





**HARTNELL COMMUNITY COLLEGE DISTRICT**  
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**JUNE 30, 2020**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**HARTNELL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**USING THIS ANNUAL REPORT**

In accordance with generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on Hartnell Community College District's (the District) activities as a whole: the Statement of Net Position; the Statement of Revenues, Expenses, and Change in Net Position; and the Statement of Cash Flows.

The focus of the Statement of Net Position is designed to show the financial position of the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Change in Net Position focuses on the costs of the District's operational activities, which are supported mainly by property taxes and State revenues. This approach is intended to summarize and simplify the user's analysis of the costs of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

Responsibility for the completeness and accuracy of this information rests with the District management.

**FINANCIAL HIGHLIGHTS**

- The District's primary funding source is based upon apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2019-20 fiscal year, principal apportionment was 7,592 as compared to 2018-19 at 7,338 and 2017-18 at 7,359.
- During the 2019-20 fiscal year, the District provided \$16.4 million in financial aid to students. This aid was provided in the form of grants, scholarships, and tuition discounts funded through the Federal government, State Chancellor's Office, and local funding.



**HARTNELL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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

This schedule has been prepared from the District's Statement of Net Position in the audited financial statements, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Cash and short-term investments consist primarily of funds held in the Monterey County Treasury. The changes in the cash position are explained in the Statement of Cash Flows.

Unrestricted net position is composed of reserves for self-insurance, retiree health benefits, bookstore and cafeteria reserves, and general reserves for the ongoing financial health of the District.

	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets	\$ 88,986,473	\$ 100,686,100	\$ (11,699,627)
Noncurrent assets	177,305,704	159,836,641	17,469,063
Deferred outflows of resources	25,936,592	27,452,708	(1,516,116)
<b>Total Assets and Deferred Outflows of Resources</b>	<b>292,228,769</b>	<b>287,975,449</b>	<b>4,253,320</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	25,308,732	19,827,675	5,481,057
Noncurrent liabilities	300,362,054	297,214,236	3,147,818
Deferred inflows of resources	3,871,342	2,707,553	1,163,789
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>329,542,128</b>	<b>319,749,464</b>	<b>9,792,664</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	23,479,734	21,049,346	2,430,388
Restricted	10,254,162	12,647,968	(2,393,806)
Unrestricted	(71,047,255)	(65,471,329)	(5,575,926)
<b>Total Net Position</b>	<b>\$ (37,313,359)</b>	<b>\$ (31,774,015)</b>	<b>\$ (5,539,344)</b>

This schedule has been prepared from the Statement of Revenues, Expenses, and Change in Net Position presented in the audited financial statements. Sales and charges consist of cafeteria revenues. The operations are self-supporting.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, continued**

	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 2,542,414	\$ 2,775,030	\$ (232,616)
Grants and contracts, non-capital	26,354,246	24,982,649	1,371,597
Auxiliary enterprises	562,209	728,989	(166,780)
<b>Total Operating Revenues</b>	<b>29,458,869</b>	<b>28,486,668</b>	<b>972,201</b>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	65,854,869	63,258,007	2,596,862
Supplies, materials, and other operating expenses	12,042,164	13,671,982	(1,629,818)
Student financial aid	16,393,942	14,452,758	1,941,184
Depreciation	6,890,744	7,949,873	(1,059,129)
<b>Total Operating Expenses</b>	<b>101,181,719</b>	<b>99,332,620</b>	<b>1,849,099</b>
<b>Operating Loss</b>	<b>(71,722,850)</b>	<b>(70,845,952)</b>	<b>(876,898)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
State apportionments, non-capital	24,450,515	20,474,509	3,976,006
Local property taxes	26,183,619	24,986,702	1,196,917
State taxes and other revenues	104,758	106,755	(1,997)
Pell Grants	11,350,675	10,676,226	674,449
Investment income, non-capital	493,053	523,392	(30,339)
Investment income, capital	1,487,391	1,653,633	(166,242)
Interest expense on capital asset-related debt	(11,974,309)	(13,858,133)	1,883,824
Other non-operating income	2,828,100	3,502,256	(674,156)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>54,923,802</b>	<b>48,065,340</b>	<b>6,858,462</b>
<b>OTHER REVENUES (EXPENSES)</b>			
State and local capital income	11,212,012	11,150,418	61,594
<b>Change in Net Position</b>	<b>(5,587,036)</b>	<b>(11,630,194)</b>	<b>6,043,158</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>(31,774,015)</b>	<b>(20,185,342)</b>	<b>(11,588,673)</b>
<b>PRIOR PERIOD ADJUSTMENT (SEE NOTE 13)</b>	<b>47,692</b>	<b>41,521</b>	<b>6,171</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ (37,313,359)</b>	<b>\$ (31,774,015)</b>	<b>\$ (5,539,344)</b>

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

Net tuition and fees had a decrease of \$232.6 thousand in 2019-20. As noted in the Statement of Activities on page 11, scholarship discounts and allowances decreased by \$1.4 million due to overall decrease in tuition and fees during 2019-20.

Non-operating Revenues had a net increase in 2019-20 of approximately \$6.9 million resulting from a combination of increases in state apportionment, local property taxes, and Pell grants.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE, continued**

Operating expenses increased in 2019-20 by approximately \$1.8 million resulting from increases in salaries and benefits. The mandated increases in state pension costs for STRS and PERS along with standard step and column increases in salaries and salary increases represent the changes. In addition, with the passage of Senate Bill 90, Public Employee's Retirement, the State contributed funds to the STRS pension system. The District's share of these contributions was \$2,363,190.

Non-operating interest expense relates directly to debt service requirements of the general obligation bonds.

The District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 5.

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

Cash Provided by (Used in)	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating activities	\$ (60,451,683)	\$ (60,743,907)	\$ 292,224
Noncapital financing activities	64,860,289	59,656,701	5,203,588
Capital financing activities	(21,609,385)	(7,589,763)	(14,019,622)
Investing activities	493,053	523,392	(30,339)
Net Increase (Decrease) in Cash	<u>\$ (16,707,726)</u>	<u>\$ (8,153,577)</u>	<u>\$ (8,554,149)</u>

The primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to faculty and staff.

While State apportionment, Education Protection Act funding and property taxes are the primary sources of noncapital related revenue, GASB accounting standards require that this source of revenue is shown as non-operating revenue because it comes from the general resources of the State and not from the primary users of the District's programs and services. The District depends upon this funding as the primary source of funds to continue the current level of operations.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2020, the District had \$177.3 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation. At June 30, 2019, net capital assets were \$159.8 million. At June 30, 2018, net capital assets were \$159.1 million. The increase in capital assets resulted from the increase in construction in progress related to Measure T and completion of projects during the year.

The majority of our West campus property was purchased in 1936 and 1954 from the U.S. Government. The Alisal campus property was purchased for \$1 from the U.S. Government in 1948. The King City Center was purchased in 2001 for \$1.2 million. Capital assets reported within these financial statements reflect the cost at the time of purchase. Current market values of our property are not reflected in the financial statements.

	<b>2020</b>	<b>2019</b>	<b>Change</b>
Capital Assets not being depreciated	\$ 32,646,603	\$ 11,420,250	\$ 21,226,353
Capital Assets being depreciated	238,807,712	235,667,314	3,140,398
Accumulated depreciation	(94,148,611)	(87,250,923)	(6,897,688)
<b>Total Capital Assets</b>	<b>\$ 177,305,704</b>	<b>\$ 159,836,641</b>	<b>\$ 17,469,063</b>

**Long-Term Obligations**

At the end of the 2019-20 fiscal year, the District had \$243.8 million in bonds outstanding from the voter approved general obligation bonds and other long-term obligations. These bonds will be repaid annually through property taxes on assessed property within the Hartnell Community College District boundaries.

	<b>2020</b>	<b>2019</b>	<b>Change</b>
General Obligation bonds	\$ 196,796,666	\$ 203,621,666	\$ (6,825,000)
Premiums on obligations	6,096,247	6,320,738	(224,491)
Accreted interest	40,879,360	34,195,182	6,684,178
Net pension liability	61,786,906	58,116,331	3,670,575
Net OPEB liability	1,017,690	935,472	82,218
Compensated absences	990,185	849,847	140,338
<b>Total</b>	<b>307,567,054</b>	<b>304,039,236</b>	<b>3,527,818</b>
Less: short-term portion	7,205,000	6,825,000	380,000
<b>Total Long-term Liabilities</b>	<b>\$ 300,362,054</b>	<b>\$ 297,214,236</b>	<b>\$ 3,147,818</b>

District bond ratings have improved as a result of the District's cash balances and increases to property values in recent years. Standard and Poor's Rating Services raised their rating from AA- to AA with a stable outlook.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**ECONOMIC FACTORS AFFECTING THE FUTURE OF HARTNELL COMMUNITY COLLEGE DISTRICT**

The economic position of the Hartnell Community College District (HCCD) is closely tied to the State of California. As identified in the 2019-20 adopted budget, State apportionment funding and property taxes allocated to the District represent approximately 91 percent of the total revenue received by the District for its unrestricted general operating fund.

The District started the 2019-20 fiscal year with a fund balance of \$11,173,726, which reflects an approximate increase of 1% from the start of the 2018-19 fiscal year. This amount represents 21.86% of the Unrestricted General Fund requirements in the 2019-20 adopted budget. These funds represent one-time funds that are not intended for recurring operating expenses, but instead would serve for one-time expenditures in the event of an emergency, unexpected events, or economic downturns. As the District looks to the future, it makes fiscal sense to maintain and grow the level of reserves. These reserves will assist to sustain critical delivery of student instruction and support services.

While the 2019-20 fiscal year ended with an increase in the fund balance to \$14,179,920, the use of reserves may be required for cash flow purposes, to balance the budget in future years, or to help sustain District operations as unpredictable events or downturns arise. HCCD continues to be impacted by the changes in the Student-Centered Funding Formula (SCFF) and the uncertainties of available state revenues, which resulted in a funding shortfall for 2019-20. Based on the available Total Computational Revenue (TCR), or Apportionment for 2019-20, HCCD funding was \$49,711,423. This amount is \$476,867 less than the calculated TCR amount of \$50,188,290 for 2019-20 as of the P2 Apportionment revision in September 2020. This shortfall may change depending on available state revenues as of the 2019-20 Apportionment Recalculation expected in February 2021.

***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions may be directed to the Vice President of Administrative Services, Hartnell Community College District, 411 Central Avenue, Salinas, CA 93901.

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# **BASIC FINANCIAL STATEMENTS**

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**HARTNELL COMMUNITY COLLEGE DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 18,015,621	\$ 17,591,756
Restricted cash and investments	57,978,082	75,109,673
Investments	2,209,622	2,104,552
Accounts receivable, net	10,503,806	5,251,691
Inventory	13,676	10,648
Prepaid expenses	265,666	617,780
Total Current Assets	<u>88,986,473</u>	<u>100,686,100</u>
Noncurrent Assets:		
Capital assets, net	177,305,704	159,836,641
Total Noncurrent Assets	<u>177,305,704</u>	<u>159,836,641</u>
<b>TOTAL ASSETS</b>	<u>266,292,177</u>	<u>260,522,741</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to bond refundings	7,690,678	8,950,371
Deferred outflows related to OPEB	494,912	-
Deferred outflows related to pensions	17,751,002	18,502,337
<b>TOAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>25,936,592</u>	<u>27,452,708</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 292,228,769</u>	<u>\$ 287,975,449</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 9,658,206	\$ 6,453,770
Unearned revenue	8,445,526	6,548,905
Long-term debt, current portion	7,205,000	6,825,000
Total Current Liabilities	<u>25,308,732</u>	<u>19,827,675</u>
Noncurrent Liabilities:		
Net OPEB liability	1,017,690	935,472
Net pension liability	61,786,906	58,116,331
Long-term debt, non-current portion	237,557,458	238,162,433
Total Noncurrent Liabilities	<u>300,362,054</u>	<u>297,214,236</u>
<b>TOTAL LIABILITIES</b>	<u>325,670,786</u>	<u>317,041,911</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to OPEB	1,061,930	367,414
Deferred inflows related to pensions	2,809,412	2,340,139
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,871,342</u>	<u>2,707,553</u>
<b>NET POSITION</b>		
Net investment in capital assets	23,479,734	21,049,346
Restricted for:		
Debt service	9,394,271	9,162,382
Capital projects	716,517	3,361,452
Other special purposes	143,374	124,134
Unrestricted	(71,047,255)	(65,471,329)
<b>TOTAL NET POSITION</b>	<u>(37,313,359)</u>	<u>(31,774,015)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 292,228,769</u>	<u>\$ 287,975,449</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 6,572,188	\$ 8,156,470
Less: Scholarship discounts and allowances	(4,029,774)	(5,381,440)
Net tuition and fees	<u>2,542,414</u>	<u>2,775,030</u>
Grants and contracts, non-capital		
Federal	8,340,795	4,852,553
State	18,013,451	20,130,096
Auxiliary enterprise sales and charges	<u>562,209</u>	<u>728,989</u>
<b>TOTAL OPERATING REVENUES</b>	<u>29,458,869</u>	<u>28,486,668</u>
<b>OPERATING EXPENSES</b>		
Salaries	41,082,807	38,804,998
Employee benefits	24,772,062	24,453,009
Supplies, materials, and other operating expenses and services	12,042,164	13,671,982
Student aid	16,393,942	14,452,758
Depreciation	<u>6,890,744</u>	<u>7,949,873</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>101,181,719</u>	<u>99,332,620</u>
<b>OPERATING (LOSS)</b>	<u>(71,722,850)</u>	<u>(70,845,952)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, non-capital	24,450,515	20,474,509
Local property taxes	26,183,619	24,986,702
State taxes and other revenues	104,758	106,755
Pell Grants	11,350,675	10,676,226
Investment income, non-capital	493,053	523,392
Investment income, capital	1,487,391	1,653,633
Interest expense on capital asset-related debt	(11,974,309)	(13,858,133)
Other non-operating income	<u>2,828,100</u>	<u>3,502,256</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>54,923,802</u>	<u>48,065,340</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<u>(16,799,048)</u>	<u>(22,780,612)</u>
Local property taxes, restricted for bonded debt repayment	<u>11,212,012</u>	<u>11,150,418</u>
<b>CHANGE IN NET POSITION</b>	<u>(5,587,036)</u>	<u>(11,630,194)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>(31,774,015)</u>	<u>(20,185,342)</u>
<b>PRIOR YEAR ADJUSTMENT (SEE NOTE 13)</b>	<u>47,692</u>	<u>41,521</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (37,313,359)</u>	<u>\$ (31,774,015)</u>



**HARTNELL COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 2,940,953	\$ 2,698,772
Grants and contracts	23,117,311	25,618,435
Payments to students	(16,911,040)	(14,849,238)
Payments to vendors	(9,619,590)	(15,909,391)
Payments to employees	(60,541,526)	(59,031,474)
Auxiliary enterprise sales and charges	562,209	728,989
Net Cash Used by Operating Activities	<u>(60,451,683)</u>	<u>(60,743,907)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State apportionments	24,450,515	20,474,509
Pell grants	11,350,675	10,676,226
Local property taxes	26,183,619	24,986,702
State taxes and other apportionments	104,758	106,755
Other receipts	2,770,722	3,412,509
Net Cash Provided by Non-capital Financing Activities	<u>64,860,289</u>	<u>59,656,701</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(24,359,807)	(8,685,047)
Local property taxes for capital purposes	11,212,012	11,150,418
Principal paid on capital debt	(6,825,000)	(8,715,000)
Interest received on capital debt	1,487,391	1,653,633
Interest paid on capital debt	(3,123,981)	(2,993,767)
Net Cash (Used) by Capital Financing Activities	<u>(21,609,385)</u>	<u>(7,589,763)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	493,053	523,392
Net Cash Provided by Investing Activities	<u>493,053</u>	<u>523,392</u>
<b>NET (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	(16,707,726)	(8,153,577)
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	92,701,429	100,855,006
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 75,993,703</u>	<u>\$ 92,701,429</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (71,722,850)	\$ (70,845,952)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	6,890,744	7,949,873
Changes in Assets and Liabilities:		
Accounts receivables, net	(5,252,115)	(1,055,066)
Inventory and prepaid expenses	349,086	45,611
Accounts payable and accrued liabilities	2,073,488	(2,283,020)
Unearned revenue	1,896,621	1,218,114
Compensated absences	140,338	69,194
Deferred outflows of resources	256,423	(1,360,455)
Net pension liability	3,670,575	5,342,331
Net OPEB liability	82,218	(21,090)
Deferred inflows of resources	1,163,789	196,553
Total Adjustments	<u>11,271,167</u>	<u>10,102,045</u>
<b>Net Cash Flows Used by Operating Activities</b>	<u>\$ (60,451,683)</u>	<u>\$ (60,743,907)</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS</b>		
Amortization of premiums on debt	\$ 224,491	\$ 149,545
Accretion of interest	\$ 6,684,178	\$ 8,623,270

**HARTNELL COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2020**

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	<b>Agency Funds</b>	<b>Trust Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 228,333	\$ 293,792
Accounts receivable, net	1,004	1,335
<b>Total Assets</b>	<b>\$ 229,337</b>	<b>\$ 295,127</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 3,610	\$ 3,347
Due to student groups	225,727	-
<b>Total Liabilities</b>	<b>\$ 229,337</b>	<b>3,347</b>
<b>NET POSITION</b>		
Unreserved		291,780
<b>Total Net Position and Liabilities</b>		<b>\$ 295,127</b>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

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	<b>Agency Funds</b>	<b>Trust Funds</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 239,755	\$ 239,494
Accounts receivable, net	830	1,041
<b>Total Assets</b>	<u>\$ 240,585</u>	<u>\$ 240,535</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 2,781	\$ 3,448
Due to student groups	237,804	-
<b>Total Liabilities</b>	<u>\$ 240,585</u>	<u>3,448</u>
<b>NET POSITION</b>		
Unreserved		<u>237,087</u>
<b>Total Net Position and Liabilities</b>		<u>\$ 240,535</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Trust Funds</b>
<b>OPERATING REVENUES:</b>	
Student fees	\$ 106,973
Interest and investment income	5,568
<b>Total Operating Revenues</b>	<u>112,541</u>
<b>OPERATING EXPENSES:</b>	
Salaries	16,936
Employee benefits	1,793
Supplies and materials	4,093
Other operating expenses	35,026
<b>Total Operating Expenses</b>	<u>57,848</u>
<b>Net Change in Net Position</b>	<u>54,693</u>
<b>Net Position - Beginning of Year</b>	<u>237,087</u>
<b>Net Position - End of Year</b>	<u>\$ 291,780</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2020**

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	<b>Trust Funds</b>
<b>OPERATING REVENUES:</b>	
Student fees	\$ 111,664
Interest and investment income	4,247
<b>Total Operating Revenues</b>	<u>115,911</u>
<b>OPERATING EXPENSES:</b>	
Salaries	13,150
Employee benefits	1,603
Supplies and materials	4,885
Other operating expenses	101,810
<b>Total Operating Expenses</b>	<u>121,448</u>
<b>Net Change in Net Position</b>	<u>(5,537)</u>
<b>Net Position - Beginning of Year</b>	<u>242,624</u>
<b>Net Position - End of Year</b>	<u>\$ 237,087</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
DISCRETELY PRESENTED COMPONENT UNIT  
HARTNELL COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,445,264	\$ 4,552,049
Grants/Pledges receivable, current	2,070,406	1,810,160
Prepaid expenses	17,696	46,858
<b>Total current assets</b>	<u>6,533,366</u>	<u>6,409,067</u>
Noncurrent assets:		
Pledges receivable, net of current portion	1,645,000	2,561,666
Investments	12,434,268	10,877,736
Land held for investment	20,500,000	20,500,000
Art and collections	256,581	256,581
Total Noncurrent assets	<u>34,835,849</u>	<u>34,195,983</u>
<b>Total Assets</b>	<u>\$ 41,369,215</u>	<u>\$ 40,605,050</u>
<b>LIABILITIES</b>		
Current assets:		
Accounts payable and accrued liabilities	\$ 567,064	\$ 706,826
Scholarships payable	503,519	305,307
Deferred revenue	41,085	53,541
Pinnacle bank loan	94,350	-
<b>Total current liabilities</b>	<u>1,206,018</u>	<u>1,065,674</u>
<b>Total Liabilities</b>	<u>1,206,018</u>	<u>1,065,674</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	22,537,329	1,248,903
Net assets with donor restrictions	<u>17,625,868</u>	<u>38,290,473</u>
<b>Total Net Assets</b>	<u>40,163,197</u>	<u>39,539,376</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 41,369,215</u>	<u>\$ 40,605,050</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
DISCRETELY PRESENTED COMPONENT UNIT  
HARTNELL COLLEGE FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Donations	\$ 152,973	\$ 2,906,585	\$ 3,059,558
Special events	845,138	229,042	1,074,180
In-kind donations	227,293	8,100	235,393
Interest and dividends	33,095	225,044	258,139
Realized gain on investments	-	-	-
Unrealized gain on investments	-	-	-
Rental income	-	281,632	281,632
Other revenue	166,366	-	166,366
Land asset released from restriction	20,500,000	(20,500,000)	-
Net assets released from restriction	3,306,508	(3,306,508)	-
<b>Total Support and Revenue</b>	<b>25,231,373</b>	<b>(20,156,105)</b>	<b>5,075,268</b>
<b>EXPENSES</b>			
Program	4,138,259	-	4,138,259
General and administrative	152,329	-	152,329
Fundraising	160,859	-	160,859
<b>Total Expenses</b>	<b>4,451,447</b>	<b>-</b>	<b>4,451,447</b>
<b>Change in Net Assets</b>	<b>20,779,926</b>	<b>(20,156,105)</b>	<b>623,821</b>
<b>Net Assets - Beginning of Year</b>	<b>1,757,403</b>	<b>37,781,973</b>	<b>39,539,376</b>
<b>Net Assets - End of Year</b>	<b>\$ 22,537,329</b>	<b>\$ 17,625,868</b>	<b>\$ 40,163,197</b>



**HARTNELL COMMUNITY COLLEGE DISTRICT  
DISCRETELY PRESENTED COMPONENT UNIT  
HARTNELL COLLEGE FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Donations	\$ 129,898	\$ 6,583,788	\$ 6,713,686
Special events	260,693	347,916	608,609
In-kind donations	229,485	43,332	272,817
Interest and dividends	10,861	257,963	268,824
Realized gain on investments	23,528	272,776	296,304
Unrealized gain on investments	9,118	152,034	161,152
Other revenue	-	302,909	302,909
Interfund transfers	164,242	-	164,242
Net assets released from restriction	5,262,025	(5,262,025)	-
<b>Total Support and Revenue</b>	<b>6,089,850</b>	<b>2,698,693</b>	<b>8,788,543</b>
<b>EXPENSES</b>			
Program	5,634,059	-	5,634,059
General and administrative	166,915	-	166,915
Fundraising	222,336	-	222,336
<b>Total Expenses</b>	<b>6,023,310</b>	<b>-</b>	<b>6,023,310</b>
<b>Change in Net Assets</b>	<b>66,540</b>	<b>2,698,693</b>	<b>2,765,233</b>
<b>Net Assets - Beginning of Year</b>	<b>1,182,363</b>	<b>35,591,780</b>	<b>36,774,143</b>
<b>Net Assets - End of Year</b>	<b>\$ 1,248,903</b>	<b>\$ 38,290,473</b>	<b>\$ 39,539,376</b>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Reporting Entity**

Hartnell Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, 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.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) 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 Hartnell College Foundation (the "Foundation") as its potential component unit.

The Foundation is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investment earnings to the District. The funds contributed by the Foundation to the benefit of the District are significant to the District's financial statements. The District applied the criteria for identifying component units in accordance with GASB Cod. Sec. 2100 and therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements. Copies of the Foundation's annual financial report may be obtained from the District Office, 411 Central Avenue, Salinas, California 93901.

**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 of 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.

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

The Foundation's financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. Classification of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statements of Financial Position as unrestricted, temporarily restricted or permanently restricted net position based on the absence or existence of donor-imposed restrictions.

**Basis of Accounting**

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's Budget and Accounting Manual.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Cash and Cash Equivalents**

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the County Treasury are considered cash equivalents and are stated at fair value.

**Restricted Cash and Cash Equivalents**

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as noncurrent assets in the Statements of Net Position.

**Fair Value of Investments - Foundation**

The Foundation's investments are valued at fair value based upon quoted market prices, when available, or estimates of fair value in the Statements of Financial Position and unrealized and realized gains and losses are included in the Statements of Activities.

**Receivables**

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at \$491,232 and \$413,283 as of June 30, 2020 and 2019, respectively.

**Pledges Receivable - Foundation**

Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible pledges receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. Management has determined that an allowance for uncollectible pledges is not necessary. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risks applicable in the years in which those promises are received. As of June 30, 2020, and 2019, the Foundation has not applied a present value discount as the amount was not significant and all pledges are receivable in one to five years.

Inventory: Inventory consists of cafeteria food and educational supplies. Inventories are stated at the lower of cost (first-in, first-out method) or market.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition or, if donated, at acquisition value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 – 50 years depending on asset type.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. With the adoption of GASB Statement No. 89, these costs are no longer capitalized.

**Compensated Absences**

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

**Accumulated Sick Leave**

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

**Unearned Revenue**

Revenues 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.

**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.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

In addition to liabilities, the Statement of Net Position reports 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 pension 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) and Public Employers Retirement Fund B (PERF B) 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.

**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. 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 in accordance with restrictions imposed by external third parties. Nonspendable 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 the principal. At June 30, 2020 and 2019, 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 typically applies the expense toward restricted resources, then to unrestricted resources.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Net Assets - Foundation**

The Foundation's net assets are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both

The Foundation's endowment assets consist of individual funds established for the purpose to provide financial support to the Foundation in perpetuity. The endowment assets include donor-restricted endowment funds. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes investment grade mutual bond funds and equity securities, that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Foundation uses a method based upon the total return on assets to determine the amounts appropriated for expenditures for endowments under which the organization is the income beneficiary in conformity with UPMIFA. To satisfy its long-term rate-of-return objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk constraints.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**State Apportionments**

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year completed by the state. When known and measurable, these recalculations and corrections are accrued in the year in which FTES are generated.

**Classification of Revenue and Expenses**

The District has classified its revenues and expenses as either operating or nonoperating revenues and expenses. 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 and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. 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, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income.

**Contributions**

All contributions received by the Foundation are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net position classes. Unconditional promises to give that are silent as to the due date are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets.

**Scholarship Discounts and Allowances**

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Change in Net Position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

**Tax Status - Foundation**

The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization. Contributions to the Foundation are deductible under Section 170(c)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. Interest and penalties on tax assessments are classified as an expense when incurred. For the years ended June 30, 2020 and 2019, the Foundation did not incur any interest or penalties.

Income tax returns for the Foundation are filed in U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

**New Accounting Pronouncement**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, Leases. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after June 15, 2021. The District has not determined the impact on the financial statements.



**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 2 - CASH AND INVESTMENTS**

Cash, cash equivalents and investments at June 30, 2020, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	\$ 72,848,337	\$ 485,019
Deposits:		
Cash on hand and in banks	3,145,366	56,965
Total cash and cash equivalents	<u>75,993,703</u>	<u>541,984</u>
Less: restricted cash and cash equivalents		
Cash in County Treasury	57,978,082	-
Net cash and cash equivalents	<u>\$ 18,015,621</u>	<u>\$ 541,984</u>
Investments	<u>\$ 2,209,622</u>	<u>\$ -</u>

Foundation cash and cash equivalents at June 30, 2020, totaled \$4,445,264.

Cash, cash equivalents and investments at June 30, 2019, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	\$ 92,361,727	\$ 451,351
Deposits:		
Cash on hand and in banks	339,702	27,898
Total cash and cash equivalents	<u>92,701,429</u>	<u>479,249</u>
Less: restricted cash and cash equivalents		
Cash in County Treasury	75,109,673	-
Net cash and cash equivalents	<u>\$ 17,591,756</u>	<u>\$ 479,249</u>
Investments	<u>\$ 2,104,552</u>	<u>\$ -</u>

Foundation cash and cash equivalents at June 30, 2019, totaled \$4,552,049.

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. Those pooled funds are carried at fair value, which approximates cost.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 2 - CASH AND INVESTMENTS, continued**

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 and 2019.

**Custodial Credit Risk**

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 financial institutions is entirely insured or collateralized.

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 accounts, including fiduciary accounts, were \$3,202,331, and the bank balances were \$3,197,500. The total uninsured bank balances at June 30, 2020 were \$2,930,357. At June 30, 2019, the carrying amount of the District's accounts, including fiduciary accounts, were \$367,600, and the bank balances were \$360,900. The total uninsured bank balances at June 30, 2019 were \$75,393.

At June 30, 2020 and 2019, the Foundation had deposits at financial institutions eligible for insurance coverage with carrying amounts of \$4,445,264 and \$4,552,049 and bank balances of \$4,521,754 and \$5,248,001, respectively. The total uninsured bank balances at June 30, 2020 and 2019 were \$3,215,130 and \$2,574,053, respectively.

**Interest Rate Risk**

The District and Foundation's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2020 and 2019, the District and Foundation had no significant interest rate risk related to cash and investments held.

**Concentration of Credit Risk**

The District and Foundation do not place limits on the amount they may invest in any one issuer. At June 30, 2020 and 2019, the District and Foundation had no concentration of credit risk.

District investments at June 30, 2020 and 2019 consisted mutual funds in the amount of \$2,209,622 and \$2,104,552, respectively.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 2 - CASH AND INVESTMENTS, continued**

**Foundation Investments**

Foundation investments at June 30, consisted of the following:

	2020	2019
Fixed income	\$ 2,161,089	\$ 1,814,343
Equity securities	9,598,106	8,583,758
Mutual Funds	123,068	125,792
Investment Foundation Student Success Fund	213,211	-
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher)	338,794	353,843
Total	<u>\$ 12,434,268</u>	<u>\$ 10,877,736</u>

Foundation investment income consisted of the following:

	2020	2019
Interest and dividend income	\$ 282,016	\$ 268,824
Realized gain on investments	198,034	296,304
Unrealized gain (loss) on investments	48,282	161,152
Total	<u>\$ 528,332</u>	<u>\$ 726,280</u>

**NOTE 3 - FAIR VALUE MEASUREMENTS**

**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.

The District's investments consist of mutual funds classified as Level 1 of the fair value hierarchy because they are valued at closing prices from securities exchanges.

**HARTNELL COMMUNITY COLLEGE DISTRICT**  
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**NOTE 3 - FAIR VALUE MEASUREMENTS, continued**

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Investment securities;				
Fixed Income	\$ 2,161,089	\$ 2,161,089	\$ -	\$ -
Equity securities	9,598,106	9,598,106	-	-
Mutual funds	123,068	123,068	-	-
Investment Foundation Student Success Fund	213,211	213,211	-	-
Investment in FCCC/Osher	338,794	-	-	-
Total investment securities	<u>\$ 12,434,268</u>	<u>\$ 12,095,474</u>	<u>\$ -</u>	<u>\$ -</u>

  

	June 30, 2019			
	Fair Value	Level 1	Level 2	Level 3
Investment securities;				
Fixed Income	\$ 1,814,343	\$ 1,814,343	\$ -	\$ -
Equity securities	8,583,758	8,583,758	-	-
Mutual funds	125,792	125,792	-	-
Investment in FCCC/Osher	353,843	-	-	-
Total investment securities	<u>\$ 10,877,736</u>	<u>\$ 10,523,893</u>	<u>\$ -</u>	<u>\$ -</u>

\*Investments measured at fair value using net asset value ("NAVs") per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Net Position.

The Foundation used the following methods and significant assumptions to estimate fair value:

The fair value of the investments held by FCCC was based upon the net asset values ("NAVs") of the assets at June 30, 2020 and 2019. The fair value of the funds held by FCCC is based upon the Foundation's proportionate share of the FCCC/Osher pooled investment portfolio. Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 – RECEIVABLES**

District receivables at June 30, are summarized as follows:

	2020	2019
Federal	\$ 3,035,136	\$ 1,422,249
State	4,531,150	1,409,020
Local and other	3,428,752	2,833,705
Subtotal	<u>10,995,038</u>	<u>5,664,974</u>
Less: Allowance for doubtful accounts	<u>(491,232)</u>	<u>(413,283)</u>
Total	<u>\$ 10,503,806</u>	<u>\$ 5,251,691</u>

**NOTE 5 – CAPITAL ASSETS**

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets not being Depreciated				
Land	\$ 1,446,474	\$ 2,571	\$ -	\$ 1,449,045
Construction in progress	9,973,776	23,499,330	2,275,548	31,197,558
Total Capital Assets Not Being Depreciated	<u>11,420,250</u>	<u>23,501,901</u>	<u>2,275,548</u>	<u>32,646,603</u>
Capital Assets Being Depreciated				
Buildings and improvements	213,580,808	2,395,970	-	215,976,778
Furniture and equipment	22,086,506	744,428	-	22,830,934
Total Capital Assets Being Depreciated	<u>235,667,314</u>	<u>3,140,398</u>	<u>-</u>	<u>238,807,712</u>
Total Capital Assets	<u>247,087,564</u>	<u>26,642,299</u>	<u>2,275,548</u>	<u>271,454,315</u>
Less Accumulated Depreciation				
Buildings and improvements	72,367,180	5,296,656	-	77,663,836
Furniture and equipment	14,883,743	1,601,032	-	16,484,775
Total Accumulated Depreciation	<u>87,250,923</u>	<u>6,897,688</u>	<u>-</u>	<u>94,148,611</u>
Net Capital Assets	<u>\$ 159,836,641</u>	<u>\$ 19,744,611</u>	<u>\$ 2,275,548</u>	<u>\$ 177,305,704</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 5 – CAPITAL ASSETS, continued**

Capital asset activity of the District consists of the following at June 30, 2019:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 590,992	\$ 855,482	\$ -	\$ 1,446,474
Construction in progress	3,042,360	7,895,094	963,678	9,973,776
Total Capital Assets Not Being Depreciated	3,633,352	8,750,576	963,678	11,420,250
<b>Capital Assets Being Depreciated</b>				
Buildings and improvements	213,561,083	19,725	-	213,580,808
Furniture and equipment	21,198,901	887,605	-	22,086,506
Total Capital Assets Being Depreciated	234,759,984	907,330	-	235,667,314
Total Capital Assets	238,393,336	9,657,906	963,678	247,087,564
<b>Less Accumulated Depreciation</b>				
Buildings and improvements	66,354,742	6,012,438	-	72,367,180
Furniture and equipment	12,937,127	1,946,616	-	14,883,743
Total Accumulated Depreciation	79,291,869	7,959,054	-	87,250,923
Net Capital Assets	\$ 159,101,467	\$ 1,698,852	\$ 963,678	\$ 159,836,641

**NOTE 6 – UNEARNED REVENUES**

Unearned revenue for the District at June 30, consisted of the following:

	2020	2019
Unearned tuition and student fees	\$ 1,283,564	\$ 885,025
Unearned grant revenue and other	7,161,962	5,663,880
Total unearned revenue	\$ 8,445,526	\$ 6,548,905

**NOTE 7 – LONG-TERM LIABILITIES**

A schedule of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds	\$ 203,621,666	\$ -	\$ 6,825,000	\$ 196,796,666	\$ 7,205,000
Premiums, net	6,320,738	-	224,491	6,096,247	-
Accreted interest	34,195,182	6,684,178	-	40,879,360	-
Total Bonds	244,137,586	6,684,178	7,049,491	243,772,273	7,205,000
<b>Other Long-Term Liabilities</b>					
Compensated absences	849,847	140,338	-	990,185	-
Total Other Long-Term Liabilities	849,847	69,194	-	990,185	-
Total Long-Term Obligations	\$ 244,987,433	\$ 6,753,372	\$ 7,049,491	\$ 244,762,458	\$ 7,205,000

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 7 – LONG-TERM LIABILITIES, continued**

A schedule of the changes in long-term debt for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
Bonds and Notes Payable					
General obligation bonds	\$ 212,336,666	\$ -	\$ 8,715,000	\$ 203,621,666	\$ 6,825,000
Premiums, net	6,470,283	-	149,545	6,320,738	-
Accreted interest	25,571,912	8,623,270	-	34,195,182	-
Total Bonds	244,378,861	8,623,270	8,864,545	244,137,586	6,825,000
Other Long-Term Liabilities					
Compensated absences	780,653	69,194	-	849,847	-
Total Other Long-Term Liabilities	780,653	69,194	-	849,847	-
Total Long-Term Obligations	\$ 245,159,514	\$ 8,692,464	\$ 8,864,545	\$ 244,987,433	\$ 6,825,000

**General Obligation Bonds**

*2005 General Obligation Refunding Bonds*

During March 2005, the District issued 2005 General Obligation Refunding Bonds in the amount of \$23,500,000 in current interest bonds and \$5,562,042 in capital appreciation bonds. The current interest bonds were partially refunded in 2014 and the remaining amount of current interest bonds were refunded in 2016. The capital appreciation bonds matured on August 1, 2014.

*2002 General Obligation Bonds, Series B*

During June 2006, the District issued the 2002 General Obligation Bonds, Series B in the amount of \$32,815,000 of current interest bonds and \$2,180,518 of capital appreciation bonds. The current interest bonds were partially refunded in 2014 and the remaining current interest bonds were refunded in 2016. The capital appreciation bonds matured on June 1, 2016.

*2002 General Obligation Bonds, Series C*

During June 2009, the District issued the 2002 General Obligation Bonds, Series C in the amount of \$12,597,888 of capital appreciation bonds. The bonds mature beginning on August 1, 2023 through August 1, 2033, with interest yields ranging from 6.13 to 11.50 percent. Interest is compounded semiannually each year and is payable only at maturity.

The annual payments required to amortize the Capital Appreciation 2002 General Obligation Bonds, Series C outstanding as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
2021	\$ -	\$ -	\$ -	\$ -
2022	-	-	-	-
2023	-	-	-	-
2024	153,306	1,873,791	591,694	2,618,791
2025	469,258	1,249,194	670,742	2,389,194
2026-2030	4,074,667	6,155,932	6,845,333	17,075,932
2031-2034	7,900,657	2,041,003	9,554,343	19,496,003
	\$ 12,597,888	\$ 11,319,920	\$ 17,662,112	\$ 41,579,920

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 - LONG-TERM LIABILITIES, continued**

*2002 General Obligation Bonds, Series D*

During September 2009, the District issued the 2002 General Obligation Bonds, Series D in the amount of \$35,106,469 of capital appreciation bonds and \$13,298,610 of convertible capital appreciation bonds. The capital appreciation bonds were partially refunded in 2014 and in 2016 and the remaining bonds mature August 1, 2049, with an interest accretion rate of 11.50 percent. Interest is compounded semiannually and payable only at maturity. The convertible capital appreciation bonds mature through August 1, 2034 and convert to current interest bonds on August 1, 2022. Prior to the date of conversion, the convertible capital appreciation bonds accrete interest, compounded semiannually. Upon conversion, interest is payable semiannually and based upon the conversion value at an interest rate of 7.00 percent.

The annual payments required to amortize the 2002 General Obligation Bonds, Series D outstanding as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
2021	\$ -	\$ -	\$ -	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	3,386,250	-	3,386,250
2026-2030	-	11,287,500	-	11,287,500
2031-2035	13,298,609	10,169,775	10,151,481	33,619,865
2036-2040	-	524,125	8,799,909	9,324,034
2041-2045	-	-	-	-
2046-2050	164,873	-	14,085,128	14,250,001
	<u>\$ 13,463,482</u>	<u>\$ 25,367,650</u>	<u>\$ 33,036,518</u>	<u>\$ 71,867,650</u>



**HARTNELL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - LONG-TERM LIABILITIES, continued**

*2014 General Obligation Bonds, Series A*

During January 2014, the District issued \$24,265,000 of federally tax-exempt 2014 General Obligation Refunding Bonds, Series A, with an effective interest rate of 3.45%. Proceeds were used to advance refund a portion of the outstanding 2005 General Obligation Refunding Bonds and portions of the 2002 General Obligation Bonds Series B and Series D and to pay the costs of issuing the 2014 General Obligation Refunding Bonds, Series A. The bonds mature August 1, 2014 through August 1, 2030. At June 30, 2020, \$4,579,500 of bonds outstanding are considered defeased.

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

Fiscal Year	Principal	Interest	Total
2021	\$ 1,390,000	\$ 689,600	\$ 2,079,600
2022	1,550,000	640,294	2,190,294
2023	2,195,000	585,557	2,780,557
2024	2,880,000	499,788	3,379,788
2025	3,140,000	398,675	3,538,675
2026-2030	7,740,000	690,234	8,430,234
2031	1,440,000	37,407	1,477,407
	<u>\$ 20,335,000</u>	<u>\$ 3,541,555</u>	<u>\$ 23,876,555</u>

*2014 General Obligation Bonds, Series B*

During January 2014, the District issued \$10,220,000 of 2014 General Obligation Refunding Bonds, Series B, with an effective interest rate of 2.55%. Proceeds were used to advance refund a portion of the outstanding 2005 General Obligation Refunding Bonds and to pay the costs of issuing the 2014 General Obligation Refunding Bonds, Series B. The bonds mature August 1, 2014 through August 1, 2019. The final payment of \$1,350,000 for the 2014 General Obligation Refunding Bonds, Series B was paid on August 1, 2019.

**HARTNELL COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - LONG-TERM LIABILITIES, continued**

*2015 General Obligation Bonds, Series A*

During December 2015, the District issued federally tax-exempt 2015 General Obligation Refunding Bonds, Series A, in the amount of \$22,675,000 in current interest bonds and \$64,890,295 in capital appreciation bonds. Proceeds were used to currently refund all of the outstanding 2005 General Obligation Refunding Bonds and advance refund portions of the 2002 General Obligation Bonds Series B and Series D and to pay the costs of issuing the 2015 General Obligation Refunding Bonds, Series A. The current interest bonds mature from August 1, 2020 through August 1, 2031 with interest rates ranging from 3.00 to 5.00 percent. The capital appreciation bonds mature from August 1, 2035 through August 1, 2049 with interest accretion rates ranging from 4.12 to 4.52 percent. Interest on capital appreciation bonds is compounded semiannually each year and is payable only at maturity.

The annual payments required to repay the 2015 General Obligation Refunding Bonds, Series A as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
2021	\$ 2,610,000	\$ 856,850	\$ -	\$ 3,466,850
2022	2,800,000	747,700	-	3,547,700
2023	3,065,000	601,075	-	3,666,075
2024	-	524,450	-	524,450
2025	-	524,450	-	524,450
2026-2030	7,360,000	2,206,625	-	9,566,625
2031-2035	6,840,000	206,700	-	7,046,700
2036-2040	21,367,879	-	31,797,121	53,165,000
2041-2045	22,072,363	-	49,012,637	71,085,000
2046-2050	21,450,054	-	65,664,946	87,115,000
	<u>\$ 87,565,296</u>	<u>\$ 5,667,850</u>	<u>\$ 146,474,704</u>	<u>\$ 239,707,850</u>

*2015 General Obligation Bonds, Series B*

During December 2015, the District issued taxable 2015 General Obligation Refunding Bonds, Series B, in the amount of \$2,680,000 in current interest bonds. Proceeds were used to advance refund portions of the 2002 General Obligation Bonds Series B and to pay the costs of issuing the 2015 General Obligation Refunding Bonds, Series B. The bonds mature from August 1, 2017 through August 1, 2027 with interest rates ranging from 1.35 to 3.75 percent.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 - LONG-TERM LIABILITIES, continued**

The annual payments required to repay the 2015 General Obligation Refunding Bonds, Series B as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ -	\$ 73,688	\$ 73,688
2022	-	73,688	73,688
2023	-	73,688	73,688
2024	-	73,688	73,688
2025	-	73,688	73,688
2026-2028	1,965,000	184,220	2,149,220
	<u>\$ 1,965,000</u>	<u>\$ 552,660</u>	<u>\$ 2,517,660</u>

*2016 General Obligation Bonds, Series A*

During September 2017, the District issued taxable 2016 General Obligation Refunding Bonds, Series A, in the amount of \$70,000,000 in current interest bonds. The bonds mature from August 1, 2018 through August 1, 2047 with interest rates ranging from 2.0 to 5.0 percent.

The annual payments required to repay the 2016 General Obligation Bonds, Series A as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 3,205,000	\$ 2,397,619	\$ 5,602,619
2022	-	2,237,369	2,237,369
2023	-	2,237,369	2,237,369
2024	260,000	2,237,369	2,497,369
2025	360,000	2,226,969	2,586,969
2026-2030	3,540,000	10,821,595	14,361,595
2031-2035	7,280,000	9,772,145	17,052,145
2036-2040	12,140,000	8,115,057	20,255,057
2041-2045	18,750,000	5,305,863	24,055,863
2046-2048	15,335,000	1,220,001	16,555,001
	<u>\$ 60,870,000</u>	<u>\$ 46,571,356</u>	<u>\$ 107,441,356</u>

**NOTE 8 - PROPERTY TAXES**

All property taxes are levied and collected by the Tax Assessors of the Counties of Monterey and San Benito and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2020, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 31,053,124	\$ 9,185,157	\$ 2,524,351	\$ 4,237,588
CalPERS	30,733,782	8,565,845	285,061	7,280,607
Total	\$ 61,786,906	\$ 17,751,002	\$ 2,809,412	\$ 11,518,195

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

**Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued**

**Benefits Provided, continued**

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	18.13%	18.13%
Required state contribution rate	10.328%	10.328%

\*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

**Contributions**

Required member, District, 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 accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$3,555,681.

**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 amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 31,053,124
State's proportionate share of the net pension liability associated with the District	16,941,689
Total	\$ 47,994,813

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0344 percent and 0.0341 percent, respectively, resulting in a net increase in the proportionate share of 0.0003 percent.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

For the year ended June 30, 2020, the District recognized pension expense of \$4,237,588. In addition, the District recognized pension expense and revenue of \$463,516 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 projected and actual earnings on plan investments	\$ -	\$ 1,195,902
Differences between expected and actual experience	78,392	874,449
Changes in assumptions	3,927,100	-
Net changes in proportionate share of net pension liability	1,623,984	454,000
District contributions subsequent to the measurement date	3,555,681	-
Total	<u>\$ 9,185,157</u>	<u>\$ 2,524,351</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,041,580
2022	212,337
2023	967,643
2024	1,069,624
2025	(95,338)
Thereafter	(90,721)
	<u>\$ 3,105,125</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued**

**Actuarial Methods and Assumptions**

Total pension liability for 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 methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns.

The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 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 are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

\*20-year geometric average

**HARTNELL COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020 AND 2019**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, 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 the contributions from plan members and employers will be made at statutory contribution rates. 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 occurred midyear. Based on these 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 total pension liability.

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 46,240,672	\$ 31,053,124	\$ 18,459,755

**California Public Employees' Retirement**

**System (CalPERS) Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These report(s) and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.



**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued**

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	19.721%	19.721%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$3,071,331.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,733,782. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.1055 percent and 0.1006 percent, respectively, resulting in a net increase in the proportionate share of 0.0049 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$7,280,607. 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 projected and actual earnings on plan investments	\$ -	\$ 285,061
Differences between expected and actual experience	2,232,506	-
Changes in assumptions	1,463,024	-
Net changes in proportionate share of net pension liability	1,798,984	-
District contributions subsequent to the measurement date	3,071,331	-
Total	\$ 8,565,845	\$ 285,061

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 3,169,388
2022	960,003
2023	747,498
2024	332,564
	\$ 5,209,453

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued**

**Actuarial Methods and Assumptions**

Total pension liability for the SEP 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 methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued**

The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class*</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 - 10**</b>	<b>Real Return Years 11+***</b>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	100%		

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 44,300,726	\$ 30,733,782	\$ 19,479,064

**HARTNELL COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020 AND 2019**

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**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS**

Plan Description: In addition to the pension benefits described in Note 9, the District established an Other Postemployment Benefits Plan which is a single-employer defined benefit healthcare plan. The plan does not issue separate financial statements.

The District established an irrevocable trust under the California Employer’s Retiree Benefit Trust Program (CERBT) to prefund the costs of other postemployment benefits. The funds in the CERBT are held in trust and will be administered by the California Public Employees’ Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Education. The District’s contributions to the irrevocable trust is included in the CERBT, which is included in the CalPERS CAFR. Copies of the CalPERS’ CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

The Plan provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements through a single-employer, pay-as-you-go plan, which does not issue separate financial statements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirements for employees who are members of the California School Employees Association or International Union of Operating Engineers Stationary Local Number 39 are a minimum age of 60 and have a minimum of ten years of continuous service with the District. These employees receive one year of benefits for each two years with the District not to exceed five years. Additional age and service criteria may be required.

The eligibility requirement for members of the Hartnell College Faculty Association is a minimum age of 58 with ten years of full-time service. These employees receive one year of benefits for each two years with the District not to exceed seven years. Additional age and service criteria may be required.

The eligibility requirements for managers, supervisors, and confidential employees are: to be of eligible age to retire from STRS or PERS, whichever is appropriate and have five years of full-time employment with the District. Benefits will be granted for a maximum of ten years. The District paid health benefits for all retirees, except medical coverage for members of the Hartnell College Faculty Association terminates at age 65. Retiree members of the Hartnell College Faculty Association receive lifetime District paid medical coverage for themselves and their dependents.

**Employees Covered by Benefit Terms**

The following is a table of plan participants at the June 30, 2019 measurement date:

	Number of Participants
Inactive Employees Receiving Benefits	13
Active Employees	335
	<u>348</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, continued**

**Contributions**

California Government Code specifies that the District’s contribution requirements for covered employees are established and may be amended by the Governing Board.

There were no contributions to the Plan by the District for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

**OPEB Plan Investments**

The plan discount rate of 5.3% was determined using the following asset allocation and assumed rate of return:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Rate of Return</u>
U.S. Large Cap	43%	7.8%
U.S. Small Cap	23%	7.8%
Long-Term Corporate Bonds	12%	5.3%
Long-Term Government Bonds	6%	4.5%
Treasury Inflation Protected Securities (TIPS)	5%	7.8%
U.S. Real Estate	8%	7.8%
All Commodities	3%	7.8%

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. Historical 19-year real rates of return for each class along with assumed long-term inflation assumption was used to calculate the discount rate. The expected investment return was offset by investment expenses of 25 basis points.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, continued**

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2019 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, 2019
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.75%
Investment rate of return	7.00%
Discount rate	7.00%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**Changes in the Net OPEB Liability**

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2018	\$ 5,924,286	\$ 4,988,814	\$ 935,472
Changes for the year:			
Service cost	552,176	-	552,176
Interest on TOL	321,549	-	321,549
Employer contributions	-	266,825	(266,825)
Assumption changes	(753,125)	-	(753,125)
Expected investment income	-	264,379	(264,379)
Experience gains/losses	535,479	-	535,479
Investment gains/losses	-	43,727	(43,727)
Administrative expense	-	(1,070)	1,070
Expected benefit payments	(266,825)	(266,825)	-
Net change	389,254	307,036	82,218
Balance June 30, 2019	\$ 6,313,540	\$ 5,295,850	\$ 1,017,690

Fiduciary Net Position as a % of the Total OPEB Liability, as of the June 30, 2019 measurement date was 84%.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS, continued**

**Sensitivity of the net pension liability to assumptions**

The following presents the net OPEB liability calculated using the discount rate of 7.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (6.0 percent) and 1 percent higher (8.0 percent):

	Discount Rate 1% Lower (6.0%)	Discount Rate (7.0%)	Discount Rate 1% Higher (8.0%)
Net OPEB liability	\$ 1,445,885	\$ 1,017,690	\$ 628,627

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.0 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 (3.0 percent) and 1 percent higher (5.0 percent):

	Health Care Trend Rate 1% Lower (3.0%)	Health Care Trend Rate (4.0%)	Health Care Trend Rate 1% Higher (5.0%)
Net OPEB liability	\$ 646,371	\$ 1,017,690	\$ 1,400,051

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At the June 30, 2019 measurement date, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 1,004,692
Investment gains and losses	-	57,238
Experience gains and losses	494,912	-
	<u>\$ 494,912</u>	<u>\$ 1,061,930</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (61,769)
2022	(61,769)
2023	(61,769)
2024	(54,347)
2025	(208,646)
Thereafter	(118,718)
	<u>\$ (567,018)</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$281,822.



**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

Contingent Liabilities: The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

Construction Commitments: As of June 30, 2020, outstanding commitments on construction contracts were \$48,809,996. There were no outstanding commitments on construction contracts as of June 30, 2019.

**NOTE 12 – JOINT POWERS AGREEMENTS**

Hartnell Community College District participates in public entity risk pool joint power agreements (JPAs), with Monterey County Schools Insurance Group (MCSIG), Bay Area Community College Districts (BACCD), School Association for Excess Risk (SAFER), the Statewide Association of Community Colleges (SWACC), Protected Insurance Program for Schools (PIPS), and the South Bay Regional Public Safety Training Consortium (SBRPSTC). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year. The relationship between Hartnell Community College District and the JPAs is such that the JPAs are not component units of Hartnell Community College District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. MCSIG provides employee medical, dental and vision benefits, BACCD provides property and liability insurance, SAFER provides excess property and liability insurance, SWACC provides property and liability insurance, PIPS provides workers' compensation insurance and SBRPSTC provides education and training to public safety students. Hartnell Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 12 – JOINT POWERS AGREEMENTS, continued**

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

	MCSIG		BACCD	
	June 30, 2019		June 30, 2019	
Total assets and deferred outflows of resources	\$	12,632,134	\$	7,387,875
Total liabilities and deferred inflows of resources	\$	21,355,733	\$	2,191,049
Net position	\$	(8,723,599)	\$	5,196,826
Total revenues	\$	117,313,404	\$	3,738,333
Total expenses	\$	122,901,100	\$	3,555,558
Change in net position	\$	(5,587,696)	\$	182,775

  

	SWACC		PIPS	
	June 30, 2019		June 30, 2019	
Total assets	\$	53,983,748	\$	133,474,239
Total liabilities	\$	36,138,632	\$	99,564,236
Net position	\$	17,845,116	\$	33,910,003
Total revenues	\$	25,464,876	\$	315,861,808
Total expenses	\$	25,634,995	\$	306,086,109
Change in net position	\$	(170,119)	\$	9,775,699

  

	SAFER		SBRPSTC	
	June 30, 2019		June 30, 2019	
Total assets	\$	43,494,593	\$	8,231,096
Total liabilities	\$	52,232,601	\$	2,519,898
Net position	\$	(8,738,008)	\$	5,711,198
Total revenues	\$	67,971,132	\$	12,743,982
Total expenses	\$	77,854,967	\$	12,348,099
Change in net position	\$	(9,883,835)	\$	395,883

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

The beginning net position increased by \$47,692. This was due to District identified adjustments.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**HARTNELL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CONTRIBUTIONS – OPEB  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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	2020	2019	2018
Actuarially determined contribution	\$ 312,913	\$ 222,528	\$ 217,378
Contributions in relations to the actuarially determined contribution	-	-	217,378
Contribution deficiency (excess)	\$ 312,913	\$ 222,528	\$ -
Covered-employee payroll	\$ 40,651,854	\$ 30,467,000	\$ 30,467,000
Contribution as a percentage of covered-employee payroll	1.03%	0.73%	0.71%

*Note: In the future, as data becomes available, ten years of information will be presented.*



**HARTNELL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF CONTRIBUTIONS – PENSIONS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

<b>CalSTRS</b>	<b>Reporting Fiscal Year</b>					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,555,681	\$ 3,200,709	\$ 2,786,015	\$ 2,220,709	\$ 1,833,975	\$ 1,400,416
District's contributions in relation to the statutorily required contribution	3,555,681	3,200,709	2,786,015	2,220,709	1,833,975	1,400,416
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,612,140	\$ 19,660,375	\$ 19,307,103	\$ 17,403,676	\$ 17,092,032	\$ 15,913,818
District's contributions as a percentage of covered-employee payroll	18.13%	16.28%	14.43%	12.76%	10.73%	8.88%
	<b>Reporting Fiscal Year</b>					
	2020	2019	2018	2017	2016	2015
<b>CalPERS</b>						
Statutorily required contribution	\$ 3,071,331	\$ 2,642,786	\$ 2,066,489	\$ 1,677,948	\$ 1,314,115	\$ 1,172,101
District's contributions in relation to the statutorily required contribution	3,071,331	2,642,786	2,066,489	1,677,948	1,314,115	1,172,101
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 15,573,911	\$ 14,631,746	\$ 13,306,433	\$ 12,081,999	\$ 11,093,748	\$ 9,958,377
District's contributions as a percentage of covered-employee payroll	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

*Note: In the future, as data becomes available, ten years of information will be presented.*

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020 AND 2019**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Changes in the Net OPEB Liability and Related Ratios**

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.

**Schedule of Contributions – OPEB**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

**Schedule of the 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.

**Schedule of Contributions – Pensions**

The Schedule of District 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.

**Changes of Benefit Terms**

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

**Changes of Assumptions**

The discount rate for the OPEB valuation increased to 7.0% from 5.3% in the previous valuation.







**HARTNELL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Total Program Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Direct Programs:</i>		
Student Financial Aid Programs:		
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	84.007	\$ 179,340
Federal Direct Loans	84.268	91,038
Federal Work Study (FWS)	84.033	199,680
Federal Pell Grants (PELL)	84.063	11,350,675
Financial Aid Admin Allowance	84.000	28,100
Subtotal Financial Aid Programs		<u>11,848,833</u>
TRIO Cluster:		
TRIO - Student Support Services Program	84.042A	241,987
Upward Bound - Serving Alisal and Alvarez High Schools	84.047A	270,222
Upward Bound - Serving North Salinas High School	84.047A	303,791
Subtotal TRIO Cluster		<u>816,000</u>
High School Equivalency Program	84.141A	479,966
Title III - HSI STEM Guided Pathways	84.031C	1,309,858
Higher Education Emergency Relief Fund - Institutional Portion	84.425F	765,062
Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L	214,659
Higher Education Emergency Relief Fund - Student Aid Portion	84.425E	921,000
Title V Programs:		
Title V - HSI Cultivamos Project: high school dual enrollment	84.031S	939,139
Title V - The Making Accessible and Effective Systems for Teacher Readiness Outcomes (MAESTROS) Project	84.031S	210,077
Subtotal Title V Programs		<u>1,149,216</u>
<i>Passed through the California Community Colleges Chancellor's Office:</i>		
Perkins IV Programs:		
Carl D. Perkins Career and Technical Education (CTE) Act CTE - Title I, Part C (Perkins IV)	84.048A	219,265
Career Technical Education Transitions (CTE Transitions)	84.048A	40,705
Subtotal Perkins Program		<u>259,970</u>
Total U.S. Department of Education		<u>17,764,564</u>
<u>U.S. DEPARTMENT OF TREASURY</u>		
<i>Direct Programs:</i>		
COVID-19 Response Block Grant	22.019	196,989
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Foster Care Programs:		
<i>Passed through the California Community Colleges Chancellor's Office:</i>		
Foster and Kinship Care Education (FKCE) Program - Title IV-E	93.658	77,873
<i>Passed through the County of Monterey, Department of Social and Employment Services:</i>		
Foster Care - Title IV-E (DSES)	93.658	653,921
Subtotal Foster Care Programs		<u>731,794</u>
<i>Passed through the University of California, Santa Cruz:</i>		
National Institute of Health	93.859	18,243
<i>Passed through the California Community Colleges Chancellor's Office:</i>		
Temporary Assistance for Needy Families (TANF)	93.558	44,711
<i>Passed through the Yosemite Community College District:</i>		
Child Development Training Consortium	93.575	10,832
Total U.S. Department of Health and Human Services		<u>805,580</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

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U.S. DEPARTMENT OF AGRICULTURE

*Passed through the University Corporation at CSU Monterey Bay:*

Agricultural Sciences Pathways 2+2 HEC Project (NIFA/USDA)	10.217	16,466
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DEPARTMENT OF NATIONAL AERONAUTICS AND AEROSPACE ACADEMY

*Direct Programs:*

Minority University Research and Education Project Aerospace Academy (NASA MAA)	43.008	145,249
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U.S. NATIONAL SCIENCE FOUNDATION

*Passed through the University Corporation at CSU Monterey Bay:*

Replication of Cohort Based Computer Science Bachelor's Degree Model	47.076	97,400
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Rural Integrated STEM Education (RISE) Developing Capacity	47.076	20,920
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*Direct Programs:*

NSF ATE AgScience	47.076	207,894
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Building Capacity: Engaging STEM Transformative Experiences for Early Momentum	47.076	423,296
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Total U.S. National Science Foundation		<u>749,510</u>
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U.S. Department of National and Community Service

*Direct Programs:*

National Service Award Scholarships	94.006	11,432
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U.S. DEPARTMENT OF VETERAN AFFAIRS

*Direct Programs:*

Veterans Educational Assistance	64.027	1,680
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<b>Total Federal Programs</b>		<u>\$ 19,691,470</u>
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**HARTNELL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Revenues				Total Program Expenditures
	Cash Received	Accounts		Total	
		Receivable	Deferred Income		
Adult Education Block Grant	\$ 4,010,199	\$ -	\$ 106,009	\$ 3,904,190	\$ 3,904,190
Basic Skills	747,275	-	330,432	416,843	416,843
Block Grant/Physical Plant & Instructional Support	109,970	-	42,988	66,982	66,982
California College Promise (Salinas Valley Promise)	529,954	-	320,544	209,410	209,410
CalWORKs	242,058	-	26,311	215,747	215,747
Campus Safety	18,547	-	18,547	-	-
CARE Program	167,102	-	11,684	155,418	155,418
Classified Professional Development	32,630	-	32,630	-	-
Digital Literacy-Castroville	-	9,417	-	9,417	9,417
Digital Literacy-King City	-	5,446	-	5,446	5,446
DSP&S	722,370	-	95,463	626,907	626,907
Econ Dev for Distressed Areas	662,953	-	587,591	75,362	75,362
Education Futures Initiative	57,720	-	-	57,720	57,720
EOPS	878,564	-	20,139	858,425	858,425
Equal Employment Opportunity	50,000	-	8,740	41,260	41,260
Financial Aid Technology	216,957	-	175,554	41,403	41,403
First 5 Monterey County ECE Counselors	58,341	39,794	-	98,135	98,135
Foster & Kinship Care Education (FKCE)	129,849	-	-	129,849	129,849
Guided Pathways	455,305	-	210,295	245,010	245,010
Hunger Free Support	90,754	-	64,799	25,955	25,955
Incarcerated Students Reentry Program	-	45,454	36,915	8,539	8,539
Innovation Award	990,068	-	637,306	352,762	352,762
Mental Health Support	60,823	-	51,309	9,514	9,514
MESA	-	63,012	-	63,012	63,012
Nursing Education	202,162	-	77,413	124,749	124,749
Ready Set Go	95,776	272,211	-	367,987	367,987
Strong Workforce	2,327,161	351,128	1,209,871	1,468,418	1,468,418
Student Equity Plan (SEP)	1,466,350	-	555,561	910,789	910,789
Student Financial Aid Administration	355,181	-	57,745	297,436	297,436
Student Success and Support Program (SSSP)	2,436,494	-	226,772	2,209,722	2,209,722
UMOJA	10,000	-	5,710	4,290	4,290
Veteran Resource Center	72,734	-	55,719	17,015	17,015
YESS - ILP	11,910	10,590	-	22,500	22,500
Lottery - Proposition 20	211,212	179,639	-	390,851	390,851
Child Care Center					
California State Preschool Contract	595,576	21,240	-	616,816	616,816
Childcare Tax Bailout	40,302	-	-	40,302	40,302
Cal Grants	1,701,175	2,081	-	1,703,256	1,703,256
Student Success Completion Grant	1,379,208	-	149,902	1,229,306	1,229,306
<b>Total State Programs</b>	<b>\$ 21,136,680</b>	<b>\$ 1,000,012</b>	<b>\$ 5,115,949</b>	<b>\$ 17,020,743</b>	<b>\$ 17,020,743</b>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT  
FOR THE YEAR ENDED JUNE 30, 2020**

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<b>CATEGORIES</b>	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2019 only)</b>			
1. Noncredit	3.51	-	3.51
2. Credit	662.49	-	662.49
<b>B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)</b>			
1. Noncredit	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,563.60	-	4,563.60
(b) Daily Census Contact Hours	568.11	-	568.11
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	45.94	-	45.94
(b) Credit	511.37	-	511.37
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	743.88	-	743.88
(b) Daily Census Contact Hours	492.91	-	492.91
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>7,591.81</u>	-	<u>7,591.81</u>
<b>Supplemental Information (subset of above information)</b>			
<b>E. In-service Training Courses</b>	297.96	-	297.96
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Credit	118.41	-	118.41
2. Noncredit	47.74	-	47.74
Total Basic Skills FTES	<u>166.15</u>	-	<u>166.15</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2020**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 9,931,257	\$ -	\$ 9,931,257	\$ 9,931,257	\$ -	\$ 9,931,257
Other	1300	5,412,108	-	5,412,108	5,489,056	-	5,489,056
Total Instructional Salaries		15,343,365	-	15,343,365	15,420,313	-	15,420,313
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	2,896,739	-	2,896,739
Other	1400	-	-	-	600,889	-	600,889
Total Non-Instructional Salaries		-	-	-	3,497,628	-	3,497,628
Total Academic Salaries		15,343,365	-	15,343,365	18,917,941	-	18,917,941
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	8,020,026	-	8,020,026
Other	2300	-	-	-	592,080	-	592,080
Total Non-Instructional Salaries		-	-	-	8,612,106	-	8,612,106
Instructional Aides							
Regular Status	2200	523,549	-	523,549	523,549	-	523,549
Other	2400	61,106	-	61,106	61,106	-	61,106
Total Instructional Aides		584,655	-	584,655	584,655	-	584,655
Total Classified Salaries		584,655	-	584,655	9,196,761	-	9,196,761
Employee Benefits	3000	7,234,391	-	7,234,391	13,533,616	-	13,533,616
Supplies and Materials	4000	-	-	-	407,804	-	407,804
Other Operating Expenses	5000	617,968	-	617,968	6,283,396	-	6,283,396
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		23,780,379	-	23,780,379	48,339,518	-	48,339,518
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	109,468	-	109,468	-	-	-
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	115,197	-	115,197
Object to Exclude							
Rents and Leases	5060	-	-	-	19,343	-	19,343
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,128,791	-	1,128,791
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	925,802	-	925,802
Total Exclusions		\$ 109,468	\$ -	\$ 109,468	\$ 2,189,133	\$ -	\$ 2,189,133
Total for ECS 84362, 50% Law		\$ 23,670,911	\$ -	\$ 23,670,911	\$ 46,150,385	\$ -	\$ 46,150,385
Percent of CEE (Instructional Salary Cost/Total CEE)		51.29%	0.00%	51.29%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 23,075,193	\$ -	\$ 23,075,193

**HARTNELL COMMUNITY COLLEGE DISTRICT  
 PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT  
 FOR THE YEAR ENDED JUNE 30, 2020**

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EPA Revenue	3,791,338
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	3,791,338	-	-	3,791,338
Total		3,791,338	-	-	3,791,338



**HARTNELL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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There were no adjustments proposed to any funds of the District.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF FUND EQUITY TO NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

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General fund	\$	14,179,920	
Debt service fund		9,394,271	
Special revenue funds		747,898	
Capital project funds		45,386,982	
Enterprise funds		298,052	
Internal service funds		<u>2,606,594</u>	\$ 72,613,717
Assets recorded within the statements of net position not included in the fund financial statements:			
Capital assets	\$	271,245,149	
Accumulated depreciation		<u>(93,966,408)</u>	177,278,741
Unmatured Interest			(2,694,198)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:			
Deferred outflows related to bond refundings			7,690,678
Deferred outflows related to OPEB			494,912
Deferred outflows related to pensions			17,751,002
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:			
General obligation bonds	\$	196,796,666	
Bond premiums		6,096,247	
Accreted Interest		40,879,360	
Net OPEB liability		1,017,690	
Net pension liability		<u>61,786,906</u>	(306,576,869)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:			
Deferred inflows related to OPEB			(1,061,930)
Deferred inflows related to pensions			<u>(2,809,412)</u>
<b>Net Assets Reported Within the Statements of Net Position</b>			<b>\$ <u>(37,313,359)</u></b>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

This schedule provides information about the District's governing board members and administration members.

**Schedule of Expenditures of Federal Awards**

The Schedule of Expenditure of Federal Awards includes the federal award activity of Hartnell 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.

**Schedule of Expenditures of State 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 State Chancellor's Office.

**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 attendance of students based on various methods of accumulating attendance data.

**Reconciliation of Education Code Section 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.

**Proposition 30 Education Protection Act (EPA) Expenditure Report**

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

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**NOTE 1 - PURPOSE OF SCHEDULES, continued**

**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 Form CCFS-311 to the District's audited financial statements.

**Reconciliation of Fund Equity to Net Position**

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

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees  
Hartnell Community College District  
Salinas, California

### Report on State Compliance

We have audited Hartnell Community College District's (the District) compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2019-20*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2020.

### Management's Responsibility

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

### Auditors' Responsibility

Our responsibility is to express an opinion on Hartnell Community College District's compliance with the 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 Community Colleges Contracted District Audit Manual (CDAM) 2019-20*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Opinion of State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2020.

## Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

- Section 411 – SCFF Data Management Control Environment
- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded From Other Sources
- Section 424 – Student Centered Funding Formula Base Allocation: FTES
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy Fund
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds

## Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *California Community Colleges Contracted District Audit Manual (CDAM) 2019-20*. Accordingly, this report is not suitable for any other purpose.

*CWDL, Certified Public Accountants*

San Diego, California  
December 9, 2020

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## **FINDINGS AND RECOMMENDATIONS**

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**HARTNELL COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2020**

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**Section I – Schedule of Audit Findings and Questioned Costs**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.000</u>	<u>Student Financial Aid Cluster</u>
<u>84.031C, 84.031S</u>	<u>Title III &amp; Title V</u>
<u>84.425F, 84.425L, 84.425E</u>	<u>COVID-19</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**HARTNELL COMMUNITY COLLEGE DISTRICT  
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**There were no financial statement findings or questioned costs identified during 2019-20.**

**HARTNELL COMMUNITY COLLEGE DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

**There were no federal award findings or questioned costs identified during 2019-20.**

**HARTNELL COMMUNITY COLLEGE DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Section IV – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

**There were no state award findings or questioned costs identified during 2019-20.**



**HARTNELL COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**FINDING #2019-001 – SECTION 475 - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS) PAYROLL EXPENSE**

**Criteria or Specific Requirement**

California Code of Regulations (CCR) Title 5, Section 56064 states, "Allowable expenses are those actual fixed, variable, and one-time costs (not including nonallowable expenses, as defined in Section 56068) for providing academic adjustments, auxiliary aids, services and/or instruction, as defined in Sections 56026 and 56028."

**Condition**

During testing we noted exceptions over DSPS payroll controls. For each exception, we determined that DSPS employees' start date proceeded their executed date of their respective adjunct faculty assignment.

Below is a summary of each exception

- Non-Instruction DSPS Counseling, Start date of 1/14/19, Agreement form temporary, part-time hourly, adjunct faculty assignment executed on 1/18/19
- Non-Instruction DSPS Counseling, Start date of 1/14/19, Agreement form temporary, part-time hourly, adjunct faculty assignments executed on 1/16/19

**Questioned Costs**

None. Although controls over hiring of adjunct DSPS employees were deficient, charges appear to be otherwise allowable.

**Context**

Two exceptions out of four DSPS payroll expense transactions sampled.

**Effect**

The special funding for the DSPS program could be affected if program guidelines are not adhered to.

**Cause**

Clerical, related to agreement form processing delays.

**Recommendation**

The District should implement a control procedure for monitoring compliance issues related to this program to ensure that compliance requirements are met and proper documentation is maintained in advance of all adjunct hires.

**HARTNELL COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**FINDING #2019-001 – SECTION 475 - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS) PAYROLL EXPENSE, continued**

**Management's Response and Corrective Action Plan**

With the on-boarding of a full-time Director of Student Affairs for the DSPS program on January 28, 2019 procedures have been established and documented within the department, with staff training to reinforce procedures that directly address the payroll control matter at hand. The response includes a designated DSPS classified staff member, who generates faculty contracts prior to counselors and instructors starting work. In addition, the classified employee supports and manages paperwork for counseling and instructional faculty contracts, including updated renditions, which are maintained in DSPS, both in hard and electronic copies. Finally, the DSPS Director recognizes the importance of proper execution of documentation in hiring and will ensure that no faculty member will start work before the adjunct faculty assignment is executed (per contract). Finally, the District is moving towards adoption of an electronic workflow approval process for all contracts and the efficiencies brought about by this change will support quicker approvals and integrate Human Resources, Payroll and DSPS

**Status:** Implemented in 2019-20.