	Workers' Compensation
Liability Balance, July 1, 2018	$ 1,930,000
Claims and changes in estimates	2,556,559
Claims payments	(2,275,559)
Liability Balance, June 30, 2019	2,211,000
Claims and changes in estimates	3,478,965
Claims payments	(3,516,965)
Liability Balance, June 30, 2020	$ 2,173,000
Assets available to pay claims at June 30, 2020	$ 7,771,440

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at https://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

(Continued)

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member’s highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

Contributions: Required member, employer, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state’s General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately $1.6 billion, was allocated to reduce the employers’ share of the unfunded actuarial obligation of the DB Program.

(Continued)

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned $1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020–21 and 2.18% less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84. A summary of statutory contribution rates and other sources of contributions to the DB Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-20.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Employers – 17.10 percent of applicable member earnings. This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

Pursuant to AB 1469, employer contributions increased from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2019	8.25%	9.88%	17.10%(1)
July 01, 2020	8.25%	10.85%	16.51%(1)
July 01, 2021 to June 30, 2046	8.25%	(2)	(2)
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(1) Pursuant to SB 90 and AB 84, the fiscal year 2018-19 state contribution of approximately $2.2 billion made in advance on behalf of employers will be used to pay the contributions required by employers for the 2019-20, 2020-21 and 2021-22 fiscal years, such that employers will remit 1.030%, 2.950% and 2.180% less, respectively, than is required by the CalSTRS Funding Plan.
(2) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed $9,250,546 to the plan for the fiscal year ended June 30, 2020.

State – 10.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution of the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811% on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019-20 through 2022-2023

(Continued)

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below.

Effective Date	Base Rate	AB 1469 Increase for 1990 Benefit Structure	SBMA Funding (1)	Total State Appropriation to DB Program
July 01, 2019	2.017%	5.811%	2.50%	10.328%(2)
July 01, 2020	2.017%	5.811%(3)	2.50%	10.328%(2)
July 01, 2021 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	(5)

(1) This rate does not include the $72 million reduction in accordance with Education Code Section 22954.
(2) This rate does not include the $2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.
(3) In May 2020, the CalSTRS board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020–21, thereby negating the board's rate increase of 0.5%.
(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.
(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amounts 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 as of June 30, were as follows:

District's proportionate share of the net pension liability	$ 89,111,000
State's proportionate share of the net pension liability associated with the District	48,616,000
Total	$ 137,727,000

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2019, the District's proportion was 0.099 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2018.

(Continued)

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the District recognized pension expense of $18,989,838 and revenue and pension expense of $14,922,932 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 225,000	$ 2,511,000
Changes of assumptions	11,271,000	-
Net differences between projected and actual earnings on investments	-	3,433,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,323,000	5,265,000
Contributions made subsequent to measurement date	9,250,546	-
Total	$ 25,069,546	$ 11,209,000

$9,250,546 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	$ 1,465,133
2022	$ (912,867)
2023	$ 1,330,133
2024	$ 2,765,800
2025	$ 386,300
2026	$ (424,500)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the 2019-20 STRP 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 June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the Cal STRS 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 geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return is summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.8%
Fixed Income	12	1.3
Real Estate	13	3.6
Private Equity	13	6.3
Absolute Return / Risk Mitigating Strategies	9	1.8
Inflation Sensitive	4	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

(Continued)

NOTE 11 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability as of June 30, 2020 calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 132,693,000	$ 89,111,000	$ 52,972,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 12 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The Schools Cost-sharing Multiple-employer Defined Benefit Pension Plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

https://www.calpers.ca.gov/docs/forms-publications/cafr-2019.pdf

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 12 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

Members – The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2019-20.

Employers – The employer contribution rate was 19.72 percent of applicable member earnings.

The District contributed $11,215,354 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of $119,992,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019, the District's proportion was 0.412 percent, which was an increase of 0.015 percent from its proportion measured as of June 30, 2018.

NOTE 12 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2020, the District recognized pension expense of $28,557,432. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 8,716,000	$ -
Changes of assumptions	5,712,000	-
Net differences between projected and actual earnings on investments	-	1,113,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,392,000	-
Contributions made subsequent to measurement date	11,215,354	-
Total	$ 30,035,354	$ 1,113,000

$11,215,354 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	$ 12,296,333
2022	$ 3,146,333
2023	$ 1,948,833
2024	$ 315,500

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 12 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the 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 June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	June 30, 1997, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

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, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

Asset Class	Long -Term* Assumed Asset Allocation	Expected Real Rate of Return Years of 1 - 10 (1)	Expected Real Rate of Return Years of 11+ (2)
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation of Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average
(1) An expected inflation rate of 2.00% used for this period
(2) An expected inflation rate of 2.92% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

NOTE 12 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's 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. The expected rate of return was set by calculating the rounded equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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 as of June 30, 2020 calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$172,960,000	$119,992,000	$ 76,051,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: In addition to the pension benefits described in Notes 11 and 12, the District provides postemployment health care benefits (OPEB) for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The Other Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The District provides the OPEB benefits through a single employer defined benefit OPEB plan that is administered by Benefit Trust Company. OPEB provisions are established and amended per contractual agreement with employee groups. The plan does issue separate financial statements, which are produced by the District and available upon request. The following is a description of the current retiree benefit plan:

Academic Employees: Employees of the San Mateo County Community College District, upon meeting the years of District service requirement and the "Magic 75" which is employee's Age plus Years of District service, will qualify for retiree benefits as indicated in their union contract. Retiree Benefits package may differ depending on hire date. The years of District service required are 10 years if hired prior to September 8, 1993 and 20 years if hired on or after September 8, 1993.

(Continued)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

CSEA & All Non-represented Employees: Employees of the San Mateo County Community College District, upon meeting the years of District service requirement and the “Magic 75” which is employee’s Age plus Years of District service, will qualify for retiree benefits as indicated in their union contract. Retiree Benefits package may differ depending on hire date. The years of District service required are 10 years if hired prior to July 1, 1992 and 20 years if hired on or after July 1, 1992.

AFCSME Employees: Employees of the San Mateo County Community College District, upon meeting the years of District service requirement and the “Magic 75” which is employee’s Age plus Years of District service, will qualify for retiree benefits as indicated in their union contract. Retiree Benefits package may differ depending on hire date. The years of District service required are 10 years if hired prior to July 1, 1992 and 20 years if hired on or after July 1, 1992.

Benefit Payments: The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan is included in the District's financial report and separately presented as a fiduciary fund. Separate financial statements are also prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

During the year ended June 30, 2010 the District signed an irrevocable trust (the Trust) agreement. The District appointed a Board of Authority with authority to establish and amend benefits terms under the plan and make decisions on behalf of the District with respect to the Futuris Public Entity Investment Trust Program. The Benefit Trust Company was appointed as the custodian and trustee to administer the Futuris Public Entity Investment Trust.

Employees Covered by Benefit Term: The following is a table of plan participants at June 30, 2020 (measurement date):

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	675
Active Employees	1,015
	1,690

Contributions: California Government Code specifies that the District’s contribution requirements for covered employees are established and may be amended by the Governing Board. Eligible employees are not permitted to make contributions to the Trust. The Plan administrator shall, on behalf of the employer, make all contributions to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates, but contributes in an amount sufficient to fully fund the Net OPEB obligation over a period not to exceed 30 years. Contributions to the Trust from the District were $7,409,326 for the year ended June 30, 2020. As of June 30, 2020, the District's OPEB liability is fully funded.

(Continued)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Investments: The plan discount rate of 6.5% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Rate Return*
Fixed Income	50%	5%
Equities	50%	8%

*Geometric average

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 28-year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 28 years.

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determine using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Census data	The census data was provided by the District as of June 30, 2019
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.75%
Investment rate of return	6.50%
Discount rate	6.50%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Participation rates	100% for certificated and classified employees.
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

(Continued)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net OPEB (Asset) Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance, July 1, 2019	$109,579,641	$123,041,970	$ (13,462,329)
Changes for the year:			
Service cost	2,593,072	-	2,593,072
Interest	7,015,191	-	7,015,191
Experience gains/losses	293,734	-	293,734
Change in assumptions	5,910,554	-	5,910,554
Employer contributions	-	7,409,326	(7,409,326)
Actual investment income	-	5,930,257	(5,930,257)
Administrative expense	-	(450,368)	450,368
Benefit payments	(7,409,326)	(7,409,326)	-
Net change	8,403,225	5,479,889	2,923,336
Balance, June 30, 2020	$117,982,866	$128,521,859	$ (10,538,993)

Fiduciary Net Position as a percentage of the Total OPEB Liability, at June 30, 2020: 109%

Sensitivity of the net pension liability to assumptions: The following presents the net OPEB liability calculated using the discount rate of 6.5 percent. The schedule also shows what the net OPEB liability and net OPEB asset would be if it were calculated using a discount rate that is 1 percent lower (6 percent) and 1 percent higher (8 percent):

	Discount Rate 1% Lower (5.5%)	Valuation Discount Rate (6.5%)	Discount Rate 1% Higher (7.5%)
Net OPEB (asset) liability	$ 2,940,263	$ (10,538,993)	$ (21,132,621)

The following table presents the net OPEB liability calculated using the heath care cost trend rate of 4 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3 percent) and 1 percent higher (5 percent):

	Health Care Trend Rate 1% Lower (3%)	Valuation Health Care Trend Rate (4%)	Health Care Trend Rate 1% Higher (5%)
Net OPEB (asset) liability	$ (22,509,668)	$ (10,538,993)	$ 4,395,606

OPEB Expense: For the year ended June 30, 2020, the District recognized OPEB expense of $6,039,929.

(Continued)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 257,912	$ 11,946,750
Changes of assumptions	5,189,754	-
Net differences between projected and actual earnings on investments	4,035,366	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	-	-
Total	$ 9,483,032	$ 11,946,750

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

Years Ended June 30,	
2021	$ 65,240
2022	$ 65,240
2023	$ (170,779)
2024	$ (605,431)
2025	$ (1,170,274)
Thereafter	$ (647,714)

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.

(Continued)

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

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

Operating Leases: The District has entered into various operating leases for equipment with no lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date

Construction Commitments: As of June 30, 2020, the District has approximately $41,505,974 in outstanding commitments on construction contracts. The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

NOTE 15 - JOINT POWER AGREEMENTS

The District participates in joint ventures under joint power agreements with the following joint powers authorities (JPAs): School Excess Liability Fund (SELF) and San Mateo County School Insurance Group (SMCSIG). There have been no significant reductions in insurance coverage from the prior year. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs arrange for and provide property, liability, workers' compensation, dental, vision, and excess liability coverage for their members. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Each JPA is governed by a board consisting of representatives from the members. 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 boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year end assets, liabilities, or fund equity is not calculated by the JPA's. Separately issued financial statements can be requested from each JPA.

(Continued)

NOTE 15 - JOINT POWER AGREEMENTS (Continued)

Condensed financial information of the JPAs for the most recent year available is as follows:

	SELF June 30, 2019	SMCSIG June 30, 2019
Total assets	$ 121,323,694	$ 26,372,555
Total deferred outflows of resources	$ 423,181	$ 392,825
Total liabilities	$ 101,851,136	$ 11,091,438
Total deferred inflow of resources	$ 31,467	$ 70,852
Net position	$ 19,864,272	$ 15,603,090
Total revenues	$ 25,735,366	$ 45,275,439
Total expenses	$ 23,968,407	$ 45,026,058
Change in net position	$ 1,766,959	$ 249,381

NOTE 16 - COVID-19 IMPACTS

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020 the Governor of California issues Executive Order N-26 - 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state, and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
For the Year Ended June 30, 2020

	2017	2018	2019	2020
Total OPEB Liability				
Service cost	$ 3,269,290	$ 3,359,195	$ 3,414,487	$ 2,593,072
Interest	7,305,828	7,957,577	8,335,093	7,015,191
Benefit payments	(7,230,215)	(7,222,945)	(7,432,730)	(7,409,326)
Change in assumptions	-	-	-	5,910,554
Experience gains/losses	-	-	(15,800,542)	293,734
Net change in Total OPEB liability	3,344,903	4,093,827	(11,483,692)	8,403,225
Total OPEB Liability, beginning of year	113,624,603	116,969,506	121,063,333	109,579,641
Total OPEB Liability, end of year (a)	$116,969,506	$121,063,333	$109,579,641	$117,982,866
Plan fiduciary net position				
Employer contributions	15,230,215	19,422,945	10,032,730	7,409,326
Actual Investment Income	9,043,304	6,028,034	5,948,263	5,930,257
Administrative expense	(337,684)	(376,812)	(419,134)	(450,368)
Benefits payment	(7,230,215)	(7,222,945)	(7,432,730)	(7,409,326)
Change in plan fiduciary net position	16,705,620	17,851,222	8,129,129	5,479,889
Fiduciary trust net position, beginning of year	80,355,999	97,061,619	114,912,841	123,041,970
Fiduciary trust net position, end of year (b)	$ 97,061,619	$114,912,841	$123,041,970	$128,521,859
Net OPEB (asset) liability, ending (a) - (b)	$ 19,907,887	$ 6,150,492	$ (13,462,329)	$ (10,538,993)
Covered payroll	$ 83,799,966	$ 91,765,187	$ 98,883,699	$102,312,968
Plan fiduciary net position as a percentage of the total OPEB liability	83%	95%	112%	109%
Net OPEB (asset) liability as a percentage of covered payroll	24%	7%	(14)%	(10)%

This is a 10-year schedule, however the information in this schedule is not required to be presented restrospectively.

State Teacher's Retirement Plan

	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.105%	0.105%	0.092%	0.093%	0.100%	0.099%
District's proportionate share of the net pension liability	$ 60,122,504	$ 70,426,000	$ 74,125,000	$ 85,792,000	$ 91,965,000	$ 89,111,000
State's proportionate share of the net pension liability associated with the District	37,062,000	37,248,000	42,202,000	50,754,000	52,654,000	48,616,000
Total net pension liability	$ 97,184,504	$107,674,000	$116,327,000	$136,546,000	$144,619,000	$137,727,000
District's covered payroll	$ 46,781,000	$ 48,554,000	$ 45,675,000	$ 47,739,000	$ 53,265,000	$ 53,033,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	128.52%	145.05%	162.29%	179.71%	172.66%	168.03%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%

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

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B

	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.358%	0.363%	0.37%	0.38%	0.397%	0.412%
District's proportionate share of the net pension liability	$ 40,542,482	$ 53,485,000	$ 72,981,000	$ 91,241,000	$105,725,000	$119,992,000
District's covered payroll	$ 37,548,000	$ 40,172,000	$ 44,332,000	$ 48,676,000	$ 52,301,000	$ 57,027,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	107.98%	133.14%	164.62%	187.45%	202.15%	210.41%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

State Teachers' Retirement Plan

	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 4,311,554	$ 4,900,874	$ 6,005,598	$ 7,433,405	$ 8,821,372	$ 9,250,546
Contributions in relation to the contractually required contribution	$ (4,311,554)	$ (4,900,874)	$ (6,005,598)	$ (7,433,405)	$ (8,821,372)	(9,250,546)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 48,554,000	$ 45,675,000	$ 47,739,000	$ 51,514,000	$ 54,185,000	$ 51,023,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*

All years prior to 2015 are not available.
* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

(Continued)

Public Employers Retirement Fund B

	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 4,728,591	$ 5,252,004	$ 6,760,065	$ 8,137,083	$ 10,306,432	$ 11,215,354
Contributions in relation to the contractually required contribution	$ (4,728,591)	$ (5,252,004)	$ (6,760,065)	$ (8,137,083)	$ (10,306,432)	(11,215,354)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 40,172,000	$ 44,332,000	$ 48,676,000	$ 52,393,000	$ 57,061,000	$ 56,870,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Net OPEB Liability is presented to illustrate the elements of the District's Net OPEB Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

B - Schedule of the District’s Proportionate Share of the Net Pension Liability

The Schedule of the District’s Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District’s Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C - Schedule of the District's Contributions (Pensions)

The Schedule of the District's Contributions is presented to illustrate the District’s required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Changes of Benefit Terms (Pensions)

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions (Pensions)

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017 and 2018 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period				
Assumptions	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

The San Mateo County Community College District was established in 1922, and includes three college campuses located in San Mateo County. There were no changes in the boundaries of the District during the current year. The District's three colleges are each accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges.

BOARD OF TRUSTEES

Members	Office	Term Expires
Maurice Goodman	President	2020
Karen Schwarz	Vice President-Clerk	2020
Richard Holober	Trustee	2022
Dave Mandelkern	Trustee	2020
Thomas A. Nuris	Trustee	2022
Jade Shonett	Student Trustee	2021

ADMINISTRATION

Mr. Michael E. Claire
Chancellor

Ms. Bernata Slater
Chief Financial Officer

Ms. Kim Lopez
Interim President, College of San Mateo

Dr. Jamillah Moore
President, Cañada College

Dr. Melissa Moreno
President, Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Sub-recipient Award Amount	Federal Expend-itures
Department of Education				
Direct Programs:				
Student Financial Aid Cluster:				
Federal Work Study Program	84.033	-	$ -	$ 468,012
Federal Pell Grant Program	84.063	-	-	12,625,437
Federal Supplemental Education Opportunity Grant	84.007	-	-	435,300
Federal Direct Student Loans	84.268	-	-	965,512
Subtotal Student Financial Aid Cluster			-	14,494,261
TRIO Cluster:				
Student Support Services	84.042A	-	-	788,778
Upward Bound	84.047A	-	-	305,338
Subtotal TRIO Cluster			-	1,094,116
Higher Education Program:				
Higher Education -Institutional Aid HSI STEM	84.031C	-	-	2,141,894
Higher Education -Institutional Aid HSI Coop	84.031S	-	166,203	1,882,307
Subtotal Higher Education			166,203	4,024,201
Minority Science and Engineering Improvement	84.120A	-	14,099	297,756
Education Stabilization Fund:				
COVID-19 HEERF Student Portion	84.425E	-	-	2,769,162
COVID-19 HEERF Institutional Portion	84.425F	-	-	593,832
COVID-19 HEERF Minority Serving Institutions	84.425L	-	-	132,254
Subtotal Education Stabilization Fund			-	3,495,248
Passed through California Community Colleges Chancellor's Office:				
CTEA I-C Basic Grants to States	84.048A	19-C01-052	-	594,061
Total Department of Education			180,302	23,999,643
Department of Health and Human Services				
Passed through California Community Colleges Chancellor's Office:				
Temporary Assistance for Needy Families Cluster	93.558		-	85,279
Title IV-E Foster Care	93.658		-	31,726
Passed through California Department of Education/CDTC:				
Child Care Development Cluster:				
Child Care and Development Block Grant	93.575	19-20-3939, 19-20-4047, CCTR9244	-	29,584
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR9244	-	24,370
Subtotal Child Care Development Cluster			-	53,954
Total Department of Health and Human Services			-	170,959

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Sub-recipient Award Amount	Federal Expend- itures
Department of Agriculture				
Passed through California Department of Education:				
Child and Adult Care Food program	10.558	1754-0A	$ -	$ 17,622
National Science Foundation				
Research Cluster:				
Direct Program:				
Education and Human Resources	47.076		-	414,752
Passed through San Jose Evergreen Community College District:	47.076	SC-SUB-G1288	-	9,856
Total National Science Foundation Research Cluster			-	424,608
Small Business Administration				
Passed through Humboldt State University Sponsored Programs Foundation:				
Small Business Development Centers	59.037	F0332, F0432	-	110,010
Total Federal Programs			$ 180,302	$ 24,722,842

See accompanying note to supplementary information.

	Program Revenues				
	Cash Received*	Accounts Receivable	Deferred Revenue	Total Revenue	Total Program Expenditures
General Fund					
AB 77/DSPS	$ 2,160,838	$ -	$ 21,562	$ 2,139,276	$ 2,139,276
Extended Opportunity Program	1,761,974	-	44,886	1,717,088	1,717,088
CARE/EOPS	168,524	-	13,264	155,260	155,260
Foster Parent Training	48,494	-	11,119	37,375	37,375
IEPI CCC Leadership Development	19,297	-	19,297	-	-
AB602 FA Admin Allowance	771,431	-	-	771,431	771,431
T-Com and Technology	3,654	-	3,654	-	-
CalWORKs	400,889	-	49,428	351,461	351,461
AB1725 Staff Diversity	96,039	-	52,231	43,808	43,809
Faculty and Staff Development	108,368	-	108,368	-	-
MESA CCCP/FSS	46,213	86,395	-	132,608	132,607
Feather River CCD IDRC	5,000	-	5,000	-	-
Lottery -- Prop 20 -- Instr Matrls	495,298	484,079	-	979,377	776,031
YEP	(15,000)	15,000	-	-	-
UC Regents Puente Program-Canada	1,500	-	-	1,500	1,500
CCCCO 1819 Strong Workforce Local	2,347,784	-	1,188,806	1,158,978	1,158,978
Umoja Program	26,000	-	6,100	19,900	19,900
RSCCD CTE Data Unlocked Initiative	83,859	-	50,000	33,859	33,859
SBDC-HSUSPF GO-Biz	2,118	-	-	2,118	2,118
VeteranRes Center Grant Prog	38,067	2,182	-	40,249	40,249
Incarcerated StudentsvReentry Prog	45,454	58,369	-	103,823	103,823
SEAP carry-over	1,217,351	-	-	1,217,351	1,217,351
SMUHSD - ACCEL AEBG 12/31/21	517,505	-	513,467	4,038	4,038
Cabrillo CCD Strong Workforce Reg	475,575	8,449	-	484,024	484,024
FHDA CCD, CCCO Online CTE Pathway	376,598	199,571	-	576,169	576,169
RSCCD DSN Global Trade	100,000	51,034	-	151,034	151,034
SMUHSD - ACCEL AEBG 12/31/19	110,722	-	-	110,722	110,722
RSCCD DSN Health	-	13,884	-	13,884	13,884
Veteran Resource Center 1920 Approp	224,588	-	224,588	-	-
Guided Pathways Grant CCCCO	1,043,764	-	366,433	677,331	677,331
CCCCO Strong Workforce 60% 17-18	1,031,539	-	18,474	1,013,065	1,013,065
California College Promise 1920	1,495,599	-	154,721	1,340,878	1,340,878
UWBA - Census Bay Area Counts 2020	15,000	-	-	15,000	15,000
SBDC-HSUSPF GO-Biz -CIP	9,060	-	-	9,060	9,060
SBDC-HSUSPF GO-Biz TAEP 1920	19,180	-	-	19,180	19,180
Veteran Resource Center 1718 approp	18,202	-	-	18,202	18,202
CAI - Pre-Apprenticeship OJT Grant	(86,101)	250,503	-	164,402	164,402
CCC Mental Health Services Grant	(106,636)	288,665	-	182,029	182,028
Cabrillo CCD Strong Workforce 40%	153,143	848,950	-	1,002,093	1,002,093
CCCCO Campus Safety 1718 Allocation	22,799	-	-	22,799	22,799
RSCCD DSN Energy Constr & Util 1920	98,272	-	-	98,272	98,272
Hunger Free Campus Support 2019-21	70,997	-	33,710	37,287	37,287
Innovation in Higher Education	2,569,769	-	1,246,681	1,323,088	1,323,088
AB 19 California College Promise	584,500	-	-	584,500	584,500
Student Equity and Achievement Prog	6,478,212	-	865,323	5,612,889	5,612,890
Nursing Education Program Support	189,039	-	19,204	169,835	169,835
SMUHSD - ACCEL AEBG	448,698	-	150,014	298,684	298,683
Student Success Completion Grant	1,354,880	-	13,463	1,341,417	1,341,417
CCCCO Financial Aid Technology	416,092	-	272,533	143,559	143,560
CCCCO CA Apprenticeship Initiative	7,047	(1)	-	7,046	7,046
SCCCD IEPI Equity Institute	200,000	-	200,000	-	-
Capital Outlay projects	447,275	908,515	-	1,355,790	1,355,790

(Continued)

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2020

	Program Revenues				
	Cash Received*	Accounts Receivable	Deferred Revenue	Total Revenue	Total Program Expenditures
UC Regents Puente Program CSM	$ 1,500	$ -	$ 1,294	$ 206	$ 206
Cabrillo CCD Strong Workforce, RJV	80,081	10,000	-	90,081	90,081
SBDC-HSUSPF GO-Biz TAEP	12,036	20	-	12,056	12,056
Hunger Free Campus Support 2018-20	81,700	-	-	81,700	81,700
Mental Health Support 2018-20	84,690	-	25,171	59,519	59,519
Veteran Resource Center 1819 approp	119,662	-	63,775	55,887	55,887
CCCCO 1920 Strong Workforce Local	2,462,161	-	2,393,494	68,667	68,667
RSCCD DSN Energy Constr & Util	-	121,360	-	121,360	121,360
WHCCD ZTC Degree Champion Grant	2,000	-	-	2,000	2,000
Scheduled Maintenance	185,549	-	-	185,549	185,549
CDE Child Development	241,281	1,346	412	242,215	242,215
Cal Grant	1,342,885	13,461	1,828	1,354,518	1,354,518
Total	$ 32,732,015	$ 3,361,782	$ 8,138,300	$ 27,955,497	$ 27,752,151

*Cash received includes funds received in prior years.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT ANNUAL ATTENDANCE
Annual Attendance as of June 30, 2020

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit	6	-	6
2. Credit	1,848	-	1,848
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	8,640	-	8,640
b. Daily Census Contact Hours	430	-	430
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	35	-	35
b. Credit	564	-	564
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	2,578	-	2,578
b. Daily Census Procedure Courses	472	-	472
c. Noncredit Independent Study/Distance Ed	-	-	-
D. Total FTES	14,573	-	14,573
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	44	-	44
b. Credit	225	-	225
CCFS 320 Addendum			
CDCP	-	-	-
Center FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying note to supplementary information.

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2020.

General fund		$ 78,131,199
Debt service fund		68,406,930
Special revenue funds		-
Capital projects funds		304,693,993
Internal service fund		24,545,006
Auxiliary funds		10,151,669
Total fund balances - business-type activity funds		485,928,797
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
Total District capital assets	$ 776,797,520	
less Auxiliary fund capital assets	(143,909)	
		776,653,611
In government funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	$ 55,104,900	
Deferred outflows of resources relating to OPEB	9,483,032	
Deferred inflows of resources relating to pensions	(12,322,000)	
Deferred inflows of resources relating to OPEB	(11,946,750)	
		40,319,182
Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(8,766,925)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2020 consisted of:		
General obligation bonds	$ (766,683,502)	
Unamortized bond premiums	(60,856,092)	
Accreted interest	(246,399,373)	
Net pension liability	(209,103,000)	
Net OPEB asset	10,538,993	
Compensated absences	(7,225,542)	
		(1,279,728,516)

(Continued)

Gains or losses on refundings of debt are categorized as deferred inflows or outflows and are amortized over the shortened life of the refunded or refunding of the debt.		
Deferred outflows of resources relating to debt refundings - losses	$ 9,997,917	
Deferred inflows of resources relating to debt refundings - gains	(4,596,838)	
		5,401,079
Total net position - business-type activities		$ 19,807,228

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2020

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 26,524,363	$ -	$ 26,524,363	$ 26,524,363	$ -	$ 26,524,363
Other	1300	17,969,301	-	17,969,301	17,969,301	-	17,969,301
Total instructional salaries		44,493,664	-	44,493,664	44,493,664	-	44,493,664
Non-instructional salaries:							
Contract or regular	1200	-	-	-	16,933,630	-	16,933,630
Other	1400	-	-	-	2,022,973	-	2,022,973
Total non-instructional salaries		-	-	-	18,956,603	-	18,956,603
Total academic salaries		44,493,664	-	44,493,664	63,450,267	-	63,450,267
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	35,277,171	-	35,277,171
Other	2300	-	-	-	2,601,586	-	2,601,586
Total non-instructional salaries		-	-	-	37,878,757	-	37,878,757
Instructional aides:							
Regular status	2200	2,482,637	-	2,482,637	2,523,521	-	2,523,521
Other	2400	898,071	-	898,071	913,386	-	913,386
Total instructional aides		3,380,708	-	3,380,708	3,436,907	-	3,436,907
Total classified salaries		3,380,708	-	3,380,708	41,315,664	-	41,315,664
Employee benefits	3000	23,116,343	-	23,116,343	48,183,398	-	48,183,398
Supplies and materials	4000	-	-	-	1,897,030	-	1,897,030
Other operating expenses	5000	10,438	-	10,438	14,625,643	-	14,625,643
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 71,001,153	$ -	$ 71,001,153	$169,472,002	$ -	$169,472,002

(Continued)

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the 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		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 2,244,938	$ -	$ 2,244,938	$ 2,244,938	$ -	$ 2,244,938
Student health services above amount collected	6441	-	-	-	604,959	-	604,959
Student transportation	6491	-	-	-	166,953	-	166,953
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	1,864,388	-	1,864,388
Objects to exclude:							
Rents and leases	5060	-	-	-	115,956	-	115,956
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	2,541,010	-	2,541,010
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	-	-	-
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		2,244,938	-	2,244,938	7,538,204	-	7,538,204
Total for ECS 84362, 50% Law		$ 68,756,215	$ -	$ 68,756,215	$ 161,933,798	$ -	$ 161,933,798
Percent of CEE (instructional salary cost /Total CEE)		42.46 %	-	42.46 %	100.00%	-	100.00%
50% of current expense of education		-	-	-	$ 80,966,899	-	$ 80,966,899

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
PROPOSITION 55 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
For the Year Ended June 30, 2020

EPA Proceeds: $ 1,459,739

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	$ 1,139,180	$ -	$ -	$ 1,139,180
Media	6130	114,316	-	-	114,316
Management Information Systems	6780	69,319	-	-	69,319
Custodial services	6530	136,924	-	-	136,924
Total expenditures		$ 1,459,739	$ -	$ -	$ 1,459,739
Revenues less expenditures					$ -

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of San Mateo Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

B - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's Office.

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students 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 annual attendance measurements of students throughout the District.

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

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

E - Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor’s Office. This schedule provides a reconciliation of the amount reported to the State Chancellor’s Office and the impact of any audit adjustments and/or corrections noted during the audit.

G - Proposition 55 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
San Mateo County Community College District
San Mateo, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of San Mateo County Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2020:

SCFF Data Management Control Environment
Salaries of Classroom Instructors (50 Percent Law)
Apportionment for Activities Funded from Other Sources
Student Centered Funding Formula Base Allocations: 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)
Propositions 1D and 51 State Bond Funded Projects
Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on San Mateo County Community College District's compliance with state laws and regulations as listed above 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 *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on San Mateo County Community College District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College 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 in compliance with state laws and regulations. However, our audit does not provide legal determination of San Mateo County Community College District's compliance with those requirements.

(Continued)

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2020-001 in the accompanying Schedule of Audit Findings and Questioned Costs, San Mateo County Community College District did not comply with the requirements regarding Salaries of Classroom Instructors (50 Percent Law). Compliance with such requirements is necessary, in our opinion, for San Mateo County Community College District to comply with state laws and regulations referred to above.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, San Mateo County Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations for the year ended June 30, 2020.

Other Matter

San Mateo County Community College District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. San Mateo Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2020

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

Board of Trustees
San Mateo County Community College District
San Mateo, 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 fiduciary activities and the discretely presented component unit of San Mateo County Community College District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise San Mateo County Community College District's basic financial statements, and have issued our report thereon dated December 4, 2020.

Internal Control Over Financial Reporting

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Sacramento, California
December 4, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
San Mateo County Community College District
San Mateo, California

Report on Compliance for Each Major Federal Program

We have audited San Mateo County Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Mateo County Community College District's major federal programs for the year ended June 30, 2020. San Mateo County Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statues, 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 San Mateo County Community College 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 the 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 San Mateo County Community College 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 San Mateo County Community College District's compliance.

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

Management of San Mateo County Community College 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 San Mateo County Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 San Mateo County Community College 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2020

FINDINGS AND RECOMMENDATIONS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ 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 not considered to be material weakness(es)?	______ 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 2 CFR 200.516(a)?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.031C and 84.031S	Higher Ed Cluster
84.033, 84.063, 84.007, and 84.268	Student Financial Aid Cluster
84.425E, 84.425F and 84.425L	Education Stabilization Fund

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

Type of auditor's report issued on compliance for state programs:	Qualified - 50 Percent Law

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2020-001 STATE COMPLIANCE - SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW) (30000)

Criteria

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the district's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors."

Condition

The District failed to meet the required 50 percent minimum.

Effect

Less than 50 percent of the District's Current Expense of Education (CEE) was expended for salaries of classroom instructors, thereby the District is not in compliance with Education Code Section 84362.

Cause

The District expended more on non-instructional costs than instructional costs in the Current Expense of Education.

Fiscal Impact

Not determinable.

Recommendation

The District should come into compliance with the 50 Percent Law by expending a higher amount of the District's CEE for salaries of classroom instructors, or by reducing non-instructional costs.

Views of Responsible Officials

The District allocated $.7 million in on-going funds in 2020-21 Adopted Budget to convert part-time faculty to full-time faculty as follows: four teaching faculty at Skyline College, three teaching faculty at the College of San Mateo, and three teaching faculty at Cañada College. The colleges have begun the process of prioritizing and will fill these new full-time positions as soon as possible. The District will continue monitoring the issue of 50% law compliance as new ongoing funding is identified and approved to bring the District closer to compliance with the law.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2019-001		
Condition: The District failed to meet the required 50 percent minimum. Recommendation: The District should come into compliance with the 50 Percent Law by expending a higher amount of the District's CEE for salaries of classroom instructors, or by reducing non-instructional costs.	Not implemented.	See current year finding 2020-001