

**SONOMA COUNTY  
JUNIOR COLLEGE DISTRICT  
SANTA ROSA, CALIFORNIA  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED JUNE 30, 2015**

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

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# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## ORGANIZATION YEAR ENDED JUNE 30, 2015

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### DESCRIPTION OF DISTRICT

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

### BOARD OF TRUSTEES

| <u>Name</u>        | <u>Office</u>  | <u>Term Expires</u> |
|--------------------|----------------|---------------------|
| Jeff Kunde         | President      | 2018                |
| Don Edgar          | Vice President | 2016                |
| Maggie Fishman     | Clerk          | 2018                |
| Jordan Burns       | Member         | 2018                |
| W. Terry Lindley   | Member         | 2016                |
| Richard W. Call    | Member         | 2016                |
| Dorothy Battenfeld | Member         | 2018                |
| Eli Egger          | Student Member | 2016                |

### ADMINISTRATION

Dr. Frank Chong ..... Superintendent/President  
Mary Kay Rudolph ..... Senior Vice President of Academic Affairs/Assistant Superintendent  
Doug Roberts ..... Senior Vice President of Finance & Administrative Services/Assistant Superintendent  
Karen C. Furukawa-Schlereth..... Vice President of Human Resources  
Ricardo D. Navarrette ..... Vice President of Student Services/Assistant Superintendent  
Jane Saldaña-Talley ..... Vice President, Petaluma Campus

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Change in Accounting Principles***

As discussed in Note 2 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information Section, as listed in the table of contents, is presented for purposes of additional analysis, and is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office, and is not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc.".

**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**November 16, 2015**

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

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### Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Sonoma County Junior College District for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

The Sonoma County Junior College District, familiarly called Santa Rosa Junior College (SRJC), is a public two-year community college, which serves approximately 32,800 students. The District has two campuses, located in Santa Rosa and Petaluma, California, and two centers, a Public Safety Training Center located in Windsor, California, and the Robert Shone Agricultural Center located in Forestville, California. Students may choose from associate degree majors and certificate programs, complete courses toward the first two years of a bachelor's degree program, or pursue courses for other professional or personal reasons.

### Reporting Highlights

- ❖ The District was required to implement the reporting standards of Governmental Accounting Standards Board Statements No. 34 and 35 during the fiscal year 2002/03. The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the new reporting standards under the Business Type Activity (BTA) model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District has adopted the BTA reporting model for these financial statements. Under the BTA model of financial reporting, a single entity-wide statement is required to report financial activity for all funds of the District.
- ❖ The annual report consists of three basic financial statements that provide information on SRJC as a whole: the Balance Sheet; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The information provided on the statements that follow includes all funds and the Bookstore, but excludes the fiduciary funds that are reported separately. The following information is provided to assist with the understanding of the financial statements and the financial position of the District. Each statement is presented in a consolidated format and will be discussed separately.
- ❖ Per GASB 39, the financial statements of the Sonoma County Junior College Foundation are also included under this cover as a discretely presented component unit as well as presented under separate cover in greater detail.
- ❖ The District maintains fiduciary funds to account for assets held by the District as an agent on behalf of others. The District's fiduciary funds are the Student Representation Fee and Associated Students, both reported as agency funds.

### Attendance and Financial Highlights

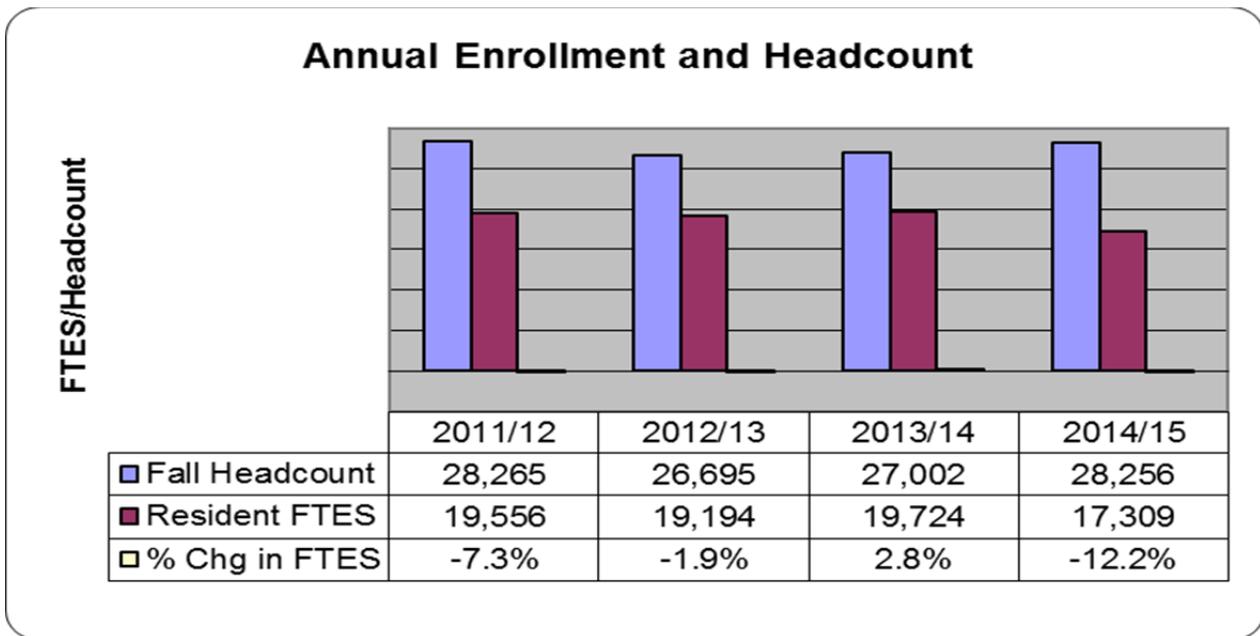
- ❖ Between 2009/10 and 2011/12, as a result of the economic crisis, the State imposed a series of workload reductions on the community college system by reducing the number of FTES that they would fund by roughly 12% and the District responded by reducing course offerings. With the

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

passage of Proposition 30 in 2012/13, the District was spared any additional workload reduction. However, due to the uncertainty of the proposition’s passage at the time of enrollment planning, the District conservatively reduced course offerings in the event that Prop 30 failed. As a result, the District experienced a further FTES reduction of nearly 2% in 2012/13. For 2013/14, the District’s budget planned an 8% increase in course offerings to restore FTES and capture State restoration/growth funds. Unfortunately the District fell short of its FTES goals and was forced to include 1,100 FTES from Summer 2014 in 2013/14 to ensure it captured all available growth funds. In 2014/15, the District increased its course offerings by 2% in an effort to reestablish FTES but failed to do so, instead declining slightly from 2013/14. In 2015/16, the District is increasing offerings by a strategic additional 1% in another effort to reverse this trend.

- ❖ The resident FTES in the chart below are distorted because of the 1,100 FTES transferred from 2014/15 to 2013/14. The true residents FTES served in 2013/14 was approximately 18,600 and for 2014/15 was 18,400.



Notes:

1) FTES = full-time equated students; 1 FTES = 525 student contact lecture hours.

- ❖ In 2014/15, during the thirteenth year of the \$251.7 million Measure A General Obligation Bond program, with the major construction completed, the District completed numerous maintenance projects and technology and equipment purchases. The District issued the 2002 General Obligation Bonds, Series A, in the amount of \$60 million on February 4, 2003 and the 2002 General Obligation Bonds, Series B, in the amount of \$105 million on October 13, 2005. The 2002 General Obligation Bonds, Series C in the amount of \$69.71 million were issued on September 17, 2007, and the 2002 General Obligation Bonds, Series D in the amount of \$16.99 million were issued on April 2, 2008. The Series D bond issue is being invested in tax free municipals to address longer term technology needs of the District.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

- ❖ The District's cash is invested in the Sonoma County Pooled Investment Fund, administered by the County Treasurer. The interest rate (after fees) for the quarter ending June 30, 2015, was 0.549% compared to 0.491% for the June 30, 2014 quarter.

### Financial Aid and Doyle Scholarships

For the years ended June 30, 2015 and 2014, the following sources of student financial aid were disbursed:

|              | <u>2015</u>          | <u>2014</u>          | <u>Change</u>       | <u>% Change</u> |
|--------------|----------------------|----------------------|---------------------|-----------------|
| Federal      | \$ 17,849,512        | \$ 18,839,624        | \$ (990,112)        | -5.26%          |
| State        | 1,038,166            | 872,677              | 165,489             | 18.96%          |
| Local        | 145,309              | 146,513              | (1,204)             | -0.82%          |
| Scholarships | <u>387,496</u>       | <u>291,294</u>       | <u>96,202</u>       | <u>33.03%</u>   |
| TOTAL        | <u>\$ 19,420,483</u> | <u>\$ 20,150,108</u> | <u>\$ (729,625)</u> | <u>-3.62%</u>   |

The Federal financial aid includes the Pell, SEOG, Direct Student Loans, National Service Trust, and Federal Work Study Programs. The State programs include EOPS Grants and the Cal Grant Program. The Doyle scholarship funds are derived from the Frank P. Doyle and Polly O'Meara Doyle Trust. Just over fifty percent of the annual dividends generated from the common stock in Exchange Bank are distributed to the Doyle Trust, which then distributes the funds to SRJC for scholarships to assist students attending Santa Rosa Junior College. In 2014/15, there were 873 scholarships awarded for \$1,000 each.

### New GASB Pronouncements

The following financial statements are affected by the cumulative effect of change in accounting principles for the implementation of Government Accounting Standards Board Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (collectively, the Statements). The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It requires employers to account for a net pension liability for the difference between the present value of projected pension benefits for previous service and restricted resources held in trust for the payment of benefits. The Statements prescribe the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of these pronouncements, the District recognized a long term net pension liability for \$81.1 million, \$6.9 million for deferred outflows of resources related to pensions, \$23.0 million for deferred inflows of resources related to pensions, and \$2.6 million in State revenue for the STRS on-behalf payments, as well as an additional \$2.8 million in pension expense beyond what was paid in 2014/15. The beginning net position of the District was also decreased by \$96.9 million over the previous fiscal year to recognize the cumulative effect of the pronouncements in previous fiscal years. Additional information can be found in the footnotes.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

The District has not restated the actual and pro forma effect of GASB 68 on the financial statements as of and for the year ended June 30, 2014. This data is not readily available as actuary studies for measurement dates prior to June 30, 2014, were not prepared in accordance with GASB 68.

### Balance Sheet

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

|   | <u>2015</u>           | <u>2014</u>           | <u>Change</u>         |
|---|-----------------------|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |                       |
| Current assets  | \$ 50,963,509         | \$ 53,141,738         | \$ (2,178,229)        |
| Non-current assets  | 344,809,561           | 352,587,208           | (7,777,647)           |
| <b>TOTAL ASSETS</b>   | <u>395,773,070</u>    | <u>405,728,946</u>    | <u>(9,955,876)</u>    |
| <br>  |                       |                       |                       |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>  | <u>22,162,835</u>     | <u>16,235,577</u>     | <u>5,927,258</u>      |
| <br>  |                       |                       |                       |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS<br/>OF RESOURCES</b>                    | <u>\$ 417,935,905</u> | <u>\$ 421,964,523</u> | <u>\$ (4,028,618)</u> |
| <br>  |                       |                       |                       |
| <b>LIABILITIES</b>  |                       |                       |                       |
| Current liabilities   | \$ 27,419,817         | \$ 23,115,777         | \$ 4,304,040          |
| Non-current liabilities   | 277,497,734           | 203,772,633           | 73,725,101            |
| <b>TOTAL LIABILITIES</b>  | <u>304,917,551</u>    | <u>226,888,410</u>    | <u>78,029,141</u>     |
| <br>  |                       |                       |                       |
| <b>DEFERRED INFLOW OF RESOURCES</b>   | <u>22,962,236</u>     | <u>-</u>              | <u>22,962,236</u>     |
| <br>  |                       |                       |                       |
| <b>NET POSITION (DEFICIT)</b>   |                       |                       |                       |
| Invested in capital assets, net of related debt                               | 144,530,683           | 147,693,941           | (3,163,258)           |
| Restricted  | 35,864,736            | 34,301,522            | 1,563,214             |
| Unrestricted deficit  | <u>(90,339,301)</u>   | <u>13,080,650</u>     | <u>(103,419,951)</u>  |
| <br>  |                       |                       |                       |
| <b>TOTAL NET POSITION</b>   | <u>90,056,118</u>     | <u>195,076,113</u>    | <u>(105,019,995)</u>  |
| <br>  |                       |                       |                       |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <u>\$ 417,935,905</u> | <u>\$ 421,964,523</u> | <u>\$ (4,028,618)</u> |

Current assets at June 30, 2015 consist of:

- ❖ Current cash and cash equivalents, mainly held at the county treasury, total \$34.5 million.
- ❖ Restricted cash and cash equivalents which include cash in the Bond Fund (\$38 thousand) and General Obligation debt service fund held for current repayments of the bonds (\$9.3 million).

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

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- ❖ Accounts receivables which include amounts due from grants, contracts, and general apportionment earned, but not received, by year-end. Accounts receivable decreased \$10.4 million over prior year, due mainly to the elimination of deferred payments at the state.
- ❖ Inventory which consists primarily of Bookstore inventory of approximately \$714 thousand.

Non-current assets are:

- ❖ Restricted cash and cash equivalents which consist of tax revenues collected by the county for payment of Measure A, General Obligation Bonds principal and interest in future years.
- ❖ Restricted investments which are funds from the General Obligation Bond, Series D issue that are invested with Bond Logistix.
- ❖ Capital assets which are reported at historical cost of land, buildings, and equipment less accumulated depreciation, where applicable. The footnotes to the financial statements contain detailed information for capital assets.

Current liabilities consist of:

- ❖ Accounts payable which consist mainly of amounts due to vendors (\$3.3 million) and employees (\$2.3 million). Accounts payable increased by \$89 thousand over prior year, mostly due to a change in the timing of payments to vendors.
- ❖ Unearned revenue relates to federal, state and local program funding that had been received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are deferred enrollment fees for the Summer and Fall 2015 semesters (\$442 thousand).

Non-current liabilities are:

- ❖ Liabilities and/or debt to be paid in one year or later. The major components of the non-current portion are long-term debt (\$191.3 million) and the net pension liability adjustment required by GASB 68 (\$81.1 million). Detailed information regarding the District's long-term debt can be found in the footnotes to the financial statements

### **Analysis of the District's Financial Position**

Net Position is the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of liabilities, and is an indicator of the District's financial position. Net Position is reported in three components: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets (\$144.5 million) consists of capital assets net of accumulated depreciation, less outstanding capital debt net of unspent proceeds. The Restricted portion includes amounts legally restricted for payment of debt service (\$27.6 million), capital projects (\$7.8 million) or other special purposes (\$0.4 million). The Unrestricted portion (-\$90.3 million) represents resources with no external restrictions, but which may be designated by the Board of Trustees for contingencies and other special purposes. This represents -100% of the Total Position at June 30, 2015. This is a significant change over prior year and represents the difference after the pension liability adjustments after GASB 68. The unrestricted portion prior to the GASB 68 adjustment was \$6.6 million or 3.5% of the Total Position.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

### Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating finances of the District, as well as the non-operating revenues and expenses. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. As discussed, there was an adjustment to the beginning net position in 2014/15 for changes to pension liabilities resulting from the implementation of GASBs 68 and 71.

|   | <u>2015</u>          | <u>2014</u>           | <u>Change</u>          |
|---|----------------------|-----------------------|------------------------|
| Total operating revenues                                | \$ 61,903,108        | \$ 54,467,956         | \$ 7,435,152           |
| Total operating expenses                                | <u>168,876,859</u>   | <u>156,379,381</u>    | <u>12,497,478</u>      |
| Operating income (loss)                                 | (106,973,751)        | (101,911,425)         | (5,062,326)            |
| Total non-operating revenues (expenses)                 | 84,801,395           | 86,604,110            | (1,802,715)            |
| Income before other revenues, expenses, gains or losses | (22,172,356)         | (15,307,315)          | (6,865,041)            |
| Capital revenues  | <u>14,087,827</u>    | <u>13,488,130</u>     | <u>599,697</u>         |
| Increase in net assets                                  | (8,084,529)          | (1,819,185)           | (6,265,344)            |
| Net Assets - Beginning of year                          | 195,076,113          | 196,895,298           | (1,819,185)            |
| Cumulative Change in Accounting Principle               | <u>(96,935,466)</u>  | <u>-</u>              | <u>-</u>               |
| Net Assets - End of year                                | <u>\$ 90,056,118</u> | <u>\$ 195,076,113</u> | <u>\$(105,019,995)</u> |

#### Changes in operating revenues:

- ❖ Net tuition and fees increased to \$15.1 million. Enrollment fees are set by the state legislature for all community colleges, which was \$46 a unit in 2014/15.
- ❖ Auxiliary enterprise sales and charges are primarily Bookstore sales (\$5.55 million) and Farm sales (\$1.1 million). Bookstore sales decreased by \$400 thousand from prior year, while Farm sales increased by \$150 thousand.

#### Changes in non-operating revenues:

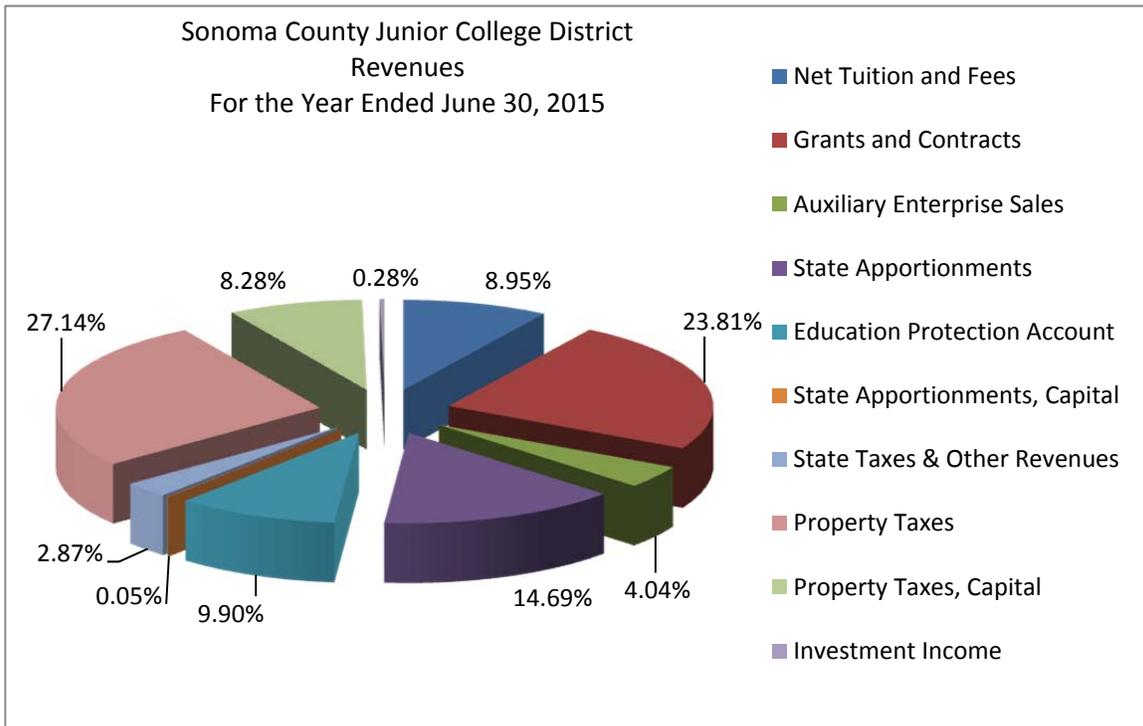
- ❖ State apportionment represents total state general revenue earned less property taxes and enrollment fees. State apportionments, non-capital, represent \$24.7 million of the non-operating revenues, the Education Protection Account is \$16.7 million and property taxes are \$45.7 million. State apportionment decreased by \$4.4 million from prior year and property tax revenue increased by \$2.5 million.
- ❖ Investment income – non-capital includes a gain of \$113 thousand for adjusting the cash and investments to fair market value as required by GASB 31.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

### Revenues

|                               | <b>For the Year<br/>Ended<br/><u>June 30, 2015</u></b> |
|-------------------------------|--|
| Net Tuition and Fees          | \$ 15,071,627  |
| Grants and Contracts          | 40,093,305   |
| Auxiliary Enterprise Sales    | 6,798,501  |
| State Apportionments          | 24,732,781   |
| Education Protection Account  | 16,665,890   |
| State Apportionments, Capital | 87,525   |
| State Taxes & Other Revenues  | 4,826,090  |
| Property Taxes                | 45,702,184   |
| Property Taxes, Capital       | 13,939,977   |
| Investment Income             | 475,228  |
| Other Non-Operating Revenues  | -  |
| <b>Total Revenues</b>         | <b>\$ 168,393,108</b>                                  |

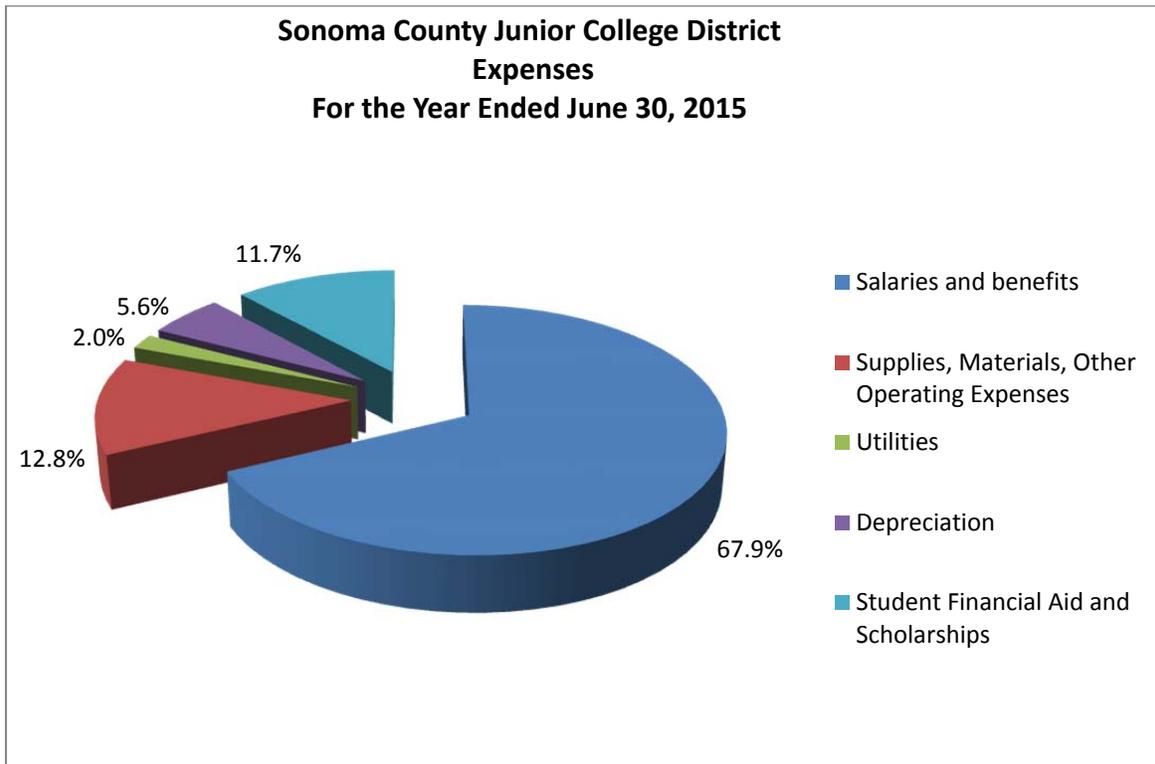


# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

### Operating Expenses (by natural classification)

|  | <b>For the Year<br/>Ended<br/><u>June 30, 2015</u></b> |
|--|--|
| Salaries                               | \$ 86,508,054  |
| Employee Benefits                      | 28,125,890   |
| Supplies and Materials                 | 7,050,223  |
| Other Operating Expenses and Services  | 14,610,146   |
| Utilities                              | 3,329,286  |
| Depreciation                           | 9,416,491  |
| Student Financial Aid and Scholarships | <u>19,836,769</u>                                      |
| <br>Total Operating Expenses           | <br><u>\$ 168,876,859</u>                              |

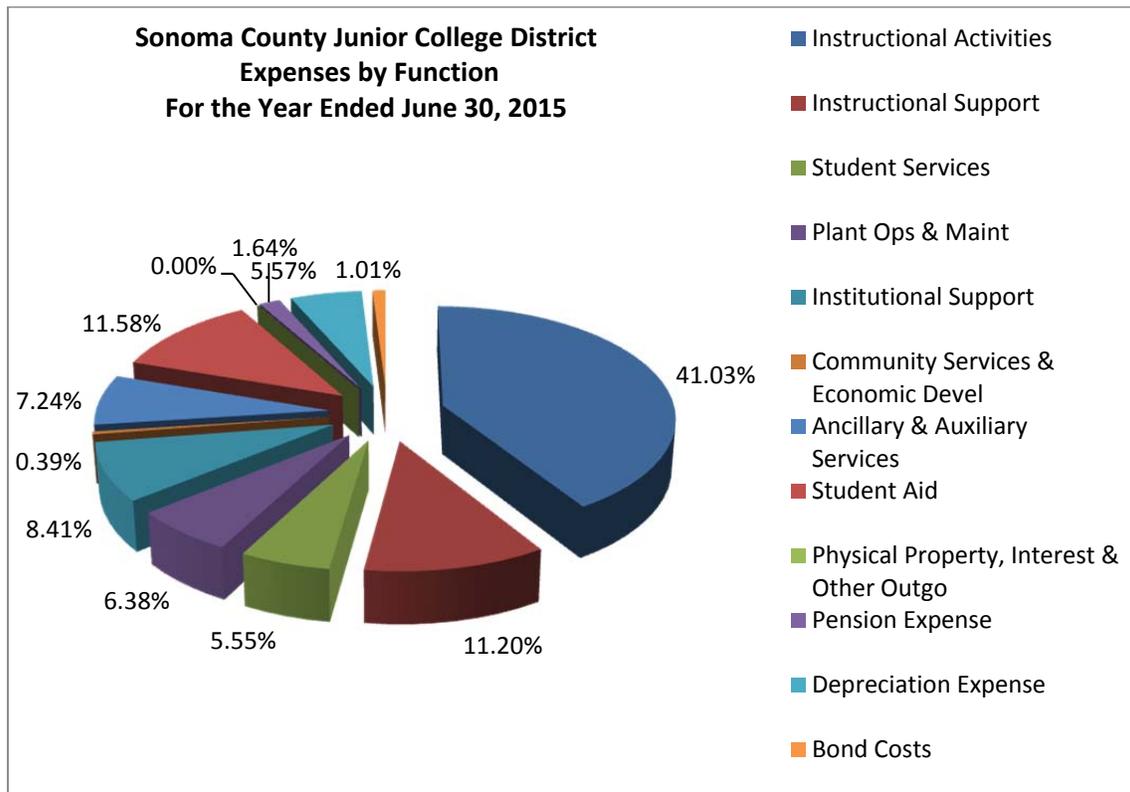


# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

### Operating Expense (by function)

|   | <b>For the Year<br/>Ended<br/>June 30, 2015</b> |
|---|---|
| Instructional Activities                  | \$ 69,298,581                                   |
| Instructional Support                     | 18,909,574                                      |
| Student Services                          | 9,372,291                                       |
| Plant Ops & Maint                         | 10,773,869                                      |
| Institutional Support                     | 14,210,395                                      |
| Community Services & Economic Devel       | 658,759   |
| Ancillary & Auxiliary Services            | 12,230,638                                      |
| Student Aid                               | 19,553,104                                      |
| Physical Property, Interest & Other Outgo | 3,140   |
| Pension Expense                           | 2,765,327                                       |
| Depreciation Expense                      | 9,400,942                                       |
| Bond Costs                                | <u>1,700,239</u>                                |
| <br>Total                                 | <br><u>\$ 168,876,859</u>                       |



# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

### Statement of Cash Flows

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

|  | For the Years Ended June 30 |                      |                      |
|--|-----------------------------|----------------------|----------------------|
|  | 2015                        | 2014                 | Change               |
| Net Cash Provided (Used) By:             |                             |                      |                      |
| Operating activities                     | \$ (93,843,541)             | \$ (91,364,661)      | \$ (2,478,880)       |
| Non-capital financing activities         | 101,569,142                 | 92,288,501           | 9,280,641            |
| Capital and related financing activities | 4,305,139                   | (4,027,592)          | 8,332,731            |
| Investment activities                    | <u>231,626</u>              | <u>493,014</u>       | <u>(261,388)</u>     |
| Net increase (decrease) in cash          | 12,262,366                  | (2,610,738)          | 14,873,104           |
| Cash - Beginning of the fiscal year      | <u>53,460,180</u>           | <u>56,070,918</u>    | <u>(2,610,738)</u>   |
| Cash - End of the fiscal year            | <u>\$ 65,722,546</u>        | <u>\$ 53,460,180</u> | <u>\$ 12,262,366</u> |

- ❖ Net cash used for operating activities increased by \$2.5 million from the prior year. This change was largely due to changes in payments to suppliers and employees and tuition and fees payments.
- ❖ Net cash provided by noncapital financing activities are from state apportionments and property taxes. Cash received from state apportionments and receipts increased by \$7 million over prior year due mainly to the decrease of apportionment payments deferred by the state until after the fiscal year. Cash received from property taxes (non-capital) increased \$2.5 million over prior year as home prices began rebounding in the county.
- ❖ Capital and related financing activities include cash provided from local property taxes collected for debt service, state apportionment for capital purposes and interest on capital investments. Cash outflows relate to purchases of capital assets and principal and interest payments on capital debt. Cash inflows were comprised of property taxes (\$13.9 million), and interest in capital investments (\$243 thousand). Cash outflows were comprised of changes in principal (\$5.1 million) and interest (\$8.3 million) paid on long term debt and construction or acquisition of capital assets (\$3.3 million).

### Capital Assets

The District had additions of \$3.3 million in capital assets for the year, of which \$1.5 million were for construction costs and land improvements and \$766 thousand was for land. There are no major projects remaining in Measure A. Measure H was passed by the voters in November, 2014 and the District is currently creating a Facilities Master Plan to guide the planning and expenditures of those bonds.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

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### Long-Term Debt

The District's long-term debt balance of \$277.5 million is comprised of: bonds payable (\$191.2 million), net pension liability required by GASB 68 (\$81.1 million) and post-employment health benefits (\$5.2 million). Additional information regarding the District's long-term debt can be found in the footnotes to the financial statements.

### Economic Factors That May Affect the Future

- ❖ As noted earlier in this report, student attendance is decreasing and the District needs to find ways to turn that around or there will be a large decrease to funding in 2015/16. The District budgeted a 1% reduction in FTES for 2015/16, but currently, the fall 2015 numbers show a decrease of near 3%.
- ❖ The District's 2015/16 budget has a budgeted increase to fund balance of \$4.1 million however that masks a structural deficit of \$6 million because the District is receiving \$10.2 million in one-time mandated costs funding.
- ❖ Addressing the structural deficit was identified as a recommendation in the 2015 ACCJC accreditation reaffirmation report which stated that the District needs to "develop and implement a plan to assure ongoing financial stability and a contingency plan to meet financial emergencies and unforeseen occurrences". The District is currently creating this plan to be submitted to the ACCJC in March, 2016.
- ❖ Proposition 30 and the improved State economy are credited for the improvement in State revenue, however the effects are not permanent. The quarter-percent increase of State-wide sales tax is set to sunset December 31, 2016, and the increased personal income tax on people making more than \$250,000 per year ends December 31, 2018. There is some statewide political support to have the personal income tax portion of Proposition 30 extended. Absent that event, it is hoped that by the time the provisions of Proposition 30 end, the State's economy will have fully recovered and the rainy day funds set aside by the Governor will mitigate the effects to K-14 districts of future economic slumps.
- ❖ The State's primary employee pension providers, CalPERS and CalSTRS, are greatly underfunded. From 2013/14 to 2020/21, the employer contribution for CalSTRS will increase from 8.25% to 19.10%. The increase for the CalPERS program will be almost as dramatic as those for CalSTRS. CalPERS employer contributions will see an increase in that same time period from 11.442% to 20.4%.
- ❖ As outlined in the District's Strategic Plan, one of the District's goals is to diversify its revenues. To meet this goal, the District has increased its grant applications and is increasing the District's non-resident/international student population. Grant funds cannot directly provide funding to the District's Unrestricted General Fund, but some offer indirect help. To increase the non-resident/international student population, which does provide additional operational funding, the District has focuses on greater outreach and student support. The increased efforts resulted in a revenue increase of almost \$500 thousand from 2013/14 to 2014/15.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

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- ❖ On November 4, 2014, voters within the District's boundaries approved Measure H, a \$410 million General Obligation bond. As dramatically as the \$251.7 million from the 2002 Measure A bonds have transformed the District, the Measure H bonds will continue and expand that transformation. Although such bond funding cannot be used to help the District's General Fund, what the bond can afford in newer, larger classrooms, updated infrastructure and technology will have benefits that should reduce some of the District's operational costs in the area of utilities, maintenance and repair.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## BALANCE SHEET

JUNE 30, 2015

|   | <b>Primary<br/>Institution</b> | <b>Foundation</b>    |
|---|--------------------------------|----------------------|
| <b>ASSETS</b>   |                                |                      |
| Current Assets:   |                                |                      |
| Cash and Cash Equivalents   | \$ 34,519,195                  | \$ 3,905,197         |
| Restricted Cash and Cash Equivalents                                      | 9,390,960                      |                      |
| Cash with Trustee   | 834,425                        |                      |
| Accounts Receivable   | 5,282,101                      | 549,579              |
| Pledges Receivable  |                                | 24,383               |
| Inventory   | 761,989                        |                      |
| Prepaid Expenses  | 174,839                        | 162,646              |
| Total Current Assets  | 50,963,509                     | 4,641,805            |
| Noncurrent Assets:  |                                |                      |
| Restricted Cash and Cash Equivalents                                      | 20,977,966                     |                      |
| Restricted Investments  | 7,703,934                      | 40,212,033           |
| Endowment Fund  |                                | 1,003,228            |
| Pledges Receivable  |                                | 6,090                |
| Charitable Remainder Trust Investments                                    |                                | 3,065,007            |
| Nondepreciable Capital Assets   | 13,034,920                     |                      |
| Depreciable Capital Assets, Net   | 303,092,741                    |                      |
| Total Noncurrent Assets   | 344,809,561                    | 44,286,358           |
| Total Assets  | 395,773,070                    | 48,928,163           |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                    |                                |                      |
| Deferred Charge on Refunding  | 15,215,541                     |                      |
| Deferred Outflows of Resources Related to Pensions                        | 6,947,294                      |                      |
| Total Deferred Outflows of Resources                                      | 22,162,835                     |                      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 417,935,905</b>          | <b>\$ 48,928,163</b> |
| <b>LIABILITIES</b>  |                                |                      |
| Current Liabilities:  |                                |                      |
| Accounts Payable  | \$ 6,680,099                   | \$ 140,131           |
| Unearned Revenue  | 7,399,132                      | 243,067              |
| Interest Payable  | 3,462,239                      |                      |
| Liabilities Under Charitable Remainder Trusts                             |                                | 38,489               |
| Amounts Held on Behalf of Others  | 974,427                        | 1,094,714            |
| Long-Term Liabilities Due Within One Year                                 | 8,903,920                      |                      |
| Total Current Liabilities   | 27,419,817                     | 1,516,401            |
| Noncurrent Liabilities:   |                                |                      |
| Postemployment Benefits   | 5,172,367                      |                      |
| Net Pension Liability   | 81,066,328                     |                      |
| Liabilities Under Charitable Remainder Trusts                             |                                | 191,505              |
| Bonds Payable   | 191,259,039                    |                      |
| Total Noncurrent Liabilities  | 277,497,734                    | 191,505              |
| Total Liabilities   | 304,917,551                    | 1,707,906            |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                                |                      |
| Deferred Inflows of Resources Related to Pensions                         | 22,962,236                     |                      |
| <b>NET POSITION:</b>  |                                |                      |
| Net Investment in Capital Assets  | 144,530,683                    |                      |
| Restricted for:   |                                |                      |
| Expendable:   |                                |                      |
| Capital Projects  | 7,791,716                      |                      |
| Debt Service  | 27,643,641                     |                      |
| Other Special Purposes  | 429,379                        |                      |
| Restricted by Donors  |                                | 45,862,114           |
| Unrestricted (Deficit)  | (90,339,301)                   | 1,358,143            |
| <b>TOTAL NET POSITION</b>   | <b>90,056,118</b>              | <b>47,220,257</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 417,935,905</b>          | <b>\$ 48,928,163</b> |

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2015

|  | <b>Primary<br/>Institution</b> | <b>Foundation</b>    |
|--|--------------------------------|----------------------|
| <b>OPERATING REVENUES:</b>                                     |                                |                      |
| Tuition and Fees (gross)                                       | \$ 25,132,047                  |                      |
| Less: Scholarship Discounts and Allowances                     | (10,060,420)                   |                      |
| Net Tuition and Fees   | 15,071,627                     |                      |
| Grants, Contracts, and Donations, Noncapital:                  |                                |                      |
| Federal  | 20,525,992                     |                      |
| State  | 15,315,484                     |                      |
| Local  | 4,251,829                      |                      |
| Contributions  |                                | \$ 3,300,765         |
| Other  |                                | 479,717              |
| Auxiliary Enterprise Sales and Charges                         | 6,798,501                      |                      |
| <b>TOTAL OPERATING REVENUES</b>                                | <b>61,963,433</b>              | <b>3,780,482</b>     |
| <b>OPERATING EXPENSES:</b>                                     |                                |                      |
| Academic Salaries  | 53,815,307                     |                      |
| Classified Salaries  | 32,692,747                     |                      |
| Employee Benefits  | 28,125,890                     |                      |
| Supplies and Materials   | 7,050,223                      |                      |
| Other Operating Expenses and Services                          | 14,610,146                     | 868,638              |
| Utilities  | 3,329,286                      |                      |
| Depreciation   | 9,416,491                      |                      |
| Student Financial Aid and Scholarships                         | 19,836,769                     | 1,521,101            |
| <b>TOTAL OPERATING EXPENSES</b>                                | <b>168,876,859</b>             | <b>2,389,739</b>     |
| <b>OPERATING GAIN (LOSS)</b>                                   | <b>(106,913,426)</b>           | <b>1,390,743</b>     |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>                      |                                |                      |
| State Apportionments, Noncapital                               | 24,732,781                     |                      |
| Education Protection Account                                   | 16,665,890                     |                      |
| Local Property Taxes   | 45,702,184                     |                      |
| State Taxes and Other Revenues                                 | 4,826,090                      |                      |
| Investment Income (Loss) - Noncapital                          | 231,626                        | (299,329)            |
| Investment Income - Capital                                    | 243,602                        |                      |
| Interest Expense on Capital Asset-Related Debt                 | (7,416,772)                    |                      |
| Other Non-Operating Income (Expenses), Net                     | (184,006)                      |                      |
| Other Non-Operating Transfers                                  |                                | (827,954)            |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>                 | <b>84,801,395</b>              | <b>(1,127,283)</b>   |
| <b>GAIN (LOSS) BEFORE CAPITAL REVENUES:</b>                    | <b>(22,112,031)</b>            | <b>263,460</b>       |
| State Apportionments, Capital                                  | 87,525                         |                      |
| Local Property Taxes and Revenues, Capital                     | 13,939,977                     |                      |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                     | <b>(8,084,529)</b>             | <b>263,460</b>       |
| <b>NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b> | 195,076,113                    | 46,956,797           |
| <b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES</b>    | (96,935,466)                   |                      |
| <b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>            | <b>98,140,647</b>              |                      |
| <b>NET POSITION -- END OF YEAR</b>                             | <b>\$ 90,056,118</b>           | <b>\$ 47,220,257</b> |

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2015

|  | Primary<br>Institution | Foundation   |
|--|------------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                        |              |
| Tuition and Fees   | \$ 15,357,474          |              |
| Federal Grants and Contracts                                     | 20,900,017             |              |
| State Grants and Contracts                                       | 14,703,669             |              |
| Local Grants and Contracts                                       | 4,279,068              |              |
| Contributions  |                        | \$ 2,692,973 |
| Payments to Suppliers  | (24,551,754)           |              |
| Payments to/on behalf of Employees                               | (111,664,974)          |              |
| Payments to/on behalf of Students                                | (19,555,056)           | (1,521,101)  |
| Auxiliary Enterprise Sales and Charges                           | 6,847,014              |              |
| Other Receipts and Payments                                      | (158,999)              | (197,539)    |
| Net Cash Provided (Used) by Operating Activities                 | (93,843,541)           | 974,333      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>          |                        |              |
| State Apportionments and Receipts                                | 56,076,927             |              |
| Property Taxes   | 45,702,184             |              |
| Student Organization Agency Disbursements                        | (209,969)              |              |
| Interest on Noncapital Investments                               |                        | 1,410,835    |
| Other Transfers  |                        | (827,954)    |
| Net Cash Provided by Noncapital Financing Activities             | 101,569,142            | 582,881      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                        |              |
| State Apportionments for Capital Purposes                        | 1,399,895              |              |
| Purchases of Capital Assets                                      | (3,269,470)            |              |
| Proceeds from Sales of Capital Assets                            | 9,211                  |              |
| Principal Paid on Capital Debt                                   | (5,090,000)            |              |
| Interest Paid on Capital Debt                                    | (8,266,581)            |              |
| Purchases of Capital Investments                                 | (2,771,495)            |              |
| Proceeds from Sale of Capital Investments                        | 8,110,000              |              |
| Interest on Capital Investments                                  | 243,602                |              |
| Local Property Taxes and Other Revenues for Capital Purposes     | 13,939,977             |              |
| Net Cash Provided by Capital and Related Financing Activities    | 4,305,139              |              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                        |              |
| Purchases of Investments   |                        | (7,131,159)  |
| Sales and Maturities of Investments                              |                        | 6,922,039    |
| Gain on Pooled Cash and Cash Equivalents                         | 231,626                |              |
| Net Cash Provided (Used) by Investing Activities                 | 231,626                | (209,120)    |
| <b>NET INCREASE IN CASH AND EQUIVALENTS</b>                      | 12,262,366             | 1,348,094    |
| <b>CASH AND EQUIVALENTS -- BEGINNING OF YEAR</b>                 | 53,460,180             | 2,557,103    |
| <b>CASH AND EQUIVALENTS -- END OF YEAR</b>                       | \$ 65,722,546          | \$ 3,905,197 |

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS (Continued) YEAR ENDED JUNE 30, 2015

Reconciliation to Balance Sheet:

|   |                      |                     |
|---|----------------------|---------------------|
| Cash and Equivalents                              | \$ 34,519,195        | \$ 3,905,197        |
| Restricted Cash and Cash Equivalents - Current    | 9,390,960            |                     |
| Cash with Trustee                                 | 834,425              |                     |
| Restricted Cash and Cash Equivalents - Noncurrent | <u>20,977,966</u>    |                     |
| Total Cash and Cash Equivalents                   | <u>\$ 65,722,546</u> | <u>\$ 3,905,197</u> |

**RECONCILIATION OF NET OPERATING GAIN (LOSS) TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

|  |                        |                   |
|--|------------------------|-------------------|
| Operating Gain (Loss)  | \$ (106,913,426)       | \$ 1,390,743      |
| Donated Investments  |                        | (143,455)         |
| Adjustments to Reconcile Operating Gain (Loss) to Net Cash<br>Provided (Used) by Operating Activities: |                        |                   |
| Depreciation Expense   | 9,416,491              |                   |
| Changes in:  |                        |                   |
| Accounts Receivable  | 542,337                | (544,690)         |
| Pledges Receivable   |                        | 49,267            |
| Inventories, Prepaids, and Other Assets  | 105,926                | 11,119            |
| Endowment Fund   |                        | 40,764            |
| Deferred Outflows Related to Pensions  | (522,026)              |                   |
| Accounts Payable   | 128,464                | 3,783             |
| Unearned Revenue   | 2,145,509              | (9,678)           |
| Compensated Absences   | 98,645                 |                   |
| Postemployment Benefits  | 486,709                |                   |
| Net Pension Liability  | (22,294,406)           |                   |
| Liabilities Under Charitable Remainder Trusts  |                        | (13,982)          |
| Amounts Held on Behalf of Others   |                        | 190,462           |
| Deferred Inflows Related to Pensions   | <u>22,962,236</u>      |                   |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ (93,843,541)</u> | <u>\$ 974,333</u> |

**NON-CASH INVESTING, CAPITAL, AND FINANCING  
ACTIVITIES:**

|   |                   |           |
|---|-------------------|-----------|
| Amortization of Deferred Charge on Refunding              | \$ (1,020,036)    |           |
| Amortization of Premium on Long-Term Debt                 | <u>1,857,936</u>  |           |
| Net Non-Cash Investing, Capital, and Financing Activities | <u>\$ 837,900</u> | <u>\$</u> |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2015

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|                                  | <u>Agency Funds</u>  |
|----------------------------------|--|
|                                  | <u>Associated<br/>Students and<br/>Student<br/>Representation<br/>Fees</u> |
| <b>ASSETS:</b>                   |  |
| Cash and Cash Equivalents        | \$ 565,125   |
| Accounts Receivable              | <u>10,313</u>  |
| <b>TOTAL ASSETS</b>              | <u>\$ 575,438</u>  |
| <b>LIABILITIES:</b>              |  |
| Accounts Payable                 | \$ 6,639   |
| Due to District                  | 9,811  |
| Amounts Held in Trust for Others | <u>558,988</u>   |
| <b>TOTAL LIABILITIES</b>         | <u>\$ 575,438</u>  |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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### 1. ORGANIZATION AND REPORTING ENTITY

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

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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*Agency Funds* – These funds include the Associated Students and the Student Representation Fee Fund. The amounts reported for the Associated Students Fund represent the combined totals of all accounts for the various student body clubs and activities within the District. Individual totals, by club, are maintained within the Associated Student’s accounting system. The Student Representation Fee Fund accounts for the student representation fee assessment, which is used by students for legislative advocacy.

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

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

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

**Current Year GASB Implementation** - For the year ended June 30, 2015, the District implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71) *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The primary objectives of GASB 68 and GASB 71 are to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. They require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note 9 explains the effect of the current year GASB implementation.

Since GASB 68 requires retroactive application, beginning net position is reduced by the net pension liability offset by the related deferred outflow of resources as of June 30, 2014. As a result, for the year ended June 30, 2015, the beginning net position decreased by \$96,935,466 as the cumulative effect of a change in accounting principles.

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

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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**Investments** – Investments are reported at fair value on the balance sheet based on open market quotes for debt and equity securities. Unrealized gains and losses are recorded on the statement of revenues, expenses, and changes in net position.

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

**Inventory** – Inventories consist principally of textbooks and are stated at the cost method (first-in, first-out method) or at market.

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

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

Interest incurred during the construction phase of capital assets is included as part of the capitalizable value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. Interest costs of \$30,383 were capitalized for the year ended June 30, 2015.

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

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

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

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

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

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

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

**Future Accounting Pronouncements** – In June of 2015, the GASB issued GASB Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ended June 30, 2018. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's cash, cash equivalents, and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

|   |                      |
|---|----------------------|
| Balance Sheet of the Primary Institution:         |                      |
| Cash and Cash Equivalents                         | \$ 34,519,195        |
| Restricted Cash and Cash Equivalents – Current    | 9,390,960            |
| Restricted Cash and Cash Equivalents – Noncurrent | 20,977,966           |
| Restricted Investments                            | 7,703,934            |
| Cash with Trustee                                 | 834,425              |
| Statement of Fiduciary Net Position:              |                      |
| Cash and Cash Equivalents                         | <u>565,125</u>       |
| Total Cash, Cash Equivalents, and Investments     | <u>\$ 73,991,605</u> |

The District's cash, cash equivalents, and investments as of June 30, 2015 consist of the following:

|   |                      |
|---|----------------------|
| Cash and Cash Equivalents in Sonoma County Treasury | \$ 58,024,236        |
| Deposits with Financial Institutions                | 4,696,889            |
| Cash on Hand  | 58,054               |
| Cash Equivalents and Investments with Fiscal Agent: |                      |
| Money Market  | 2,674,067            |
| Cash Held by Trustee                                | 834,425              |
| U.S. Municipal Securities                           | <u>7,703,934</u>     |
| Total Cash, Cash Equivalents, and Investments       | <u>\$ 73,991,605</u> |

#### Cash in County Treasury

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

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

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### Investments Authorized by the District's Investment Policy

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

| Authorized Investment Type               | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|------------------|---------------------------------|----------------------------------|
| Local Agency Bonds or Notes              | 5 years          | None                            | None                             |
| U.S. Treasury Obligations                | 5 years          | None                            | None                             |
| State Obligations – CA and Others        | 5 years          | None                            | None                             |
| CA Local Agency Obligations              | 5 years          | None                            | None                             |
| U.S. Agency Obligations                  | 5 years          | None                            | None                             |
| Bankers' Acceptance                      | 180 days         | 40%                             | None                             |
| Commercial Paper (pooled and non-pooled) | 270 days         | 25% or 40%                      | 10%                              |
| Negotiable Certificates of Deposits      | 5 years          | 30%                             | 10%                              |
| Non-negotiable Certificates of Deposits  | 5 years          | None                            | None                             |
| Deposit Placement Services               | 5 years          | 30%                             | 10%                              |
| CD Placement Services                    | 5 years          | 30%                             | 10%                              |
| Repurchase Agreements                    | 1 year           | None                            | None                             |
| Reverse Repurchase Agreements            | 92 days          | 20%                             | None                             |
| Medium-Term Notes                        | 5 years          | 30%                             | None                             |
| Mutual Funds & Money Market Mutual Funds | N/A              | 20%                             | 10%                              |
| Collateralized Bank Deposits             | 5 years          | None                            | None                             |
| Mortgage Pass-through Securities         | 5 years          | 20%                             | None                             |
| Joint Powers Authority Pool              | N/A              | None                            | None                             |
| County Pooled Investment Funds           | N/A              | None                            | None                             |
| Local Agency Investment Funds (LAIF)     | N/A              | None                            | None                             |
| Voluntary Investment Program Fund        | N/A              | None                            | None                             |
| Supranational Obligations                | 5 years          | 30%                             | None                             |

### Investments Authorized by Debt Agreements

The District's cash, cash equivalents, and investments with fiscal agent in the amount of \$10,429,219 represents unspent proceeds of the General Obligation Bond, Series D at June 30, 2015, which are restricted for specific purposes under terms of the bonds offering.

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2015, the weighted average maturity of the investments contained in the District's Treasury's investment pool is approximately 600 days. As of June 30, 2015, the District had the following investments held by trustees:

| <u>Investment Type</u>    | <u>Total Market Value</u> | <u>Remaining Maturity (in Years)</u> |                     |                      |
|---------------------------|---------------------------|--------------------------------------|---------------------|----------------------|
|                           |                           | <u>Less than 1 Year</u>              | <u>1 to 5 Years</u> | <u>5 to 10 Years</u> |
| U.S. Municipal Securities | \$ 7,703,934              | \$ 7,207,693                         | \$ 496,241          | \$                   |

### Credit Risk

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

| <u>Investment Type</u>    | <u>Total Market Value</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Year End (Standard and Poor's)</u> |                   |                   |
|---------------------------|---------------------------|-------------------------------|--|-------------------|-------------------|
|                           |                           |                               | <u>AAA</u>   | <u>AA+</u>        | <u>AA</u>         |
| U.S. Municipal Securities | \$ 7,703,934              |                               | \$ 6,593,728                                       | \$ 698,426        | \$ 411,780        |
| Money Market              | <u>2,674,067</u>          | <u>\$ 2,674,067</u>           |  |                   |                   |
|                           | <u>\$ 10,378,001</u>      | <u>\$ 2,674,067</u>           | <u>\$ 6,593,728</u>                                | <u>\$ 698,426</u> | <u>\$ 411,780</u> |

### Concentration of Credit Risk

The investment policy contains no limitations on the amount that can be invested in any one issuer. The following investments represent 5% or more of the total investments balance as of June 30, 2015:

| <u>Investment</u>  | <u>Total Market Value</u> |
|--|---------------------------|
| Municipal variable rate demand obligations:                                |                           |
| California Health Facilities Financing Authority VRDO, 0.060% due 10/1/31  | \$ 3,800,000              |
| Metropolitan Water District of Southern California VRDO, 0.060% due 7/1/35 | 2,150,000                 |
| Municipal fixed rate bonds (non-callable):                                 |                           |
| Paramount Unified School District 5.000% due 9/1/15                        | 411,780                   |
| State of North Carolina 5.000% due 3/1/17                                  | 506,141                   |
| Municipal capital appreciation bonds:                                      |                           |
| Polk School District (Georgia) 0.000% due 4/1/16                           | 398,426                   |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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### **Cash on Hand, in Banks, and in Revolving Fund**

As of June 30, 2015, the carrying amount of the District's bank balance was \$3,920,083. Of the bank balance, \$271,628 was insured by the Federal Depository Insurance Corporation (FDIC). Cash on hand of \$58,054 is not insured. District deposits held with financial institutions in excess of FDIC limits were \$3,648,455. Of the total bank balance, \$3,548,856 is held by the primary institution and \$371,227 is held by fiduciary funds.

### **Restricted Cash, Cash Equivalents, and Investments**

The District's restricted cash, cash equivalents, and investments are \$38,072,860 at June 30, 2015. Included in this restricted balance is \$10,429,219 for the 2008 Series D General Obligation Bond unspent proceeds and \$27,643,641 for the assessments collected by the County Treasurer's Office on behalf of the District for the repayment of the District's general obligation bonds.

### **Derivative Investments**

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

## **4. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2015:

|                                   |                     |
|-----------------------------------|---------------------|
| Federal Grants and Contracts      | \$ 846,211          |
| State Grants and Contracts        | 285,660             |
| Local Grants and Contracts        | 259,161             |
| State Apportionment – Non-Capital | 1,462,199           |
| Auxiliaries                       | 73,575              |
| Tuition and Fees                  | 1,623,437           |
| Other                             | <u>731,858</u>      |
| Totals                            | <u>\$ 5,282,101</u> |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, was as follows:

|  | <b>Balance<br/>July 1, 2014</b> | <b>Additions</b> | <b>Disposals</b> | <b>Balance<br/>June 30, 2015</b> |
|--|---------------------------------|------------------|------------------|----------------------------------|
| Capital Assets, Not Depreciated:       |                                 |                  |                  |                                  |
| Land                                   | \$ 12,269,233                   | \$ 765,687       |                  | \$ 13,034,920                    |
| Total Capital Assets, Not Depreciated  | 12,269,233                      | 765,687          |                  | 13,034,920                       |
| Capital Assets, Depreciated:           |                                 |                  |                  |                                  |
| Buildings                              | 373,212,801                     | 907,100          |                  | 374,119,901                      |
| Improvement of Sites                   | 11,744,157                      | 631,266          |                  | 12,375,423                       |
| Vehicles                               | 4,064,380                       | 144,835          | \$ (839,974)     | 3,369,241                        |
| Machinery and Equipment                | 12,809,228                      | 820,582          | (245,373)        | 13,384,437                       |
| Total Capital Assets, Depreciated      | 401,830,566                     | 2,503,783        | (1,085,347)      | 403,249,002                      |
| Less Accumulated Depreciation for:     |                                 |                  |                  |                                  |
| Buildings                              | (70,756,686)                    | (8,358,000)      |                  | (79,114,686)                     |
| Improvement of Sites                   | (8,885,470)                     | (242,846)        |                  | (9,128,316)                      |
| Vehicles                               | (2,516,369)                     | (222,939)        | 655,347          | (2,083,961)                      |
| Machinery and Equipment                | (9,473,375)                     | (592,706)        | 236,783          | (9,829,298)                      |
| Total Accumulated Depreciation         | (91,631,900)                    | (9,416,491)      | 892,130          | (100,156,261)                    |
| Total Capital Assets, Depreciated, Net | 310,198,666                     | (6,912,708)      | (193,217)        | 303,092,741                      |
| Capital Assets, Net                    | \$ 322,467,899                  | \$ (6,147,021)   | \$ (193,217)     | \$ 316,127,661                   |

### 6. LONG-TERM LIABILITIES

#### General Obligation Refunding Bonds

In May 2013, the District issued General Obligation Refunding Bonds, in the amount of \$133,215,000, with interest rates ranging from 2.00% - 5.00%. The debt was issued to provide resources to purchase U.S. Government State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$137,302,500 of General Obligation Bonds, Series B, and \$93,758,875 of General Obligation Bonds, Series C. As a result, the refunded bonds are considered to be partially defeased as a legal defeasance and a prorated portion of the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt resulting in a deferred charge on refunding. The deferred charge on refunding at June 30, 2015 of \$15,215,541 is being amortized over the remaining life of the new debt.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

The 2014 General Obligation Refunding Bonds mature as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>      | <u>Interest</u>      | <u>Total</u>          |
|---------------------------------|-----------------------|----------------------|-----------------------|
| 2016                            | \$ 1,170,000          | \$ 6,107,600         | \$ 7,277,600          |
| 2017                            | 695,000               | 6,085,475            | 6,780,475             |
| 2018                            | 280,000               | 6,070,850            | 6,350,850             |
| 2019                            | 7,455,000             | 5,929,600            | 13,384,600            |
| 2020                            | 8,025,000             | 5,607,300            | 13,632,300            |
| 2021-2025                       | 49,815,000            | 21,672,400           | 71,487,400            |
| 2026-2030                       | <u>61,995,000</u>     | <u>8,324,875</u>     | <u>70,319,875</u>     |
| Subtotal                        | 129,435,000           | 59,798,100           | 189,233,100           |
| Plus: Unamortized Premium       | <u>24,276,158</u>     |                      | <u>24,276,158</u>     |
| Totals                          | <u>\$ 153,711,158</u> | <u>\$ 59,798,100</u> | <u>\$ 213,509,258</u> |

### General Obligation Bonds

In September 2005, the District issued General Obligation Bonds, Series B, in the amount of \$105,000,000, with an interest rate of 5.00%. As described above, these bonds were partially refunded in May 2013, and the refunded portion of the liability has been removed from the balance sheet.

The remaining General Obligation Bonds, Series B mature as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------------------|----------------------|----------------------|----------------------|
| 2016                            |                      | \$ 1,175,500         | \$ 1,175,500         |
| 2017                            |                      | 1,175,500            | 1,175,500            |
| 2018                            |                      | 1,175,500            | 1,175,500            |
| 2019                            |                      | 1,175,500            | 1,175,500            |
| 2020                            |                      | 1,175,500            | 1,175,500            |
| 2021-2025                       | \$ 3,455,000         | 5,791,125            | 9,246,125            |
| 2026-2030                       | <u>20,055,000</u>    | <u>2,604,875</u>     | <u>22,659,875</u>    |
| Subtotal                        | 23,510,000           | 14,273,500           | 37,783,500           |
| Plus: Unamortized Premium       | <u>1,028,287</u>     |                      | <u>1,028,287</u>     |
| Totals                          | <u>\$ 24,538,287</u> | <u>\$ 14,273,500</u> | <u>\$ 38,811,787</u> |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

In September 2007, the District issued General Obligation Bonds, Series C, in the amount of \$69,710,000, with interest rates of 4.00% and 5.00%. As described above, these bonds were partially refunded in May 2013, and the refunded portion of the liability has been removed from the balance sheet.

The remaining General Obligation Bonds, Series C mature as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|---------------------------------|---------------------|-------------------|---------------------|
| 2016                            |                     | \$ 144,600        | \$ 144,600          |
| 2017                            |                     | 144,600           | 144,600             |
| 2018                            | \$ 3,615,000        | 72,300            | 3,687,300           |
| Subtotal                        | 3,615,000           | 361,500           | 3,976,500           |
| Plus: Unamortized Premium       | 91,737              |                   | 91,737              |
| Totals                          | <u>\$ 3,706,737</u> | <u>\$ 361,500</u> | <u>\$ 4,068,237</u> |

In April 2008, the District issued General Obligation Bonds, Series D, in the amount of \$16,990,000, with interest rates of 4.00% and 5.00%.

The General Obligation Bonds, Series D mature as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>   | <u>Total</u>         |
|---------------------------------|----------------------|-------------------|----------------------|
| 2016                            | \$ 4,655,000         | \$ 544,125        | \$ 5,199,125         |
| 2017                            | 5,585,000            | 288,125           | 5,873,125            |
| 2018                            | 2,970,000            | 74,250            | 3,044,250            |
| Subtotal                        | 13,210,000           | 906,500           | 14,116,500           |
| Plus: Unamortized Premium       | 487,858              |                   | 487,858              |
| Totals                          | <u>\$ 13,697,858</u> | <u>\$ 906,500</u> | <u>\$ 14,604,358</u> |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### Revenue Bonds

The District's revenue bond indebtedness at June 30, 2015, consisted of the following:

|  | <b>Amount of<br/>Original<br/>Issue</b> | <b>Outstanding<br/>July 1, 2014</b> | <b>Current<br/>Year<br/>Payments</b> | <b>Current<br/>Year<br/>Additions</b> | <b>Outstanding<br/>June 30, 2015</b> |
|--|---|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| Lease Revenue<br>Bonds, 1998 Series A<br>– Payable in annual<br>installments ranging<br>from \$75,000 to<br>\$210,000, plus<br>interest at rates<br>ranging from 3.6% to<br>4.625%, final<br>maturity in 2023. | <u>\$ 3,215,000</u>                     | <u>\$ 1,715,000</u>                 | <u>\$ 140,000</u>                    | <u>\$</u>                             | <u>\$ 1,575,000</u>                  |

Future payments relating to revenue bonds payable were as follows at June 30, 2015:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|---------------------------------|---------------------|-------------------|---------------------|
| 2016                            | \$ 145,000          | \$ 69,491         | \$ 214,491          |
| 2017                            | 150,000             | 62,669            | 212,669             |
| 2018                            | 160,000             | 55,500            | 215,500             |
| 2019                            | 165,000             | 47,984            | 212,984             |
| 2020                            | 175,000             | 40,122            | 215,122             |
| 2021-2024                       | <u>780,000</u>      | <u>74,462</u>     | <u>854,462</u>      |
| Totals                          | <u>\$ 1,575,000</u> | <u>\$ 350,228</u> | <u>\$ 1,925,228</u> |

### Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

|  | <b>Beginning<br/>Balance,<br/>Restated</b> | <b>Additions</b>     | <b>Deductions</b>    | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|--|--|----------------------|----------------------|---------------------------|--------------------------------|
| General Obligation Bonds                   | \$ 202,461,975                             |                      | \$ 6,807,936         | \$ 195,654,039            | \$ 5,825,000                   |
| Revenue Bonds                              | 1,715,000                                  |                      | 140,000              | 1,575,000                 | 145,000                        |
| Other Postemployment<br>Benefits (Note 10) | 4,685,658                                  | \$ 2,107,204         | 1,620,495            | 5,172,367                 |                                |
| Net Pension Liability<br>(Note 9)          | 103,360,734                                | 7,093,098            | 29,387,504           | 81,066,328                |                                |
| Compensated Absences                       | <u>2,835,275</u>                           | <u>2,933,920</u>     | <u>2,835,275</u>     | <u>2,933,920</u>          | <u>2,933,920</u>               |
| Total                                      | <u>\$ 315,058,642</u>                      | <u>\$ 12,134,222</u> | <u>\$ 40,791,210</u> | <u>\$ 286,401,654</u>     | <u>\$ 8,903,920</u>            |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

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

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

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

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

| JPA   | Address  |
|-------|--|
| SWACC | 180 Grand Avenue, Suite 1380; Oakland, CA 94612    |
| PIPS  | 2355 Crenshaw Blvd., Suite 200; Torrance, CA 90501 |
| SAFER | 2355 Crenshaw Blvd., Suite 200; Torrance, CA 90501 |

Self-insurance and other limits are as follows:

| Type of Coverage      | Self-Insurance    | SWACC                     | SAFER                         | PIPS                |
|-----------------------|-------------------|---------------------------|-------------------------------|---------------------|
| General Liability     | Up to \$50,000    | \$50,000 -<br>\$1,000,000 | \$1,000,000 -<br>\$20,000,000 | N/A                 |
| Property              | Up to \$10,000    | \$10,000 -<br>\$250,000   | \$250,000 -<br>\$250,000,000  | N/A                 |
| Workers' Compensation | N/A               | N/A                       | N/A                           | To Statutory Limits |
| Dental Benefits       | 100% Self-Insured | N/A                       | N/A                           | N/A                 |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

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

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

|  | <b>SWACC<br/>Property /<br/>Liability<br/>June 30, 2014</b> | <b>SAFER<br/>Property /<br/>Liability<br/>June 30, 2014</b> | <b>PIPS<br/>Workers'<br/>compensation<br/>June 30, 2014</b> |
|--|---|---|---|
| Total Assets                               | \$ 54,045,044   | \$ 6,441,498  | \$ 101,635,390  |
| Total Liabilities                          | \$ 23,536,002   | \$ 5,916,290  | \$ 89,564,503   |
| Net Position                               | 30,509,042  | 525,208   | 12,070,887  |
| Total Liabilities and Net Position         | \$ 54,045,044   | \$ 6,441,498  | \$ 101,635,390  |
| Total Revenues                             | \$ 7,072,609  | \$ 1,373,518  | \$ 18,271,889   |
| Total Expenses                             | 7,806,532   | 3,121,411   | 22,602,717  |
| Net Increase (Decrease) in Net<br>Position | \$ (733,923)  | \$ (1,747,893)  | \$ (4,330,828)  |

### 8. COMMITMENTS AND CONTINGENCIES

#### State and Federal Allowances, Awards, and Grants

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

#### Litigation

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

#### Sick Leave

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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### 9. PENSION PLANS

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

##### Plan Description

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

##### Benefits Provided

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

##### Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.1% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2015, was 8.88% of annual pay. District contributions to the CalSTRS Plan were \$3,354,769 for the year ended June 30, 2015.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. Thus the State contribution rate, which in the period ended June 30, 2015, was 3.454% of covered payroll, will increase over the next two years to a total of 6.328%.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to the measurement date of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| Actuarial Cost Method            | Entry-Age Normal         |
|----------------------------------|--------------------------|
| Actuarial Assumptions:           |                          |
| Discount Rate                    | 7.60%                    |
| Consumer Price Inflation         | 3.00%                    |
| Wage Growth                      | 3.75%                    |
| Investment Rate of Return        | 7.60% <sup>(1)</sup>     |
| Mortality <sup>(2)</sup>         | CalSTRS' Membership Data |
| Post-Retirement Benefit Increase | 2% simple                |

<sup>(1)</sup> Net of investment expenses, but gross of administrative expenses.

<sup>(2)</sup> 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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

### Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by CalSTRS' general investment consultant is based on CalSTRS' board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the CalSTRS board.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

Best estimates of 10-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:

| <u>Asset Class</u>  | <u>Assumed<br/>Asset<br/>Allocation</u> | <u>Long-Term *<br/>Expected<br/>Real Rate of<br/>Return</u> |
|---------------------|---|---|
| Global Equity       | 47.00%                                  | 4.50%   |
| Private Equity      | 12.00%                                  | 6.20%   |
| Real Estate         | 15.00%                                  | 4.35%   |
| Inflation Sensitive | 5.00%                                   | 3.20%   |
| Fixed Income        | 20.00%                                  | 0.20%   |
| Cash / Liquidity    | 1.00%                                   | 0.00%   |
| Total               | <u>100.00%</u>                          |   |

\*10-year geometric average

### California Public Employees' Retirement System (CalPERS)

#### Plan Description

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

#### Benefits Provided

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

#### Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2015, was 11.771% of annual pay. District contributions to the CalPERS Plan were \$3,592,525 for the year ended June 30, 2015.

### Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liability amounts were based on the following actuarial methods and assumptions:

| Actuarial Cost Method            | Entry-Age Normal           |
|----------------------------------|----------------------------|
| Actuarial Assumptions:           |                            |
| Discount Rate                    | 7.50%                      |
| Inflation                        | 2.75%                      |
| Salary Increases                 | Varies <sup>(1)</sup>      |
| Investment Rate of Return        | 7.50% <sup>(2)</sup>       |
| Mortality <sup>(3)</sup>         | CalPERS' Membership Data   |
| Post-Retirement Benefit Increase | Up to 2.75% <sup>(4)</sup> |

<sup>(1)</sup> Depending on age, service and type of employment

<sup>(2)</sup> Net of pension plan investment and administrative expenses; includes inflation

<sup>(3)</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2014 experience study report.

<sup>(4)</sup> Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates.

### Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2014 based on June 30, 2013 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended June 30, 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. 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 table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| <u>Asset Class</u>            | <u>New Strategic Allocation</u> | <u>Real Return Years 1 – 10<sup>(a)</sup></u> | <u>Real Return Years 11+<sup>(b)</sup></u> |
|-------------------------------|---------------------------------|---|--|
| Global Equity                 | 47.00%                          | 5.25%   | 5.71%                                      |
| Global Fixed Income           | 19.00%                          | 0.99%   | 2.43%                                      |
| Inflation Sensitive           | 6.00%                           | 0.45%   | 3.36%                                      |
| Private Equity                | 12.00%                          | 6.83%   | 6.95%                                      |
| Real Estate                   | 11.00%                          | 4.50%   | 5.13%                                      |
| Infrastructure and Forestland | 3.00%                           | 4.50%   | 5.09%                                      |
| Liquidity                     | <u>2.00%</u>                    | -0.55%  | -1.05%                                     |
| Total                         | <u>100.00%</u>                  |   |  |

<sup>(a)</sup> An expected inflation of 2.5% was used for this period.

<sup>(b)</sup> An expected inflation of 3.0% was used for this period.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

As of June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|   |                |
|---|----------------|
| District's proportionate share of the net pension liability:                              |                |
| CalSTRS Plan  | \$ 50,255,820  |
| CalPERS Plan  | 30,810,508     |
| State's proportionate share of CalSTRS net pension liability associated with the District | 30,231,043     |
| Total   | \$ 111,297,371 |

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2014, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2014, was 0.086% and 0.2714% for the CalSTRS and CalPERS Plans, respectively.

For the year ended June 30, 2015, the District recognized pension expense of \$9,712,621 and revenue of \$2,619,523 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| District contributions subsequent to measurement date                     | \$ 6,947,294                                  |  |
| Net differences between projected and actual earnings on plan investments |   | \$ 22,962,236                                |
| Total   | \$ 6,947,294                                  | \$ 22,962,236                                |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

The \$6,947,294 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended<br/>June 30</u> |                        |
|-------------------------------|------------------------|
| 2016                          | \$ (5,740,559)         |
| 2017                          | (5,740,559)            |
| 2018                          | (5,740,559)            |
| 2019                          | <u>(5,740,559)</u>     |
| Total                         | <u>\$ (22,962,236)</u> |

### **Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

|  | <u>Discount Rate -1%</u><br><u>(6.60%)</u> | <u>Current</u><br><u>Discount Rate</u><br><u>(7.60%)</u> | <u>Discount Rate +1%</u><br><u>(8.60%)</u> |
|--|--|--|--|
| District's proportionate share of the CalSTRS Plan's net pension liability | \$ 78,335,680                              | \$ 50,255,820  | \$ 26,842,320                              |

|  | <u>Discount Rate -1%</u><br><u>(6.50%)</u> | <u>Current</u><br><u>Discount Rate</u><br><u>(7.50%)</u> | <u>Discount Rate +1%</u><br><u>(8.50%)</u> |
|--|--|--|--|
| District's proportionate share of the CalPERS Plan's net pension liability | \$ 54,048,664                              | \$ 30,810,508  | \$ 11,392,686                              |

### **Defined Contribution Plans**

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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The Cash Balance Plan requires contributions from the eligible members and from the District. Currently, the faculty members' and the District's required contributions are each 4% of gross salary. During the fiscal year ended June 30, 2015, employees and the District each contributed \$390,135 to the Cash Balance Plan.

The second defined contribution plan is a 403(b) plan administered by Fidelity Investments. The IRS recognizes a 403(b) investment plan as a qualified pension plan that employers may offer in lieu of Social Security to employees not covered by CalSTRS or CalPERS. This alternative retirement system has been in effect since January 1, 1992, and is an employee-directed defined contribution plan. Currently, both the members and the District contribute 3.75% of gross salary. Participants contributing to the 403(b) plan have an immediate vested right to their benefits. During the fiscal year ended June 30, 2015, employees and the District each contributed \$118,766 to the 403(b) plan.

### **10. OTHER POSTEMPLOYMENT BENEFIT PLAN**

Under the terms of certain District employee agreements and Board adopted policies, the District maintains a single-employer plan to provide \$84-\$136.50 per month for specified group health insurance for the life of eligible retiring employees and their surviving spouses. Benefit provisions and obligations to contribute for non-management employees are established and may be amended through employee union negotiations. Benefit provisions and obligations to contribute for management employees are established and may be amended by the District's Board of Trustees. At June 30, 2015, there were 498 retirees receiving health care benefits. The retiree must be age 55 or greater at retirement with at least 15 years of service.

As of June 30, 2015, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. During the year ended June 30, 2015, expenditures of \$2,107,204 were recognized for the OPEB expense. The 2014-15 contributions consist of \$1,466,259 of postemployment benefits for current retirees on a pay-as-you-go basis, and the implicit subsidy of \$154,236.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and, if applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

perspective of the calculation. The schedule of funding progress included in the required supplementary information presents information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

|  |                                   |
|--|-----------------------------------|
| Actuarial cost method                          | Projected Unit Credit             |
| Amortization method                            | 30 year level dollar, open period |
| Remaining amortization period at June 30, 2015 | 23                                |
| Interest rate assumption                       | 4% Single Weighted Average        |
| Health inflation assumption                    | 4-8%                              |
| Projected payroll increase                     | 0%                                |
|  |                                   |
| Annual required contribution                   | \$ 2,190,750                      |
| Interest on net OPEB obligation                | 187,426                           |
| Adjustment to annual required contribution     | (270,972)                         |
| Annual OPEB expense                            | 2,107,204                         |
| Contributions made:                            |                                   |
| Pay-as-you-go                                  | (1,466,259)                       |
| Implicit subsidy                               | (154,236)                         |
| Increase in OPEB obligation                    | 486,709                           |
| Net OPEB obligation at July 1, 2014            | 4,685,658                         |
|  |                                   |
| Net OPEB obligation at June 30, 2015           | \$ 5,172,367                      |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for the years ended June 30, 2015, 2014, and 2013 is as follows:

| <u>Fiscal year ended</u> | <u>Annual OPEB expense</u> | <u>% of annual OPEB expense contributed</u> | <u>Net OPEB obligation</u> |
|--------------------------|----------------------------|---|----------------------------|
| 6/30/13                  | \$ 2,027,113               | 84.96%                                      | \$ 4,441,684               |
| 6/30/14                  | \$ 2,027,113               | 87.96%                                      | \$ 4,685,658               |
| 6/30/15                  | \$ 2,107,204               | 76.90%                                      | \$ 5,172,367               |

The District's funding status for other postemployment benefits as of the most recent valuation date, July 1, 2014, is as follows:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b - a)</u> | <u>Funded Ratio (a / b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u> |
|---------------------------------|--------------------------------------|--|------------------------------------|-----------------------------|----------------------------|--|
| 7/1/14                          | \$ 0                                 | \$ 21,011,494                                | \$ 21,011,494                      | 0%                          | \$ 57,426,560              | 37%  |

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS YEAR ENDED JUNE 30, 2015

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| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b - a)</b> | <b>Funded<br/>Ratio<br/>(a / b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>([b - a] / c)</b> |
|---|--|--|--|-------------------------------------|------------------------------------|--|
| 7/1/10                                  | \$ 0   | \$ 18,095,593  | \$ 18,095,593                                  | 0%                                  | \$ 53,387,655                      | 34%  |
| 7/1/12                                  | \$ 0   | \$ 20,278,031  | \$ 20,278,031                                  | 0%                                  | \$ 51,735,223                      | 39%  |
| 7/1/14                                  | \$ 0   | \$ 21,011,494  | \$ 21,011,494                                  | 0%                                  | \$ 57,426,560                      | 37%  |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2015 LAST 10 YEARS\*

| <b>CalSTRS Plan</b>  | <b>2015</b>   |
|--|---------------|
| District's proportion of the net pension liability   | 0.086%        |
| District's proportionate share of the net pension liability  | \$ 50,255,820 |
| State's proportionate share of the net pension liability<br>associated with the District                       | 30,231,043    |
| Total  | \$ 80,486,863 |
| District's covered employee payroll  | \$ 35,051,949 |
| District's proportionate share of the net pension liability as<br>a percentage of its covered employee payroll | 143%          |
| Plan fiduciary net position as a percentage of the total pension liability                                     | 77%           |

| <b>CalPERS Plan</b>  | <b>2015</b>   |
|--|---------------|
| District's proportion of the net pension liability   | 0.271%        |
| District's proportionate share of the net pension liability  | \$ 30,810,508 |
| District's covered employee payroll  | \$ 29,799,775 |
| District's proportionate share of the net pension liability as<br>a percentage of its covered employee payroll | 103%          |
| Plan fiduciary net position as a percentage of the total pension liability                                     | 83%           |

**Notes to Schedule:**

**Change of benefit terms** – In 2015, there were no changes to the benefit terms.

**Changes in assumptions** – In 2015, there were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AS OF JUNE 30, 2015 LAST 10 YEARS\*

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| <b>CalSTRS Plan</b>   |                    |
|---|--------------------|
|   | <u><b>2015</b></u> |
| Contractually required contribution (actuarially determined)          | \$ 3,354,769       |
| Contributions in relation to the contractually required contributions | <u>(3,354,769)</u> |
| Contribution deficiency (excess)                                      | <u>\$ 0</u>        |
| District's covered-employee payroll                                   | \$ 37,976,024      |
| Contributions as a percentage of covered-employee payroll             | 8.83%              |
| <br><b>CalPERS Plan</b>   |                    |
|   | <u><b>2015</b></u> |
| Contractually required contribution (actuarially determined)          | \$ 3,592,525       |
| Contributions in relation to the contractually required contributions | <u>(3,592,525)</u> |
| Contribution deficiency (excess)                                      | <u>\$ 0</u>        |
| District's covered-employee payroll                                   | \$ 30,965,438      |
| Contributions as a percentage of covered-employee payroll             | 11.60%             |

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

## **SUPPLEMENTARY INFORMATION SECTION**

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2015

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title            | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number | Program<br>Expenditures |
|--|---------------------------|---------------------------------------|-------------------------|
| <b>U.S. Department of Education:</b>   |                           |                                       |                         |
| Student Financial Assistance Programs Cluster:                               |                           |                                       |                         |
| Pell Grant Program   | 84.063                    | N/A                                   | \$ 15,065,648           |
| Supplemental Educational Opportunity Grant Program                           | 84.007                    | N/A                                   | 139,560                 |
| Federal Work-Study Program   | 84.033                    | N/A                                   | 311,885                 |
| Direct Student Loan Program  | 84.268                    | N/A                                   | 2,204,898               |
| Subtotal Student Financial Assistance Programs Cluster                       |                           |                                       | 17,721,991              |
| Hispanic Serving Institute - SRJC Meta4                                      | 84.031S                   | P031S140184-15                        | 160,529                 |
| Passed Through California Community Colleges Chancellor's<br>Office (CCCCO): |                           |                                       |                         |
| Title II-C   | 84.048                    | 04-C01-061                            | 542,372                 |
| CTE Transitions  | 84.048                    | 04-139-069                            | 43,269                  |
| Subtotal Career and Technical Education                                      |                           |                                       | 585,641                 |
| Passed Through California Department of Education:                           |                           |                                       |                         |
| Adult Education (English Literacy/Civics<br>Education Grant)                 | 84.002A                   | 14109                                 | 85,241                  |
| Adult Education (English As a Second Language)                               | 84.002A                   | 14508                                 | 231,655                 |
| Subtotal Adult Education   |                           |                                       | 316,896                 |
| Passed Through Office of Migrant Education:                                  |                           |                                       |                         |
| High School Equivalency Program  | 84.141A                   | N/A                                   | 444,575                 |
| Passed Through California Department of Rehabilitation:                      |                           |                                       |                         |
| College to Career  | 84.126A                   | 28109                                 | 250,000                 |
| Vocational Rehabilitation (Workability III)                                  | 84.126                    | 24626                                 | 104,576                 |
| Subtotal Vocational Rehabilitation   |                           |                                       | 354,576                 |
| <b>Total U.S. Department of Education</b>                                    |                           |                                       | <b>19,584,208</b>       |
| <b>U.S. Department of Health and Human Services:</b>                         |                           |                                       |                         |
| Passed Through CCCCCO:   |                           |                                       |                         |
| Temporary Assistance to Needy Families (TANF)                                | 93.558                    | N/A                                   | 91,265                  |
| Passed Through County of Sonoma:   |                           |                                       |                         |
| Temporary Assistance to Needy Families (SonomaWorks)                         | 93.558                    | 17-0405-1SW                           | 229,910                 |
| Subtotal TANF State Programs   |                           |                                       | 321,175                 |
| Medical Administrative Activities  | 93.778                    | 04-35070                              | 112,123                 |
| <b>Total U.S. Department of Health and Human Services</b>                    |                           |                                       | <b>433,298</b>          |

See the accompanying notes to supplemental information.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued) YEAR ENDED JUNE 30, 2015

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title       | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number | Program<br>Expenditures |
|---|---------------------------|---------------------------------------|-------------------------|
| <b>U.S. National Science Foundation:</b>                                |                           |                                       |                         |
| Passed Through City College of San Francisco:                           |                           |                                       |                         |
| Education and Human Resources   | 47.076                    | DUE-0802284                           | 1,785                   |
| Improving Pathways in Sustainable Agriculture Education                 | 47.076                    | DUE-1304588                           | 35,066                  |
| <b>Total U.S. National Science Foundation</b>                           |                           |                                       | 36,851                  |
| <b>U.S. Department of Agriculture:</b>                                  |                           |                                       |                         |
| Passed Through California Department of Education:                      |                           |                                       |                         |
| USDA - Beginning Farmers & Ranchers                                     | 10.311                    | SA7701                                | 31,996                  |
| Child and Adult Care Food Program                                       | 10.558                    | 1800-1A                               | 47,418                  |
| <b>Total U.S. Department of Agriculture</b>                             |                           |                                       | 79,414                  |
| <b>Department of State, Bureau of Educational and Cultural Affairs:</b> |                           |                                       |                         |
| Passed Through the International Research & Exchanges Board             |                           |                                       |                         |
| Community College Initiatives Board                                     | 19.009                    | 06-43-B10541                          | 264,700                 |
| <b>U.S. Corporation of National and Community Service:</b>              |                           |                                       |                         |
| National Service Trust Grant  | 94.006                    | N/A                                   | 127,521                 |
| <b>Total Expenditures of Federal Awards</b>                             |                           |                                       | \$ 20,525,992           |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2015

| Program Title                             | Entitlements        | Program Revenues                   |                     |                     |                      | Program Expenditures |
|---|---------------------|------------------------------------|---------------------|---------------------|----------------------|----------------------|
|   | Current Year        | Unearned Revenue and Cash Received | Accounts Receivable | Unearned/Payables   | Total                |                      |
| Adult Ed AB 86                            | \$ 308,051          | \$ 277,245                         |                     | \$ 118,725          | \$ 158,520           | \$ 158,520           |
| Apprenticeship                            | 70,677              | 70,677                             |                     |                     | 70,677               | 70,677               |
| Basic Skills 12/13                        |                     | 96,888                             |                     |                     | 96,888               | 96,888               |
| Basic Skills 13/14                        |                     | 154,414                            |                     |                     | 154,414              | 154,414              |
| Basic Skills 14/15                        | 139,291             | 139,291                            |                     | 139,291             |                      |                      |
| Block Grant 00/01                         |                     | 709,225                            |                     | 709,225             |                      |                      |
| Cal Grants                                | 1,022,666           | 1,030,058                          |                     | 7,393               | 1,022,665            | 1,022,665            |
| CalWorks                                  | 426,722             | 426,722                            |                     |                     | 426,722              | 426,722              |
| CalWorks Regional                         | 10,000              | 10,000                             |                     | 915                 | 9,085                | 9,085                |
| CCCSHMP                                   | 62,100              | 52,373                             | \$ 7,951            |                     | 60,324               | 60,324               |
| Child Development                         | 469,022             | 460,458                            | 7,067               |                     | 467,525              | 467,525              |
| Child Development Consortium              | 15,000              | 6,749                              |                     |                     | 6,749                | 6,749                |
| Cooperative Agency Resource Education     | 44,171              | 44,171                             |                     |                     | 44,171               | 44,171               |
| CTE Entrepreneur                          | 77,266              |                                    | 77,266              |                     | 77,266               | 77,266               |
| Disabled Student Program & Services       | 3,094,576           | 3,094,576                          |                     |                     | 3,094,576            | 3,094,576            |
| Enrollment Growth                         | 331,937             | 335,798                            |                     |                     | 335,798              | 335,798              |
| EOPS Grants                               | 15,500              | 15,500                             |                     |                     | 15,500               | 15,500               |
| ESL /Basic Skills                         | 62,500              | 62,500                             |                     |                     | 62,500               | 62,500               |
| Extended Opportunity Program and Services | 551,790             | 551,790                            |                     |                     | 551,790              | 551,790              |
| Faculty and Staff Diversity               | 8,488               | 7,488                              |                     |                     | 7,488                | 7,488                |
| Financial Aid Administration              | 669,589             | 669,589                            |                     |                     | 669,589              | 669,589              |
| Foster Parent Training Program            | 150,080             | 74,558                             | 75,522              |                     | 150,080              | 150,080              |
| Health Workforce Initiative               | 23,997              | 23,997                             |                     | 215                 | 23,782               | 23,782               |
| Instruction Equipment 13/14               |                     | 242,597                            |                     |                     | 242,597              | 242,597              |
| Instruction Equipment 14/15               | 1,309,578           | 1,309,578                          |                     |                     | 1,309,578            | 1,309,578            |
| Instructional Equip 07/08                 |                     | 46,918                             |                     | 47,032              | (114)                | (114)                |
| MESA                                      | 50,500              | 30,300                             | 20,200              | 17,596              | 32,904               | 32,904               |
| MESA Schools Pilot Program                | 20,000              | 47,341                             |                     | 32,020              | 15,321               | 15,321               |
| MHSA-PEI                                  | 200,000             | 127,417                            | 64,537              |                     | 191,954              | 191,954              |
| Program for Infant/Toddler Caregivers     | 29,592              | 20,590                             | 9,002               |                     | 29,592               | 29,592               |
| Prop 39 CEA                               | 559,137             | 1,193,733                          |                     | 724,914             | 468,819              | 468,819              |
| Prop 39                                   | 31,500              |                                    | 22,660              |                     | 22,660               | 22,660               |
| Puente                                    | 1,500               | 1,500                              |                     |                     | 1,500                | 1,500                |
| Scheduled Maintenance                     | 1,309,578           | 1,552,179                          |                     | 1,465,379           | 86,800               | 86,800               |
| SSSP (Credit)                             | 2,698,886           | 2,807,734                          |                     | 934,081             | 1,873,653            | 1,873,653            |
| SSSP (Non-Credit)                         | 214,509             | 214,509                            |                     |                     | 214,509              | 214,509              |
| Student Equity                            | 891,382             | 891,382                            |                     | 550,821             | 340,561              | 340,561              |
| Transfer Center and Articulation          |                     | 1,177                              |                     | 588                 | 589                  | 589                  |
| YESS-ILP                                  | 22,500              | 21,045                             | 1,455               |                     | 22,500               | 22,500               |
| <b>Total</b>                              | <u>\$14,892,085</u> | <u>\$ 16,822,067</u>               | <u>\$ 285,660</u>   | <u>\$ 4,748,195</u> | <u>\$ 12,359,532</u> | <u>\$ 12,359,532</u> |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2015

### STATE GENERAL APPORTIONMENT

| <u>Categories</u>  | <u>Reported<br/>Data*</u> | <u>Audit<br/>Adjustments</u> | <u>Revised<br/>Data</u> |
|--|---------------------------|------------------------------|-------------------------|
| <b>A. Summer Intersession (Summer 2014 Only)</b>                   |                           |                              |                         |
| 1. Noncredit   | 535.49                    |                              | 535.49                  |
| 2. Credit  | 188.06                    |                              | 188.06                  |
| <b>B. Summer Intersession (Summer 2015, Prior to July 1, 2015)</b> |                           |                              |                         |
| 1. Noncredit   | 1.20                      |                              | 1.20                    |
| 2. Credit  | 33.31                     |                              | 33.31                   |
| <b>C. Primary Terms (Exclusive of Summer Intersession)</b>         |                           |                              |                         |
| 1. Census Procedure Courses:                                       |                           |                              |                         |
| (a) Weekly Census Contact Hours                                    | 10,401.82                 |                              | 10,401.82               |
| (b) Daily Census Contact Hours                                     | 811.93                    |                              | 811.93                  |
| 2. Actual Hours of Attendance Courses:                             |                           |                              |                         |
| (a) Noncredit  | 2,144.38                  |                              | 2,144.38                |
| (b) Credit   | 1,471.18                  |                              | 1,471.18                |
| 3. Alternative Attendance Accounting Procedure:                    |                           |                              |                         |
| (a) Weekly Census Procedure Courses                                | 1,407.73                  |                              | 1,407.73                |
| (b) Daily Census Procedure Courses                                 | 313.66                    |                              | 313.66                  |
| (c) Noncredit Independent Study                                    | 0.00                      |                              | 0.00                    |
| <b>D. Total Full-Time Equivalent Students</b>                      | <b>17,308.76</b>          |                              | <b>17,308.76</b>        |
| <u>Supplemental Information</u>                                    |                           |                              |                         |
| <b>E. In-service Training Courses (FTES)</b>                       | 323.91                    |                              | 323.91                  |
| <b>F. Basic Skills Courses and Immigrant Education (FTES)</b>      |                           |                              |                         |
| (a) Noncredit  | 767.70                    |                              | 767.70                  |
| (b) Credit   | 587.44                    |                              | 587.44                  |
| <u>CCFS 320 Addendum</u>   |                           |                              |                         |
| CDCP Noncredit FTES  | 579.00                    |                              | 579.00                  |
| <u>Centers FTES</u>  |                           |                              |                         |
| (a) Noncredit  | 118.95                    |                              | 118.95                  |
| (b) Credit   | 3,142.95                  |                              | 3,142.95                |

\*FTES reported in the revised CCFS 320 submitted by the District on October 28, 2015.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2015

|   | Object/TOP<br>Codes | Activity (ECSA) ECS 84362 A<br>Instructional Salary Cost<br>AC 0100-5900 & AC 6110 |                      |                   | Activity (ECSB) ECS 84362 B<br>Total CEE<br>AC 0100-6799 |                      |                    |
|---|---------------------|--|----------------------|-------------------|--|----------------------|--------------------|
|   |                     | Reported<br>Data   | Audit<br>Adjustments | Revised<br>Data   | Reported<br>Data   | Audit<br>Adjustments | Revised<br>Data    |
| <b>ACADEMIC SALARIES</b>                      |                     |  |                      |                   |  |                      |                    |
| Instructional Salaries:                       |                     |  |                      |                   |  |                      |                    |
| Contract or Regular                           | 1100                | \$ 18,607,660  |                      | \$ 18,607,660     | \$ 18,642,201  |                      | \$ 18,642,201      |
| Other   | 1300                | 20,402,292   |                      | 20,402,292        | 20,405,565   |                      | 20,405,565         |
| Total Instructional Salaries                  |                     | <u>39,009,952</u>  |                      | <u>39,009,952</u> | <u>39,047,766</u>  |                      | <u>39,047,766</u>  |
| Non-Instructional Salaries:                   |                     |  |                      |                   |  |                      |                    |
| Contract or Regular                           | 1200                |  |                      |                   | 9,415,563  |                      | 9,415,563          |
| Other   | 1400                |  |                      |                   | 1,254,626  |                      | 1,254,626          |
| Total Non-Instructional Salaries              |                     |  |                      |                   | <u>10,670,189</u>  |                      | <u>10,670,189</u>  |
| <b>Total Academic Salaries</b>                |                     | <u>39,009,952</u>  |                      | <u>39,009,952</u> | <u>49,717,955</u>  |                      | <u>49,717,955</u>  |
| <b>CLASSIFIED SALARIES</b>                    |                     |  |                      |                   |  |                      |                    |
| Non-Instructional Salaries:                   |                     |  |                      |                   |  |                      |                    |
| Regular Status                                | 2100                |  |                      |                   | 18,240,888   |                      | 18,240,888         |
| Other   | 2300                |  |                      |                   | 2,162,474  |                      | 2,162,474          |
| Total Non-Instructional Salaries              |                     |  |                      |                   | <u>20,403,362</u>  |                      | <u>20,403,362</u>  |
| Instructional Aides:                          |                     |  |                      |                   |  |                      |                    |
| Regular Status                                | 2200                | 2,049,384  |                      | 2,049,384         | 2,069,404  |                      | 2,069,404          |
| Other   | 2400                | 1,099,147  |                      | 1,099,147         | 1,132,340  |                      | 1,132,340          |
| Total Instructional Aides                     |                     | <u>3,148,531</u>   |                      | <u>3,148,531</u>  | <u>3,201,744</u>   |                      | <u>3,201,744</u>   |
| <b>Total Classified Salaries</b>              |                     | <u>3,148,531</u>   |                      | <u>3,148,531</u>  | <u>23,605,106</u>  |                      | <u>23,605,106</u>  |
| Employee Benefits                             | 3000                | 9,757,467  |                      | 9,757,467         | 21,114,543   |                      | 21,114,543         |
| Supplies and Materials                        | 4000                |  |                      |                   | 2,726,487  |                      | 2,726,487          |
| Other Operating Expenses                      | 5000                | 1,017,444  |                      | 1,017,444         | 8,839,324  |                      | 8,839,324          |
| Equipment Replacement                         | 6420                |  |                      |                   |  |                      |                    |
| <b>TOTAL EXPENDITURES PRIOR TO EXCLUSIONS</b> |                     | <u>52,933,394</u>  |                      | <u>52,933,394</u> | <u>106,003,415</u>                                       |                      | <u>106,003,415</u> |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2015

|   | Activity (ECSA) ECS 84362 A<br>Instructional Salary Cost<br>AC 0100-5900 & AC 6110 |                  |                      | Activity (ECSB) ECS 84362 B<br>Total CEE<br>AC 0100-6799 |                  |                      |                 |
|---|--|------------------|----------------------|--|------------------|----------------------|-----------------|
|   | Object/TOP<br>Codes  | Reported<br>Data | Audit<br>Adjustments | Revised<br>Data  | Reported<br>Data | Audit<br>Adjustments | Revised<br>Data |
| <b>EXCLUSIONS</b>   |  |                  |                      |  |                  |                      |                 |
| <b>Activities to Exclude:</b>                                       |  |                  |                      |  |                  |                      |                 |
| Instructional Staff-Retirees' Benefits and Retirement Incentives    | 5900   |                  |                      |  |                  |                      |                 |
| Student Health Services Above Amount Collected                      | 6441   |                  |                      |  | 28,202           |                      | 28,202          |
| Student Transportation  | 6491   |                  |                      |  | 55,993           |                      | 55,993          |
| Noninstructional Staff-Retirees' Benefits and Retirement Incentives | 6740   |                  |                      |  |                  |                      |                 |
| <b>Objects to Exclude:</b>  |  |                  |                      |  |                  |                      |                 |
| Rents and Leases  | 5060   |                  |                      |  | 152,681          |                      | 152,681         |
| Lottery Expenditures:   |  |                  |                      |  |                  |                      |                 |
| Academic Salaries   | 1000   |                  |                      |  | 588,946          |                      | 588,946         |
| Classified Salaries   | 2000   |                  |                      |  | 1,450,409        |                      | 1,450,409       |
| Employee Benefits   | 3000   |                  |                      |  | 356,905          |                      | 356,905         |
| Supplies and Materials:   |  |                  |                      |  |                  |                      |                 |
| Software  | 4100   |                  |                      |  |                  |                      |                 |
| Books, Magazines, & Periodicals                                     | 4200   |                  |                      |  |                  |                      |                 |
| Instructional Supplies & Materials                                  | 4300   |                  |                      |  |                  |                      |                 |
| Noninstructional Supplies & Materials                               | 4400   |                  |                      |  |                  |                      |                 |
| Total Supplies and Materials  |  |                  |                      |  |                  |                      |                 |
| Other Operating Expenses and Services                               | 5000   |                  |                      |  |                  |                      |                 |
| Capital Outlay:   |  |                  |                      |  |                  |                      |                 |
| Library Books   | 6300   |                  |                      |  |                  |                      |                 |
| Equipment:  |  |                  |                      |  |                  |                      |                 |
| Equipment - Additional  | 6410   |                  |                      |  |                  |                      |                 |
| Equipment - Replacement   | 6420   |                  |                      |  |                  |                      |                 |
| Total Equipment   |  |                  |                      |  |                  |                      |                 |
| Total Capital Outlay  |  |                  |                      |  |                  |                      |                 |
| Other Outgo   | 7000   |                  |                      |  |                  |                      |                 |
|   |  |                  |                      |  |                  |                      |                 |
| <b>TOTAL EXCLUSIONS</b>   |  |                  |                      |  | 2,633,136        |                      | 2,633,136       |
| Total for ECS 84362, 50% Law  |  | \$ 52,933,394    | \$                   | \$ 52,933,394  | \$ 103,370,279   | \$                   | \$ 103,370,279  |
| Percent of CEE (Instructional Salary Cost / Total CEE)              |  | 51.21%           |                      | 51.21%   | 100%             |                      | 100%            |
| 50% of Current Expense of Education                                 |  |                  |                      |  | \$ 51,685,140    |                      | \$ 51,685,140   |

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2015

### Prop 30 EPA Expenditure Report

| Activity Classification                              | Activity Code |   |                                      |                             | Unrestricted      |
|--|---------------|---|--------------------------------------|-----------------------------|-------------------|
| EPA Proceeds:  | 8630          |   |                                      |                             | \$ 16,665,890     |
| Activity Classification                              | Activity Code | Salaries and<br>Benefits<br>(1000-3000) | Operating<br>Expenses<br>(4000-5000) | Capital<br>Outlay<br>(6000) | Total             |
| Instructional Activities                             | 0100-5900     | \$ 8,332,945                            |                                      |                             | \$ 8,332,945      |
| Academic Administration                              | 6010          | 1,502,198                               |                                      |                             | 1,502,198         |
| Library  | 6120          | 943,252                                 |                                      |                             | 943,252           |
| Media  | 6130          | 714,135                                 |                                      |                             | 714,135           |
| Admissions and Records                               | 6200          | 1,459,787                               |                                      |                             | 1,459,787         |
| Counseling and Guidance                              | 6310          | 142,458                                 |                                      |                             | 142,458           |
| Matriculation and Student<br>Assessment              | 6320          | 173,482                                 |                                      |                             | 173,482           |
| Transfer Programs                                    | 6330          | 100,397                                 |                                      |                             | 100,397           |
| Extended Opportunity Programs<br>and Services (EOPS) | 6430          | 75,226                                  |                                      |                             | 75,226            |
| Building Maintenance and<br>Repairs                  | 6510          | 1,495,891                               |                                      |                             | 1,495,891         |
| Custodial Services                                   | 6530          | <u>1,726,119</u>                        |                                      |                             | <u>1,726,119</u>  |
| Total Expenditures for EPA*                          |               | <u>\$16,665,890</u>                     | <u>\$</u>                            | <u>\$</u>                   | <u>16,665,890</u> |
| Revenues less Expenditures                           |               |   |                                      |                             | <u>\$</u>         |

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

**SONOMA COUNTY JUNIOR COLLEGE DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**  
**(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

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**AUDITOR'S COMMENTS**

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2015

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### 1. PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2015, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.

#### Schedule of State Financial Assistance

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

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

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

#### Reconciliation of ECS 84362 (50 Percent Law) Calculation

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

#### Reconciliation of Education Protection Account Expenditures to District Accounting Records

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

#### Reconciliation of Annual Financial and Budget Report (Form CCFS 311) With Audited Financial Statements

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

**OTHER INDEPENDENT AUDITOR'S REPORTS**

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 16, 2015.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

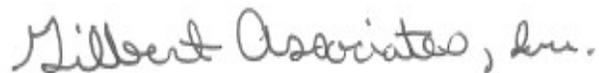
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is disclosed in the accompanying Schedule of Audit Findings and Questioned Costs as item 2015-1.

### **The District's Responses to Findings**

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

### **Purpose of this Report**

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



**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**November 16, 2015**

## **REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

### **Independent Auditor's Report**

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

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

We have audited the Sonoma County Junior College District's (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**November 16, 2015**

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

### **Independent Auditor's Report**

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

#### **Report on Compliance with Applicable Requirements**

We have audited the Sonoma County Junior College District's (the District) compliance with the types of compliance requirements described in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office identified in the schedule below for the year ended June 30, 2015.

#### ***Management's Responsibilities***

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

#### ***Auditor's Responsibility***

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

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

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

- Salaries of Classroom Instructors (50% Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System

- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees – Health Fees and Use of Health Fee Funds
- Proposition 39 Clean Energy
- Intersession Extension Program
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

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

As described in the accompanying Schedule of Audit Findings and Questioned Costs as items 2015-001, the District did not comply with certain requirements regarding State General Apportionment Funding System – Alternative Attendance Courses. Compliance with such requirements is necessary, in our opinion, for the District to comply with the state laws and regulations applicable to that program.

***Modified Opinion on State Compliance***

In our opinion, except for the noncompliance described in the “Basis for Modified Opinion” paragraph, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2015.

***Other Matter***

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

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**November 16, 2015**

## **FINDINGS AND RECOMMENDATIONS SECTION**

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2015

### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

|                                      |           |   |
|--------------------------------------|-----------|---|
| Material weakness(es) identified?    | _____ Yes | _____ <input checked="" type="checkbox"/> No            |
| Significant deficiencies identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported |

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  No

#### *Federal Awards*

Internal control over major programs:

|                                      |           |   |
|--------------------------------------|-----------|---|
| Material weakness(es) identified?    | _____ Yes | _____ <input checked="" type="checkbox"/> No            |
| Significant deficiencies identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported |

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? \_\_\_\_\_ Yes  No

#### Identification of major programs

|                                |   |
|--------------------------------|---|
| <u>CFDA Numbers</u>            | <u>Name of Federal Programs or Cluster</u>    |
| 84.063, 84.007, 84.033, 84.268 | Student Financial Assistance Programs Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_  Yes  No

#### *State Awards*

Internal control over state programs:

|                                      |           |   |
|--------------------------------------|-----------|---|
| Material weakness(es) identified?    | _____ Yes | _____ <input checked="" type="checkbox"/> No            |
| Significant deficiencies identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported |

Any audit findings disclosed that are required to be disclosed in accordance with Contracted District Audit Manual? \_\_\_\_\_  Yes  No

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

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2015

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### SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

### SECTION III – STATE COMPLIANCE

#### 2015-001 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – ALTERNATIVE ATTENDANCE COURSES

##### **Criteria:**

According to California Code of Regulations, Title V, Sections 58003.1(f)(1) and 58009, work experience courses may use the following alternative attendance accounting procedures:

**Weekly:** One weekly student contact hour shall be counted for each unit of credit for which a student is enrolled in the course. To calculate full-time equivalent students (FTES) for a course, the weekly student contact hours for all students enrolled as of the census date should be multiplied by the term length multiplier (or the course length multiplier if the course is conducted during a summer or other intersession) and divided by 525.

**Daily:** The total student contact hours shall be calculated by multiplying the number of students enrolled as of the census date, times the number of units of credit for which a student is enrolled in the course, times the term length multiplier. To calculate FTES, the total student contact hours should be divided by 525.

##### **Condition:**

The District had 10 work experience courses that were improperly set up in their attendance system, in that they were categorized as weekly alternative attendance courses, but the system's contact hours output was calculated using the daily alternative attendance courses.

The District's contact hours output for weekly alternative attendance courses is total weekly student contact hours. The District multiplies the system output by the respective term/course length multiplier to calculate total student contact hours for the Apportionment Attendance Accounting Report (CCFS-320).

Conversely, the District's contact hours output for daily alternative attendance courses is the total student contact hours, which are then used for the CCFS-320 reporting.

Because the 10 courses were categorized as weekly, but calculated as daily, the District overstated its contact hours by multiplying the system's output for these courses by the term/course length multiplier as it would normally do to convert weekly student contact hours to total student contact hours.

##### **Context:**

The District's attendance system calculates FTES individually for each course section and all attendance types. Because the FTES for the 10 courses is the same whether calculated using the weekly or the daily alternative attendance method described above, the FTES output from the system was correct.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2015

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The error was identified when the District was asked to investigate a difference between the total FTES reported in the CCFS 320 and the detailed reports showing the District's courses and respective calculated FTES. Because the correction of the overstated contact hours resolved the difference between the reported data and the underlying data, the error appears to be isolated to these 10 courses, and no extrapolation is required.

### **Effect:**

The District initially overstated alternative attendance by the following: 97.35 credit resident FTES, and 114.95 credit nonresident FTES, for a total overstatement of 212.30 FTES. However, the error was corrected in the revised CCFS 320 submitted by the District on October 28, 2015.

### **Questioned Costs:**

There are no questioned costs as the District submitted a revised CCFS 320 to correct the reported data by reducing the alternative attendance FTES by the 212.30 overstatement.

### **Recommendation:**

We recommend the District change the system coding parameters of its attendance system so that the contact hours that are output for all attendance types are consistent, thus reducing the risk of human error when submitting data for the CCFS 320. Additionally, we recommend the District reconcile FTES from the detailed attendance reports from its attendance system to the CCFS 320 output prior to submittal.

### **District Corrective Action Plan:**

The coding that resulted in the error has already been corrected. The District agrees with the Auditor's recommendation and has already taken steps to implement the suggestions.

## **SECTION IV - FEDERAL COMPLIANCE**

There were no federal compliance findings reported.

# SONOMA COUNTY JUNIOR COLLEGE DISTRICT

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS YEAR ENDED JUNE 30, 2015

| <b>Recommendation</b>   | <b>Current Status</b> | <b>District Explanation If Not Implemented</b> |
|---|-----------------------|--|
| 2014-001 TO BE ARRANGED HOURS   |                       | N/A  |
| We recommend that the District remind instructors about required information to be communicated in the course syllabi. We recommend that the District perform an internal audit of classes with TBA hours to determine if they qualify for weekly or daily attendance accounting procedures and switch ineligible classes to positive attendance classes to ensure FTES is properly calculated. | Implemented           |  |
| 2014-002 STATE GENERAL APPORTIONMENT FUNDING SYSTEM – DAILY CENSUS COURSES  |                       | N/A  |
| We recommend that the District review the scheduled times and number of sessions of daily census classes to ensure that they meet the required guidelines for such courses, and switch courses with varying schedules to positive attendance classes.   | Implemented           |  |
| 2014-003 STATE GENERAL APPORTIONMENT FUNDING SYSTEM – WEEKLY CENSUS COURSES   |                       | N/A  |
| We recommend that the District review the scheduled times and days of weekly census classes to ensure that they meet the required guidelines for such courses, and switch courses with varying schedules to positive attendance classes.  | Implemented           |  |
| 2014-004 STATE GENERAL APPORTIONMENT FUNDING SYSTEM – COURSE OUTLINE OF RECORD  |                       | N/A  |
| We recommend that the District compare the actual contact hours of courses with the course outline of record to identify and correct differences between the approved course description and the actual scheduling of the course.   | Implemented           |  |