

**SONOMA COUNTY
JUNIOR COLLEGE DISTRICT
SANTA ROSA, CALIFORNIA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2018**

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

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SONOMA COUNTY JUNIOR COLLEGE DISTRICT

ORGANIZATION YEAR ENDED JUNE 30, 2018

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>
Maggie Fishman	President	2018
Jordan Burns	Vice President	2018
Dorothy Battenfeld	Clerk	2018
Don Edgar	Member	2020
Jeff Kunde	Member	2018
W. Terry Lindley	Member	2020
Mariana Martinez	Member	2020
Robert Martinez	Student Member	2018

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
Pedro Avila 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, 2018, 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, 2018, 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 Principle

As discussed in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 the District's Total OPEB Liability and Related Ratios, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedules of the District's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information Section, as listed in the table of contents, is presented for purposes of additional analysis, and is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 3, 2018, 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 dark ink that reads "Gilbert Associates, Inc." with a stylized flourish at the end.

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

December 3, 2018

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

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, 2018. 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 41,700 students. The District has two campuses, located in Santa Rosa and Petaluma, California, and two centers, a Public Safety Training Center located in Windsor, California, and the Robert Shone Agricultural Center located in Forestville, California. Students may choose from associate degree majors and certificate programs, complete courses toward the first two years of a bachelor's degree program, or pursue courses for other professional or personal reasons.

Reporting Highlights

- ❖ The annual report consists of three basic financial statements that provide information on SRJC as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The information provided on the statements that follow includes all funds but excludes the fiduciary funds that are reported separately. The following information is provided to assist with the understanding of the financial statements and the financial position of the District. Each statement is presented in a consolidated format as required by GASB 34/35 and will be discussed separately.
- ❖ In 2017/18, the District implemented GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB 75 improves accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires the District to report an OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 requires retroactive application, so the beginning net position decreased by \$23,771,810 as the cumulative effect of change in accounting principle.
- ❖ In 2017/18, the District also implemented GASB 89 (Accounting for Interest Cost Incurred before the End of a Construction Period). GASB 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and simplifies accounting for interest cost incurred before the end of a construction period. It requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred.

District's Fiduciary Responsibility

- ❖ The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

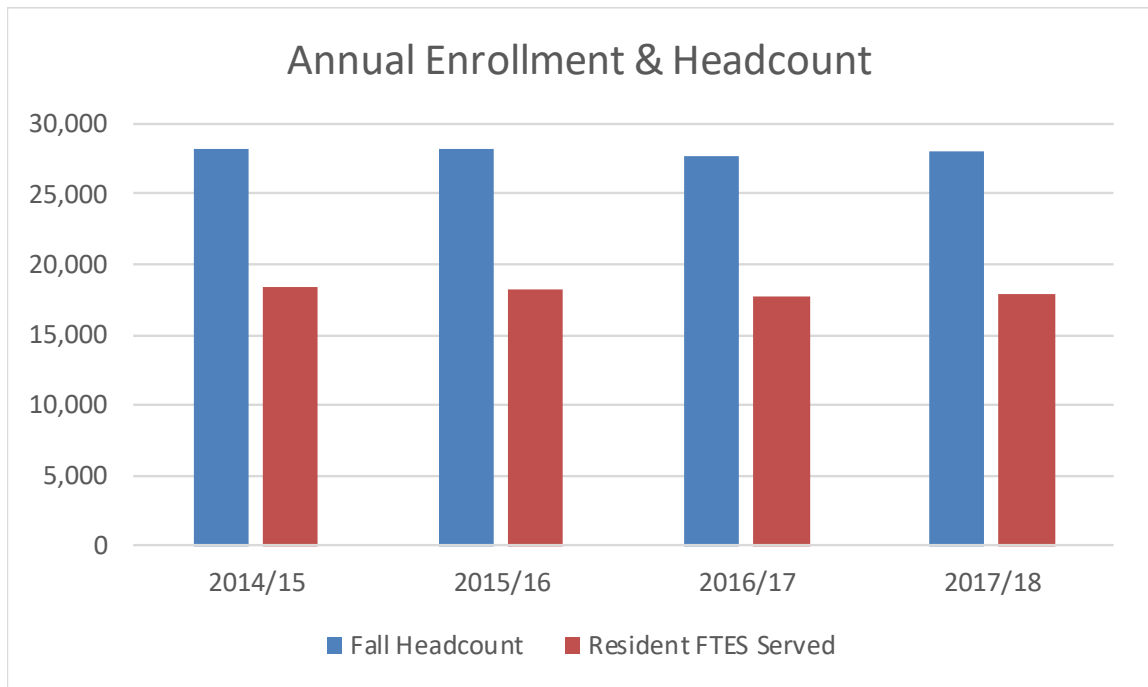
SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

- ❖ The District maintains fiduciary funds to account for assets held by the District as an agent on behalf of others. The District's fiduciary funds are the Student Representation Fee, Student Body Center Fee, and Associated Students, each reported as agency funds.

Attendance Highlights

- ❖ The District has had steadily declining enrollment since 2009/10. After numerous unsuccessful attempts to increase Full Time Equivalent Students (FTES), the District has not rebounded to its previously funded levels. Actual FTES served in 2017/18 was 17,908, a 17% decrease from the high of 21,684 FTES in 2008/09.
- ❖ The resident FTES in the following chart are actual resident FTES served at the district, which differs from funded FTES because of summer shifts, workload reductions, and the emergency conditions waiver from the October 2017 fires.



Notes:

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

Financial Aid and Doyle Scholarships

For the years ended June 30, 2018 and 2017, the following sources of student financial aid were disbursed:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Federal	\$ 16,683,320	\$ 14,608,354	\$ 2,074,966
State	2,571,970	1,712,314	859,656
Scholarships	<u>1,656,921</u>	<u>1,493,534</u>	<u>163,387</u>
TOTAL	<u><u>\$ 20,912,211</u></u>	<u><u>\$ 17,814,202</u></u>	<u><u>\$ 3,098,009</u></u>

The Federal financial aid includes the Pell, SEOG, Federal Family Education Loans, National Service Trust, and Federal Work Study Programs. The State programs include EOPS Grants, Full Time Student Success Grants, Aid for Dreamers, 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 2017/18, there were 2,568 scholarships awarded for \$1,200 - \$1,450 each.

Statement of Net Position

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
ASSETS			
Current assets	\$ 162,494,586	\$ 193,416,471	\$ (30,921,885)
Non-current assets	<u>354,469,102</u>	<u>335,817,225</u>	<u>18,651,877</u>
TOTAL ASSETS	<u>516,963,688</u>	<u>529,233,696</u>	<u>(12,270,008)</u>
DEFERRED OUTFLOW OF RESOURCES	<u>\$ 53,917,139</u>	<u>\$ 39,377,376</u>	<u>\$ 14,539,763</u>
LIABILITIES			
Current liabilities	\$ 66,791,475	\$ 54,094,994	\$ 12,696,481
Non-current liabilities	<u>429,887,726</u>	<u>416,970,888</u>	<u>12,916,838</u>
TOTAL LIABILITIES	<u>496,679,201</u>	<u>471,065,882</u>	<u>25,613,319</u>
DEFERRED INFLOW OF RESOURCES	<u>8,244,332</u>	<u>5,736,992</u>	<u>2,507,340</u>
NET POSITION			
Invested in capital assets, net of related debt	148,927,493	123,985,124	24,942,369
Restricted	58,442,432	65,601,210	(7,158,778)
Unrestricted	<u>(141,412,631)</u>	<u>(97,778,136)</u>	<u>(43,634,495)</u>
TOTAL NET POSITION	<u><u>\$ 65,957,294</u></u>	<u><u>\$ 91,808,198</u></u>	<u><u>\$ (25,850,904)</u></u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

Current assets at June 30, 2018 consist of:

- ❖ Current cash and cash equivalents, mainly held at the county treasury, total \$33.8 million.
- ❖ Restricted cash and cash equivalents which include cash in the Bond Funds (\$82 million) and General Obligation debt service fund held for current repayments of the bonds (\$38.7 million).
- ❖ Accounts receivables which include amounts due from grants, contracts, and general apportionment earned, but not received, by year-end. Accounts receivable decreased \$1.9 million over prior year, due mainly to the timing in payments from the state.

Non-current assets consist of:

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

Current liabilities consist of:

- ❖ Accounts payable which consist mainly of amounts due to vendors (\$12.6 million) and employees (\$2.1 million). Accounts payable increased by \$9.5 million from prior year, mostly due to a change in the timing of payments to vendors.
- ❖ The current portion of debt, including interest (\$4.8 million) and principle payments (\$27.6 million) for the bonds. Interest payable decreased by \$400 thousand and the current portion of bond payments increased by \$500 thousand over prior year as debt payments came due. Detailed information regarding the District's debt can be found in the footnotes to the financial statements.
- ❖ Unearned revenue related to federal, state and local program funding that had been received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are deferred student fees for the Summer and Fall 2018 semesters (\$1.21 million). Unearned revenue increased by \$2.63 million over prior year due to restricted program revenues being received but the District has multiple years to spend.

Non-current liabilities are:

Liabilities and/or debt to be paid in one year or later. The major component of the non-current portion is the long-term debt related to Measures A and H General Obligation bonds (\$257.9 million), the net pension liability adjustment required by GASB 68 (\$140.7 million), and the total other post-employment benefits liability adjustment required by GASB 75 (\$31.6 million). Detailed information regarding the District's long-term debt can be found in the footnotes to the financial statements.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

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 (\$148.9 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 (\$57.4 million) and capital projects (\$6.1 million). The Unrestricted portion (-\$141.4 million) represents resources with no external restrictions, but which may be designated by the Board of Trustees for contingencies and other special purposes. The unrestricted portion prior to the OPEB and Pension liability adjustments was \$30.9 million or 13% of the Total Position.

Statement of Revenues, Expenses, and Changes in Net Position

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Total operating revenues	\$ 70,896,843	\$ 70,454,360	\$ 442,483
Total operating expenses	<u>204,554,351</u>	<u>196,462,405</u>	<u>8,091,946</u>
Operating income (loss)	(133,657,508)	(126,008,045)	(7,649,463)
Total non-operating revenues (expenses)	95,279,376	91,644,511	3,634,865
Income before other revenues, expenses, gains or losses	(38,378,132)	(34,363,534)	(4,014,598)
Capital revenues	<u>36,299,038</u>	<u>35,125,159</u>	<u>1,173,879</u>
Increase (Decrease) in net assets	(2,079,094)	761,625	(2,840,719)
Net Position - Beginning of year	91,808,198	91,046,573	761,625
Cumulative Effect Change in Accounting Principle	<u>(23,771,810)</u>	<u>-</u>	<u>(23,771,810)</u>
Net Position - End of year	<u>\$ 65,957,294</u>	<u>\$ 91,808,198</u>	<u>\$ (25,850,904)</u>

Changes in operating revenues:

- ❖ Net tuition and fees decreased slightly to \$15.4 million. Enrollment fees are set by the state legislature for all community colleges, which was \$46 a unit in 2017/18.
- ❖ Auxiliary enterprise sales and charges are primarily Farm sales (\$1.46 million) and commissions from vending, bookstore and food contracts (\$679 thousand).

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

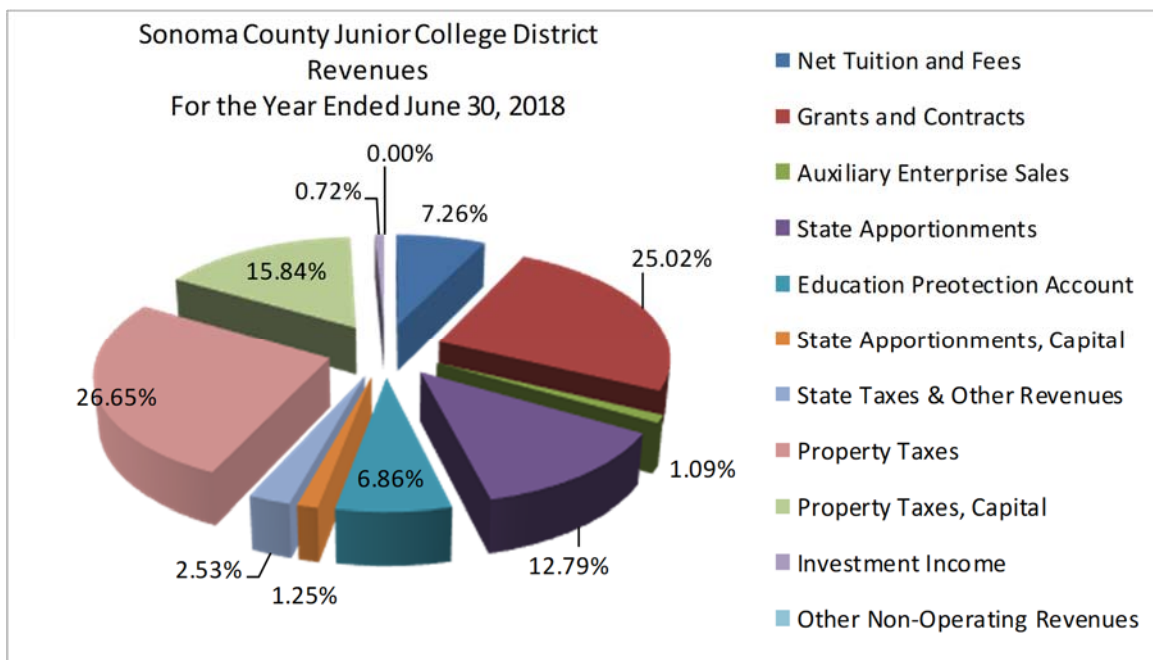
Changes in non-operating revenues:

- ❖ State apportionment represents total state general revenue earned less property taxes and enrollment fees. State apportionments, non-capital, represent \$26.3 million of the non-operating revenues, the Education Protection Account is \$14.3 million and property taxes are \$54.1 million. State apportionment increased by \$900 thousand from prior year, property tax revenue increased by \$2.5 million, and Education Protection Act increased by \$200 thousand.
- ❖ Investment income – non-capital includes a loss of \$727 thousand for adjusting the cash and investments to fair market value as required by GASB 31.

Revenues

For the Year Ended June 30, 2018

Net Tuition and Fees	\$ 15,419,111
Grants and Contracts	53,153,160
Auxiliary Enterprise Sales	2,324,572
State Apportionments	27,169,759
Education Protection Account	14,564,378
State Apportionments, Capital	2,647,466
State Taxes & Other Revenues	5,366,529
Property Taxes	56,622,499
Property Taxes, Capital	33,651,572
Investment Income	1,527,662
Other Non-Operating Revenues	-
Total Revenues	<u>\$ 212,446,708</u>



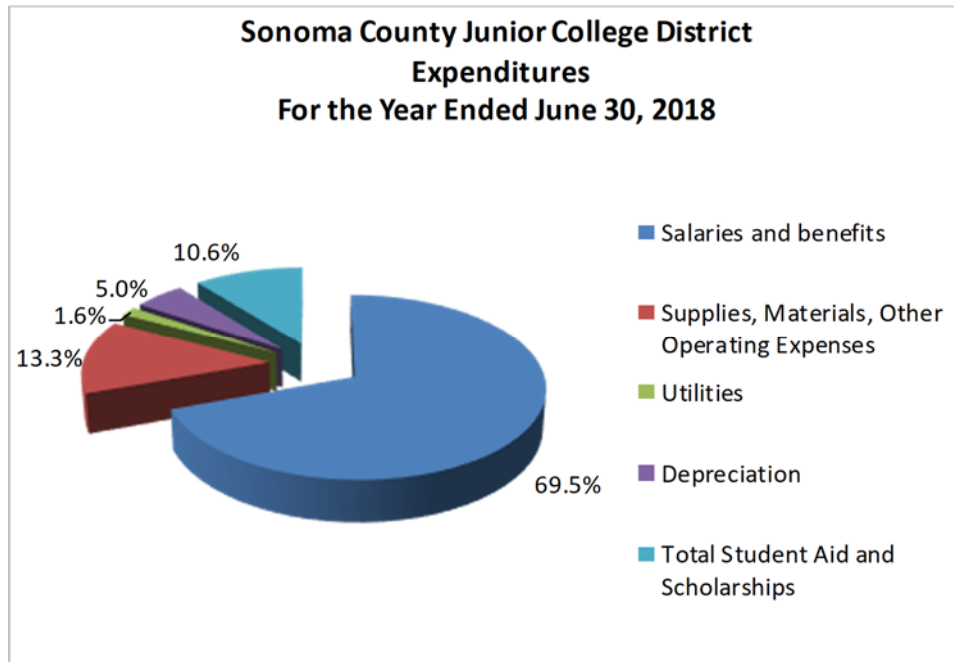
SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

Operating Expenses (by natural classification)

For the Year Ended June 30, 2018

Salaries	\$ 98,040,281
Employee Benefits	44,039,212
Supplies and Materials	9,277,142
Other Operating Expenses and Services	17,974,076
Utilities	3,288,896
Depreciation	10,163,073
Total Student Aid and Scholarships	<u>21,771,671</u>
Total Operating Expenses	<u>\$ 204,554,351</u>



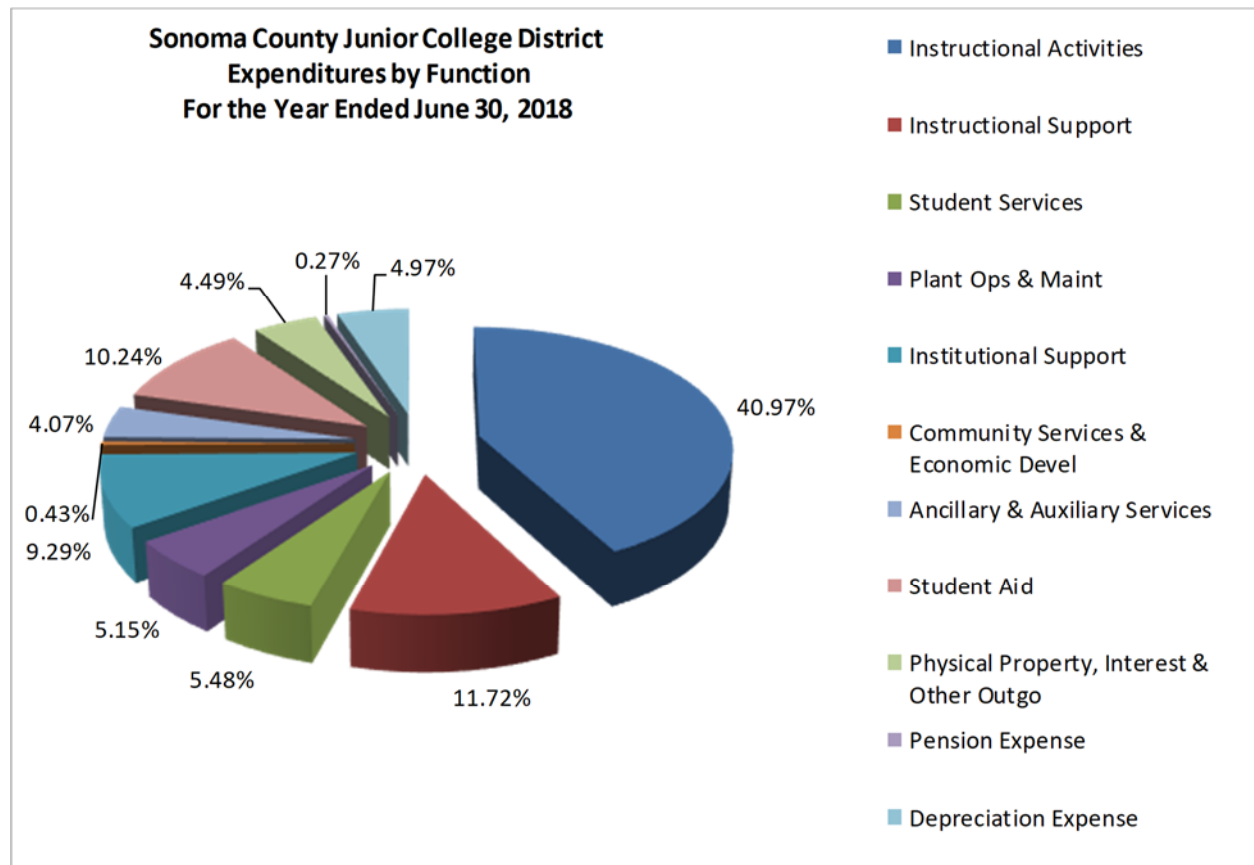
SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

Operating Expenses (by function)

For the Year Ended June 30, 2018

Instructional Activities	\$ 83,796,954
Instructional Support	23,964,313
Student Services	11,211,594
Plant Ops & Maint	10,524,606
Institutional Support	19,000,675
Community Services & Economic Devel	887,217
Ancillary & Auxiliary Services	8,326,417
Student Aid	20,939,191
Physical Property, Interest & Other Outgo	9,183,334
Pension Expense	544,942
Depreciation Expense	10,163,073
Bond Costs	6,012,035
Total	<u>\$ 204,554,351</u>



SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

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,	
	2018	2017
Net Cash provided (Used) By:		
Operating activities	\$ (102,999,782)	\$ (113,542,383)
Non-capital financing activities	107,382,565	103,468,584
Capital and related financing activities	(38,229,073)	145,939,657
Investment activities	877,134	202,108
Net increase (decrease) in cash	(32,969,156)	136,067,966
Cash - Beginning of the fiscal year	202,071,342	66,003,376
Cash - End of the fiscal year	<u>\$ 169,102,186</u>	<u>\$ 202,071,342</u>

- ❖ Net cash used for operating activities decreased by \$10.6 million from the prior year. This change was largely due to changes in payments to suppliers and employees.
- ❖ Net cash provided by noncapital financing activities are from state apportionments and property taxes. Cash received from state apportionments and receipts increased by \$1.1 million over prior year due to increased property taxes and timing in payments from the state. Cash received from property taxes (non-capital) increased \$2.5 million over prior year as home prices continue to rebound 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 (\$32.8 million) and principal and interest payments on capital debt (\$40.2 million). Cash inflows were comprised of property taxes (\$33.6 million), and interest in capital investments (\$650 thousand).

Capital Assets

- ❖ The \$251.7 million Measure A General Obligation Bond program, was completely expended in 2016/17. The District issued the 2002 General Obligation Bonds, Series A, in the amount of \$60 million on February 4, 2003 and the 2002 General Obligation Bonds, Series B, in the amount of \$105 million on October 13, 2005. The 2002 General Obligation Bonds, Series C in the amount of \$69.71 million were issued on September 17, 2007, and the 2002 General Obligation Bonds, Series D in the amount of \$16.99 million were issued on April 2, 2008. As of June 30, 2018, there was \$147.5 million outstanding and with the final payments to be made in 2029/30.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

- ❖ In 2016/17, the fourth year of the \$410 million Measure H General Obligation Bond program, the District continued its major construction with the Burbank remodel, Lindley STEM building, and the Elliott swing space. There were also numerous maintenance projects and technology and equipment purchases. The District had additions of \$32.8 million in capital assets for the year, of which \$31.1 million were for construction costs and land improvements and \$600 thousand was for land. Measure H was passed by the voters in November 2014 and the District issued the first series of the bonds for \$125 million in December 2016.

Economic Factors That May Affect the Future

- ❖ In October 2017, a devastating firestorm ripped through Santa Rosa and thousands of structures were destroyed. Hundreds of District students and employees lost their homes. The District received an emergency conditions waiver which holds its apportionment funding at pre-fire levels plus increases for COLA for 2017/18, 2018/19, and 2019/20, with two possible annual extensions for 2020/21 and 2021/22.
- ❖ The new Student Centered Funding Formula went into effect for the California Community College system in 2018/19. The new formula would cause a decrease in funding for the District however, the District is operating under the emergency conditions waiver, so it won't be in effect for the District until 2020/21 at the earliest.
- ❖ As noted earlier in this report, student attendance has been decreasing. To address this, the District will be entering a period of realigning resources and examining all district programs to ensure that they are meeting the core mission of the district. There will be multi-million dollar reductions over the next few years as this realignment and review is performed.
- ❖ 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%.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	<u>Primary Institution</u>	<u>Foundation</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 33,824,099	\$ 10,766,152
Restricted Cash and Cash Equivalents	120,679,150	
Cash with Trustee	872,810	
Accounts Receivable	6,856,534	82,593
Pledges Receivable		158,300
Inventory	48,380	
Prepaid Expenses	213,613	
Total Current Assets	<u>162,494,586</u>	<u>11,007,045</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	13,726,127	
Restricted Investments		47,015,529
Endowment Fund		1,012,483
Pledges Receivable		155,416
Charitable Remainder Trust Investments		2,567,715
Nondepreciable Capital Assets	25,375,976	
Depreciable Capital Assets, Net	315,366,999	
Total Noncurrent Assets	<u>354,469,102</u>	<u>50,751,143</u>
TOTAL ASSETS	<u>516,963,688</u>	<u>61,758,188</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding	11,347,594	
Deferred Outflows of Resources Related to OPEB	1,783,202	
Deferred Outflows of Resources Related to Pensions	40,786,343	
Total Deferred Outflows of Resources	<u>53,917,139</u>	
LIABILITIES		
Current Liabilities:		
Accounts Payable	16,658,628	99,172
Unearned Revenue	12,895,340	5,000
Interest Payable	4,788,015	
Liabilities Under Charitable Remainder Trusts		16,735
Amounts Held on Behalf of Others	1,156,069	1,246,342
Compensated Absences Payable	3,678,423	
Long-Term Liabilities Due Within One Year	27,615,000	
Total Current Liabilities	<u>66,791,475</u>	<u>1,367,249</u>
Noncurrent Liabilities:		
Total Other Postemployment Benefit Liability	31,583,452	
Net Pension Liability	140,743,836	
Liabilities Under Charitable Remainder Trusts		96,084
Bonds Payable	257,560,438	
Total Noncurrent Liabilities	<u>429,887,726</u>	<u>96,084</u>
TOTAL LIABILITIES	<u>496,679,201</u>	<u>1,463,333</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Charitable Remainder Trusts		2,454,896
Deferred Inflows of Resources Related to Pensions	8,244,332	
Total Deferred Inflows of Resources	<u>8,244,332</u>	<u>2,454,896</u>
NET POSITION:		
Net Investment in Capital Assets	148,927,493	
Restricted for:		
Expendable:		
Capital Projects	6,049,518	
Debt Service	52,392,914	
Restricted by Donors		56,583,877
Unrestricted (Deficit)	<u>(141,412,631)</u>	<u>1,256,082</u>
TOTAL NET POSITION	<u>\$ 65,957,294</u>	<u>\$ 57,839,959</u>

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2018

	Primary Institution	Foundation
OPERATING REVENUES:		
Tuition and Fees (gross)	\$ 23,836,503	
Less: Scholarship Discounts and Allowances	(8,417,392)	
Net Tuition and Fees	15,419,111	
Grants, Contracts, and Donations, Noncapital:		
Federal	19,924,834	
State	27,465,410	
Local	5,762,916	
Contributions		\$ 7,294,954
Other		1,130,296
Auxiliary Enterprise Sales and Charges	2,324,572	
TOTAL OPERATING REVENUES	70,896,843	8,425,250
OPERATING EXPENSES:		
Academic Salaries	61,054,282	
Classified Salaries	36,985,999	
Employee Benefits	44,039,212	
Supplies and Materials	9,277,142	
Other Operating Expenses and Services	17,974,076	802,297
Utilities	3,288,896	
Depreciation	10,163,073	
Student Financial Aid and Scholarships	21,771,671	3,659,585
TOTAL OPERATING EXPENSES	204,554,351	4,461,882
OPERATING GAIN (LOSS)	(133,657,508)	3,963,368
NON-OPERATING REVENUES (EXPENSES):		
State Apportionments, Noncapital	27,169,759	
Education Protection Account	14,564,378	
Local Property Taxes	56,622,499	
State Taxes and Other Revenues	5,366,529	
Investment Income (Loss) - Noncapital	877,134	3,250,877
Investment Income - Capital	650,528	
Interest Expense on Capital Asset-Related Debt	(9,945,071)	
Other Non-Operating Income (Expenses), Net	(26,380)	
Other Non-Operating Transfers		(1,141,985)
TOTAL NON-OPERATING REVENUES (EXPENSES)	95,279,376	2,108,892
GAIN (LOSS) BEFORE CAPITAL REVENUES:	(38,378,132)	6,072,260
State Apportionments, Capital	2,647,466	
Local Property Taxes and Revenues, Capital	33,651,572	
INCREASE (DECREASE) IN NET POSITION	(2,079,094)	6,072,260
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	91,808,198	54,163,840
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(23,771,810)	(2,396,141)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	68,036,388	51,767,699
NET POSITION -- END OF YEAR	\$ 65,957,294	\$ 57,839,959

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2018

	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	\$ 15,604,988	
Federal Grants and Contracts	20,075,000	
State Grants and Contracts	31,938,481	
Local Grants and Contracts	5,271,671	
Contributions		\$ 6,638,417
Payments to Suppliers	(22,223,929)	
Payments to/on behalf of Employees	(134,218,363)	
Payments to/on behalf of Students	(21,770,637)	(3,659,585)
Auxiliary Enterprise Sales and Charges	2,325,871	
Other Receipts and Payments	(2,864)	497,078
Net Cash Provided (Used) by Operating Activities	<u>(102,999,782)</u>	<u>3,475,910</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State Apportionments and Receipts	50,667,349	
Property Taxes	56,622,499	
Student Organization Agency Disbursements	92,717	
Interest on Noncapital Investments		971,279
Other Transfers		(1,141,985)
Net Cash Provided (used) by Noncapital Financing Activities	<u>107,382,565</u>	<u>(170,706)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
State Apportionments for Capital Purposes	549,459	
Purchases of Capital Assets	(32,790,082)	
Proceeds from Sales of Capital Assets	4,966	
Principal Paid on Capital Debt	(28,260,000)	
Interest Paid on Capital Debt	(11,975,565)	
Interest on Capital Investments	650,528	
Local Property Taxes and Other Revenues for Capital Purposes	33,591,621	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,229,073)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments		(25,472,715)
Sales and Maturities of Investments		24,367,495
Gain on Pooled Cash and Cash Equivalents	877,134	
Net Cash Provided (Used) by Investing Activities	<u>877,134</u>	<u>(1,105,220)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(32,969,156)	2,199,984
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	202,071,342	8,566,168
CASH AND EQUIVALENTS -- END OF YEAR	<u>\$ 169,102,186</u>	<u>\$ 10,766,152</u>

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (Continued) YEAR ENDED JUNE 30, 2018

	Primary Institution	Foundation
Reconciliation to Balance Sheet:		
Cash and Equivalents	\$ 33,824,099	\$ 10,766,152
Restricted Cash and Cash Equivalents - Current	120,679,150	
Cash with Trustee	872,810	
Restricted Cash and Cash Equivalents - Noncurrent	<u>13,726,127</u>	
Total Cash and Cash Equivalents	<u>\$ 169,102,186</u>	<u>\$ 10,766,152</u>
RECONCILIATION OF NET OPERATING GAIN (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	\$ (133,657,508)	\$ 3,963,368
Donated Investments		(999,337)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	10,163,073	
Changes in:		
Accounts Receivable	857,312	(63,191)
Pledges Receivable		714,843
Inventories, Prepaids, and Other Assets	14,326	133,032
Endowment Fund		(15,931)
Deferred Outflows Related to Pensions	(13,699,045)	
Deferred Outflows Related to OPEB	29,790	
Accounts Payable	8,141,183	(72,845)
Unearned Revenue	3,642,154	(298,332)
Compensated Absences	358,375	
Postemployment Benefits	153,035	
Net Pension Liability	18,490,183	
Liabilities Under Charitable Remainder Trusts		(6,694)
Amounts Held on Behalf of Others		62,242
Deferred Inflows Related to Charitable Remainder Trust		58,755
Deferred Inflows Related to Pensions	<u>2,507,340</u>	
Net Cash Provided (Used) by Operating Activities	<u>\$ (102,999,782)</u>	<u>\$ 3,475,910</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Amortization of Deferred Charge on Refunding	\$ 942,484	
Amortization of Premium on Long-Term Debt	2,576,182	
Receipt of donated capital assets	<u>59,950</u>	
Net Non-Cash Investing, Capital, and Financing Activities	<u>\$ 3,578,616</u>	<u>\$</u>

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 854,498
Due from District	76
Accounts Receivable	<u>817</u>
TOTAL ASSETS	<u>\$ 855,391</u>
LIABILITIES:	
Accounts Payable	\$ 8,696
Amounts Held in Trust for Others	<u>846,695</u>
TOTAL LIABILITIES	<u>\$ 855,391</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

1. ORGANIZATION AND REPORTING ENTITY

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Agency Funds – These funds include the Associated Students, Student Center Fee, 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 Center Fee Fund accounts for an annual building and operating fee for the purpose of financing, constructing, enlarging, remodeling, refurbishing, and operating a student body center. The Student Representation Fee Fund accounts for the student representation fee assessment, which is used by students for legislative advocacy.

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

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

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

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

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

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

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

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

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

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.

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.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

- **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.

Changes in Accounting Principles – For the year ended June 30, 2018, the District implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*.

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. It requires employers to report an OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 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. Note 10 explains the effect of the implementation of GASB 75.

Since GASB 75 requires retroactive application, the net OPEB liability offset by the related deferred outflow of resources and prior recognized OPEB liabilities as of June 30, 2017 reduces the beginning net position for the fiscal year ended June 30, 2018. As a result, for the year ended June 30, 2018, the beginning net position decreased by \$23,771,810 as the cumulative effect of this change in accounting principle.

The primary objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for business-type activities or enterprise funds. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. GASB 89 requires prospective application, therefore no adjustment was made to beginning net position.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

For the year ended June 30, 2018, the Foundation implemented GASB Statement No. 81 (GASB 81), Irrevocable Split-Interest Agreements. Since GASB 81 requires retroactive application, the financial statements for the year ended June 30, 2017 have been restated to reflect the addition of the Foundation's deferred inflow of resources for the net value of assets and liabilities received from irrevocable split-interest agreements of \$2,396,141, reduces the beginning net position by \$1,997,944 as well as the elimination of the changes in value of charitable remainders trusts and contributions received for new charitable remainder trusts of \$331,946 and \$66,251, respectively. Additional information regarding this change in accounting principle can be found in the Foundation's audited financial statements.

3. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position of the Primary Institution:	
Cash and Cash Equivalents	\$ 33,824,099
Restricted Cash and Cash Equivalents – Current	120,679,150
Restricted Cash and Cash Equivalents – Noncurrent	13,726,127
Cash with Trustee	872,810
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	<u>854,498</u>
Total Cash and Cash Equivalents	<u>\$ 169,956,684</u>

The District's cash, cash equivalents, and investments as of June 30, 2018 consist of the following:

Cash and Cash Equivalents in Sonoma County Treasury	\$ 167,497,848
Deposits with Financial Institutions	1,531,524
Cash on Hand	54,502
Cash Equivalents with Fiscal Agent:	
Cash Held by Trustee	<u>872,810</u>
Total Cash and Cash Equivalents	<u>\$ 169,956,684</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.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

Investments Authorized by the District's Investment Policy

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

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

\$82,012,362 of the District's cash and cash equivalents with the Treasury represents unspent proceeds of the 2014 General Obligation Bond, Series A at June 30, 2018, which is restricted for specific purposes under terms of the bonds offering.

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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, 2018, the weighted average maturity of the investments contained in the District's Treasury's investment pool is approximately 533 days.

Credit Risk

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

Concentration of Credit Risk

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

Cash on Hand, in Banks, and in Revolving Fund

As of June 30, 2018, the carrying amount of the District's bank balance was \$1,830,436. Of the bank balance, \$264,298 was insured by the Federal Depository Insurance Corporation (FDIC). Cash on hand of \$54,502 is not insured. District deposits held with financial institutions in excess of FDIC limits were \$2,349,110. Of the total bank balance, \$1,531,524 is held by the primary institution and \$386,559 is held by fiduciary funds.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents are \$134,405,277 at June 30, 2018. Included in this restricted balance is \$82,012,362 for the 2014 Series A General Obligation Bond of unspent proceeds and \$52,392,915 for the assessments collected by the County Treasurer's Office on behalf of the District for the repayment of the District's general obligation bonds.

Derivative Investments

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

Fair Value Measurement

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2018:

Federal Grants and Contracts	\$ 786,515
State Grants and Contracts	1,537,709
Local Grants and Contracts	682,574
State Apportionment – Capital	1,086,000
Auxiliaries	62,687
Tuition and Fees	1,493,849
Other	<u>1,207,200</u>
Totals	<u>\$ 6,856,534</u>

5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2018</u>
Capital Assets, Not Depreciated:				
Land	\$ 14,254,364	\$ 601,435		\$ 14,855,799
Construction in Progress	<u>1,951,176</u>	<u>8,569,001</u>		<u>10,520,177</u>
Total Capital Assets, Not Depreciated	<u>16,205,540</u>	<u>9,170,436</u>		<u>25,375,976</u>
Capital Assets, Depreciated:				
Buildings	385,238,592	11,903,708		397,142,300
Improvement of Sites	14,672,389	10,613,380		25,285,769
Vehicles	3,427,596	276,864	\$ (128,259)	3,576,201
Machinery and Equipment	<u>16,509,473</u>	<u>885,645</u>	<u>(120,596)</u>	<u>17,274,522</u>
Total Capital Assets, Depreciated	<u>419,848,050</u>	<u>23,679,597</u>	<u>(248,855)</u>	<u>443,278,792</u>
Less Accumulated Depreciation for:				
Buildings	(96,059,368)	(8,889,815)		(104,949,183)
Improvement of Sites	(9,743,984)	(386,430)		(10,130,414)
Vehicles	(2,217,660)	(262,033)	118,467	(2,361,226)
Machinery and Equipment	<u>(9,945,217)</u>	<u>(624,795)</u>	<u>99,042</u>	<u>(10,470,970)</u>
Total Accumulated Depreciation	<u>(117,966,229)</u>	<u>(10,163,073)</u>	<u>217,509</u>	<u>(127,911,793)</u>
Total Capital Assets, Depreciated, Net	<u>301,881,821</u>	<u>13,516,524</u>	<u>(31,346)</u>	<u>315,366,999</u>
Capital Assets, Net	<u>\$ 318,087,361</u>	<u>\$ 22,686,960</u>	<u>\$ (31,346)</u>	<u>\$ 340,742,975</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

6. LONG-TERM LIABILITIES

General Obligation Refunding Bonds

In December 2016, the District issued General Obligation Refunding Bonds, in the amount of \$20,795,000, with interest rates ranging from 3.00% - 5.00%. The debt was issued to provide resources to defease the remaining outstanding principal amount of General Obligation Bonds, Series B, and interest accrued until the date of defeasement. The net carrying amount of the old debt, made up of outstanding principal and unamortized premium, exceeded the reacquisition price, resulting in a deferred amount on refunding. This deferred amount on refunding is included in the net deferred outflows of resources on the statement of net position. The deferred charge on refunding at June 30, 2018 of \$(807,839) is being amortized over the remaining life of the new debt.

The 2016 General Obligation Refunding Bonds mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$ 936,688	\$ 936,688
2020		936,687	936,687
2021		936,688	936,688
2022		936,687	936,687
2023		936,688	936,688
2024-2028	\$ 12,755,000	3,514,562	16,269,562
2029-2030	<u>7,485,000</u>	<u>304,456</u>	<u>7,789,456</u>
Subtotal	20,240,000	8,502,456	28,742,456
Plus: Unamortized Premium	<u>2,928,446</u>		<u>2,928,446</u>
Totals	<u>\$ 23,168,446</u>	<u>\$ 8,502,456</u>	<u>\$ 31,670,902</u>

In May 2013, the District issued General Obligation Refunding Bonds, in the amount of \$133,215,000, with interest rates ranging from 2.00% - 5.00%. The debt was issued to provide resources to purchase U.S. Government State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$137,302,500 of General Obligation Bonds, Series B, and \$93,758,875 of General Obligation Bonds, Series C. As a result, the refunded bonds are considered to be partially defeased as a legal defeasance and a prorated portion of the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt resulting in a deferred charge on refunding. The deferred charge on refunding at June 30, 2018 of \$12,155,433 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, 2018

The 2013 General Obligation Refunding Bonds mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,455,000	\$ 5,929,600	\$ 13,384,600
2020	8,025,000	5,607,300	13,632,300
2021	8,845,000	5,255,150	14,100,150
2022	9,640,000	4,866,500	14,506,500
2023	10,560,000	4,382,000	14,942,000
2024-2028	54,480,000	14,048,000	68,528,000
2029-2030	<u>28,285,000</u>	<u>1,445,625</u>	<u>29,730,625</u>
Subtotal	127,290,000	41,534,175	168,824,175
Plus: Unamortized Premium	<u>19,393,801</u>		<u>19,393,801</u>
Totals	<u>\$ 146,683,801</u>	<u>\$ 41,534,175</u>	<u>\$ 188,217,976</u>

General Obligation Bonds

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

The General Obligation Bonds, Series A mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,160,000	\$ 4,185,500	\$ 24,345,500
2020	19,190,000	3,499,300	22,689,300
2021	630,000	3,102,900	3,732,900
2022	770,000	3,074,900	3,844,900
2023	915,000	3,041,200	3,956,200
2024-2028	7,135,000	14,430,725	21,565,725
2029-2033	12,755,000	12,163,475	24,918,475
2034-2038	20,285,000	8,431,475	28,716,475
2039-2042	<u>23,600,000</u>	<u>2,480,000</u>	<u>26,080,000</u>
Subtotal	105,440,000	54,409,475	159,849,475
Plus: Unamortized Premium	<u>9,883,191</u>		<u>9,883,191</u>
Totals	<u>\$ 115,323,191</u>	<u>\$ 54,409,475</u>	<u>\$ 169,732,666</u>

Revenue Bonds

The District previously held lease revenue bonds with an original issue amount of \$3,125,000, payable in annual installments ranging from \$75,000 to \$210,000, with an original final maturity in 2023. The District fully redeemed the \$1,280,000 in outstanding bonds during the year ended June 30, 2018. The early redemption has saved the District \$162,569 in future interest payments.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 314,731,620		\$ 29,556,182	\$ 285,175,438	\$ 27,615,000
Revenue Bonds	1,280,000		1,280,000		
Compensated Absences	<u>3,320,048</u>	<u>\$ 3,678,423</u>	<u>3,320,048</u>	<u>3,678,423</u>	<u>3,678,423</u>
Total	<u>\$ 319,331,678</u>	<u>\$ 3,678,423</u>	<u>\$ 34,156,230</u>	<u>\$ 288,853,861</u>	<u>\$ 31,293,423</u>

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

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

The District participates in 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:

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Self-insurance and other limits are as follows:

<u>Type of Coverage</u>	<u>Self-Insurance</u>	<u>SWACC</u>	<u>SAFER</u>	<u>PIPS</u>
General Liability	Up to \$50,000	\$50,000 - \$1,000,000	\$1,000,000 - \$45,000,000	N/A
Property	Up to \$10,000	\$10,000 - \$250,000	\$250,000 - \$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

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):

	<u>SWACC Property / Liability June 30, 2018</u>	<u>SAFER Property / Liability June 30, 2018</u>	<u>PIPS Workers' compensation June 30, 2017</u>
Total Assets	\$ 52,332,118	\$ 39,841,694	\$ 129,260,118
Total Liabilities	34,316,883	38,695,867	111,815,654
Net Position	<u>18,015,235</u>	<u>1,145,827</u>	<u>17,444,464</u>
Total Liabilities and Net Position	<u>\$ 52,332,118</u>	<u>\$ 39,841,694</u>	<u>\$ 129,260,118</u>
Total Revenues	\$ 22,350,363	\$ 59,557,069	\$ 301,650,334
Total Expenses	<u>29,435,155</u>	<u>59,101,219</u>	<u>296,435,880</u>
Net Increase (Decrease) in Net Position	<u>\$ (7,084,792)</u>	<u>\$ 455,850</u>	<u>\$ 4,093,490</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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.

Construction Commitments

The District has construction commitments of approximately \$66,088,268 at June 30, 2018. General Obligation Bonds have been approved for such construction commitments.

9. RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.10% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2018, was 14.43% of annual pay. District contributions to the CalSTRS Plan were \$6,213,226 for the year ended June 30, 2018.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 4.811% in 2017-18. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2017, was 8.828% of the District's 2014-15 creditable CalSTRS compensation.

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, 2016, and rolling forward the total pension liability to the measurement date of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Changes in Assumptions

During fiscal year end June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the CalSTRS board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the CalSTRS Plan changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.5%	3.75%

CalSTRS changed its mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by their board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term * Expected Real Rate of Return</u>
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	<u>100.00%</u>	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2018, was 15.531% of annual pay. District contributions to the CalPERS Plan were \$5,667,937 for the year ended June 30, 2018.

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases ⁽¹⁾	Varies
Investment Rate of Return ⁽²⁾	7.15%
Mortality ⁽³⁾	CalPERS' Membership Data
Post-Retirement Benefit Increase ⁽⁴⁾	Up to 2.75%

(1) Varies by entry age and service

(2) Net of pension plan investment; includes inflation

(3) 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 April 2014 CalPERS Experience Study and Review of Actuarial Assumptions Report available on CalPERS webpage.

(4) 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, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

Changes in Assumptions

In fiscal year June 30, 2017, the financial reporting discount rate for CalPERS was lowered from 7.65% to 7.15%.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board in 2013 were used. For the CalPERS Plan, projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The tests revealed the assets would not run out for the Plan. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The crossover test results can be found on CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	New Strategic Allocation	Real Return Years 1 – 10^(a)	Real Return Years 11+^(b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

^(a) An expected inflation of 2.5% was used for this period.

^(b) 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, 2018

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

As of June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability:	
CalSTRS Plan	\$ 73,984,000
CalPERS Plan	<u>66,759,836</u>
Total District net pension liability	140,743,836
State's proportionate share of CalSTRS net pension liability associated with the District	<u>43,783,412</u>
Total	<u>\$ 184,527,248</u>

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2017, 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, 2017, was 0.080% and 0.2797% for the CalSTRS and CalPERS Plans, respectively, which was a decrease of 0.003% and an increase of 0.0005%, respectively, from its proportion measured as of June 30, 2016 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2017, the District recognized pension expense of \$23,594,115 and revenue of \$4,414,473 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,665,330	\$ (1,290,400)
Changes in assumptions	23,457,724	(786,015)
Changes in proportion	472,692	(3,885,283)
Change in proportionate share of contributions		(312,234)
Net differences between projected and actual investment earnings of pension plan investments	2,309,434	(1,970,400)
District contributions subsequent to measurement date	<u>11,881,163</u>	
Total	<u>\$ 40,786,343</u>	<u>\$ (8,244,332)</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

The \$11,881,163 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, 2019. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$ 3,795,745
2020	9,262,347
2021	6,130,863
2022	(1,680,232)
2023	1,172,889
Thereafter	1,979,236

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:

	Discount Rate -1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 108,632,000	\$ 73,984,000	\$ 45,864,800

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's proportionate share of the CalPERS Plan's net pension liability	\$ 98,225,112	\$ 66,759,836	\$ 40,656,755

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, 2018

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, 2018, employees and the District each contributed \$359,309 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, 2018, employees and the District each contributed \$123,327 to the 403(b) plan.

10. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

In addition to the pension benefits described in Note 9, the District provides other postemployment health and welfare benefits (medical, prescription drug, and dental insurance) for eligible retired employees through a single-employer defined benefit OPEB plan (the Plan). The medical benefits are provided through the Self-Insured Schools of California (SISC). Dental benefits are self-insured by the District and administered by outside consultants. As of June 30, 2018, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Although not set aside in an irrevocable trust, the District has established a Retiree Benefits Fund whose assets are designated for payment of other postemployment benefits. This fund had fund balance of \$3,080,391 at June 30, 2018.

Benefits Provided

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

Certificated, classified and management employees and retirees are required to contribute towards the cost of their medical/prescription drug coverage. Contributions depend on the plan selected by the retiree as well as the coverage tier, and range from \$19.36 to \$63.00 per month. Medical premium increases in excess of the State COLA adjustment, if any, are subject to future negotiations and may result in an increase in employee/retiree contributions.

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Employees Covered

As of the July 1, 2016 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	419
Inactive employees entitled to but not receiving benefits	0
Participating active employees	<u>792</u>
Total	<u>1,211</u>

Total OPEB Liability

The District's total OPEB liability of \$31,583,452 was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated July 1, 2016, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate ⁽¹⁾	3.13%
Health care cost trend rates	6.00% for 2016; 5% for 2017 and later

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

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

Actuarial assumptions used in the July 1, 2016 valuation were based on a review of plan experience during the period July 1, 2014 to June 30, 2016.

Changes in the Total OPEB Liability

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

	Total OPEB Liability (TOL)
Balance at June 30, 2017	<u>\$ 31,430,417</u>
(Roll back balance at June 30, 2016 measurement date)	
Changes recognized for the measurement period:	
Service cost	1,010,410
Interest on TOL	955,617
Benefit payments	<u>(1,812,992)</u>
Net changes	<u>153,035</u>
Balance at June 30, 2018 (Measurement date June 30, 2017)	<u><u>\$ 31,583,452</u></u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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

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

	Discount Rate -1% (2.13%)	Current Discount Rate (3.13%)	Discount Rate +1% (4.13%)
Total OPEB liability	\$ 34,343,814	\$ 31,583,452	\$ 29,122,035

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

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

	Discount Rate -1% (5.00% decreasing to 4.00%)	Health Care Trend Rate (6.00% decreasing to 5.00%)	Discount Rate +1% (7.00% decreasing to 6.00%)
Total OPEB liability	\$ 29,505,092	\$ 31,583,452	\$ 33,921,110

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,966,027. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,783,202	
Changes of assumptions		
Total	<u>\$ 1,783,202</u>	<u>\$</u>

The \$1,783,202 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

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

	<u>2017</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 1,010,410
Interest	955,617
Benefit payments	<u>(1,812,992)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	153,035
TOTAL OPEB LIABILITY, Beginning	<u>31,430,417</u>
TOTAL OPEB LIABILITY, Ending	<u>\$ 31,583,452</u>
Covered-employee payroll	\$ 66,331,272
District's total OPEB liability as a percentage of covered-employee payroll	47.61%

Notes to Schedule:

There were no changes to benefit terms or assumptions during the measurement period ending June 30, 2017.

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

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2018 LAST 10 YEARS*

	CalSTRS Plan			
	Measurement Date			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.080%	0.083%	0.089%	0.086%
District's proportionate share of the net pension liability	\$ 73,984,000	\$ 67,131,230	\$ 59,918,360	\$ 50,255,820
State's proportionate share of the net pension liability associated with the District	<u>43,483,412</u>	<u>38,263,861</u>	<u>31,811,375</u>	<u>30,231,043</u>
Total	<u>\$ 117,467,412</u>	<u>\$ 105,395,091</u>	<u>\$ 91,729,735</u>	<u>\$ 80,486,863</u>
District's covered-employee payroll	\$ 41,128,188	\$ 39,288,231	\$ 37,976,024	\$ 35,051,949
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180%	171%	158%	143%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

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

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2018 LAST 10 YEARS*

	CalPERS Plan			
	Measurement Date			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2797%	0.2791%	0.2757%	0.2714%
District's proportionate share of the net pension liability	\$ 66,759,836	\$ 55,122,423	\$ 40,638,452	\$ 30,810,508
District's covered-employee payroll	\$ 35,663,359	\$ 33,475,412	\$ 30,965,438	\$ 29,799,775
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187%	165%	131%	103%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

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

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AS OF JUNE 30, 2018 LAST 10 YEARS*

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

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AS OF JUNE 30, 2018 LAST 10 YEARS*

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

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

SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Award Amount	Program Expenditures
U.S. Department of Education:				
Student Financial Assistance Programs Cluster:				
Pell Grant Program	84.063	N/A	\$ 14,408,752	\$ 14,408,752
Supplemental Educational Opportunity Grant Program	84.007	N/A	193,863	184,556
Federal Work-Study Program	84.033	N/A	257,832	267,139
Direct Student Loan Program	84.268	N/A	1,735,307	1,735,307
Subtotal Student Financial Assistance Programs Cluster			<u>16,595,754</u>	<u>16,595,754</u>
Passed Through Humboldt State University:				
HIS STEM	84.031C	N/A	34,632	29,651
Hispanic Serving Institute - SRJC Meta4	84.031S	P031S140184-15	681,584	531,044
Subtotal CFDA 84.031			<u>716,216</u>	<u>560,695</u>
TRIO Student Support Services	84.042A	N/A	287,543	245,902
Passed Through California Community Colleges Chancellor's Office (CCCCO):				
Title II-C	84.048	04-C01-061	598,098	598,098
CTE Transitions	84.048	04-139-069	41,592	41,592
Subtotal Career and Technical Education			<u>639,690</u>	<u>639,690</u>
Passed Through California Department of Education:				
HSE Jail Prep	84.002A	13971	141,813	141,813
Adult Education (English As a Second Language)	84.002A	14508	377,265	377,265
Subtotal CFDA 84.002A			<u>519,078</u>	<u>519,078</u>
Passed Through Office of Migrant Education:				
High School Equivalency Program	84.141A	N/A	490,857	466,712
Passed Through California Department of Rehabilitation:				
College to Career	84.126A	28109	250,000	250,000
Total U.S. Department of Education			<u>19,499,138</u>	<u>19,277,831</u>
U.S. Department of Health and Human Services:				
Passed Through CCCC:				
Temporary Assistance to Needy Families (TANF)	93.558	N/A	108,950	108,950
Passed Through County of Sonoma:				
Temporary Assistance to Needy Families (SonomaWorks)	93.558	17-0405-1SW	230,000	230,000
Subtotal TANF State Programs Cluster			<u>338,950</u>	<u>338,950</u>
Local Dental Pilot Project (Cavity Free)	93.778	2017-0077-A00	15,013	8,746
Medical Administrative Activities	93.778	04-35070	10,000	(3,785)
Subtotal Medicaid Cluster			<u>25,013</u>	<u>4,961</u>
Total U.S. Department of Health and Human Services			<u>363,963</u>	<u>343,911</u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued) YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Award Amount	Program Expenditures
U.S. National Science Foundation:				
Passed Through City College of San Francisco:				
HSI Course Based Research Experiences in STEM Education	47.076	DUE-1549875	228,042	138,835
STEM Miles	47.076	DUE-1742635	92,561	10,505
Subtotal National Science Foundation			<u>320,603</u>	<u>149,340</u>
U.S. Department of Agriculture:				
Passed Through California Department of Education:				
Child and Adult Care Food Program	10.558	1800-1A	<u>56,251</u>	<u>56,251</u>
U.S. Corporation of National and Community Service:				
Americorps Student Ambassadors	94.006	N/A	27,200	9,936
National Service Trust Grant	94.006	N/A	<u>87,565</u>	<u>87,565</u>
Subtotal U.S. Corporation of National and Community Service			<u>114,765</u>	<u>97,501</u>
Total Expenditures of Federal Awards			<u><u>\$ 20,354,720</u></u>	<u><u>\$ 19,924,834</u></u>

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2018

Program Title	Entitlements	Program Revenues				Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Unearned/ Payables	Total	
21st Century Alternative Fuel		\$ 20,835		\$ 1,065	\$ 19,770	\$ 19,770
Adult Ed AB 86	\$ 914,377	1,651,750		887,653	764,097	764,097
Adult Ed Data Collection		262,068		145,727	116,341	116,341
Apprenticeship	143,000	143,000			143,000	143,000
Basic Skills 16/17		49,860			49,860	49,860
Basic Skills 17/18	445,401	445,401		308,370	137,031	137,031
Block Grant 00/01		709,225		709,225		
Cal Grants	1,469,615	1,469,406	\$ 209		1,469,615	1,469,615
CalWorks	551,007	551,007			551,007	551,007
CalWorks Regional	10,000	10,000		1,929	8,071	8,071
Campus Safety Sexual Assault	29,564	29,564		26,827	2,737	2,737
Capital Outlay Program	1,086,000		1,086,000		1,086,000	1,086,000
Child Development	765,341	745,476	19,865		765,341	765,341
Child Development Consortium	15,000	6,250		60	6,190	6,190
Continuance	196,500	196,500		127,500	69,000	69,000
Cooperative Agency Resource						
Education	81,747	81,747			81,747	81,747
CTE Data Unlocked		50,000		50,000		
CTE Food/Beverage		590		590		
CTE Outcomes Survey	1,867,150	2,051,200		362,014	1,689,186	1,689,186
CTE Strong Workforce 16/17		1,180,777		442,629	738,148	738,148
CTE Strong Workforce 17/18	2,430,841	2,430,841		1,785,954	644,887	644,887
CTE Strong Workforce Regional 16/17		467,305		295	467,010	467,010
CTE Strong Workforce Regional 17/18	1,336,911		109,126		109,126	109,126
Disabled Student Program & Services	2,904,852	2,904,852			2,904,852	2,904,852
Dreamers	121,846	121,846		12,846	109,000	109,000
Education Planning Initiative		7,075		1,257	5,818	5,818
Enrollment Growth	268,000	107,200	160,800		268,000	268,000
EOPS Grants	242,855	241,655	1,200		242,855	242,855
Extended Opportunity Program and Services	1,591,020	1,591,020			1,591,020	1,591,020
Faculty and Staff Diversity	50,000	70,413		45,777	24,636	24,636
Financial Aid Administration	634,464	634,464			634,464	634,464
FKCE CSEC Training	5,500	3,300	2,200		5,500	5,500
Foster Parent Training Program	148,969	121,581	27,388		148,969	148,969
Full Time Student Success						
Grants	727,377	727,377		45,877	681,500	681,500
Guided Pathways	380,676	380,676		372,991	7,685	7,685

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2018

Program Title	Entitlements	Program Revenues				Program Expenditures
	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Unearned/ Payables	Total	
Health Workforce Initiative		1,226		197	1,029	1,029
Hunger Free Campus	41,954	41,954		38,746	3,208	3,208
IEPI Leadership Development		29,267		9,103	20,164	20,164
Innovation Grant		1,440,000		1,440,000		
Instruction Equipment 16/17		581,560			581,560	581,560
Instruction Equipment 17/18	515,909	515,909		183,926	331,983	331,983
Instructional Equip 07/08		47,193		47,193		
Integrated Teacher Prep	21,125	9,768			9,768	9,768
MESA	74,515	29,806	44,709		74,515	74,515
MESA Schools Pilot Program		16,813		14,138	2,675	2,675
MHSA-PEI	200,000	132,398	67,602		200,000	200,000
My Future is in Healthcare Program for Infant/Toddler Caregivers	29,592	12,238	16,697		28,935	28,935
Prop 39	1,091,554	436,622		379,116	57,506	57,506
Prop 39 CEA	575,469	1,127,680		629,443	498,237	498,237
Puente	1,500	1,500			1,500	1,500
Scheduled Maintenance 13/14		7,327		5,773	1,554	1,554
Scheduled Maintenance 14/15		101,466		84,471	16,995	16,995
Scheduled Maintenance 15/16		107,444		7,626	99,818	99,818
Scheduled Maintenance 16/17		1,500,000		325,197	1,174,803	1,174,803
Scheduled Maintenance 17/18	515,909	515,909		247,613	268,296	268,296
SSSP (Credit)	3,973,769	3,973,769		797,300	3,176,469	3,176,469
SSSP (Non-Credit)	614,768	614,768		252,095	362,673	362,673
Student Equity	2,048,546	2,291,958		249,406	2,042,552	2,042,552
Textbook Affordability Program		29,000		26,896	2,104	2,104
Veterans Resource Center	55,632	55,632		53,626	2,006	2,006
YESS-ILP	22,500	20,587	1,913		22,500	22,500
Total	\$ 28,200,755	\$ 33,106,056	\$ 1,537,709	\$ 10,120,451	\$ 24,523,314	\$ 24,523,314

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE YEAR ENDED JUNE 30, 2018

STATE GENERAL APPORTIONMENT

<u>Categories</u>	<u>Reported Data*</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2017 Only)			
1. Noncredit	675.60		675.60
2. Credit	1,458.14		1,458.14
B. Summer Intersession (Summer 2018, Prior to July 1, 2018)			
1. Noncredit	1.73		1.73
2. Credit	24.54		24.54
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	8,931.53		8,931.53
(b) Daily Census Contact Hours	777.47		777.47
2. Actual Hours of Attendance Courses:			
(a) Noncredit	2,631.11		2,631.11
(b) Credit	1,148.44		1,148.44
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	1,563.00		1,563.00
(b) Daily Census Procedure Courses	489.87		489.87
(c) Noncredit Independent Study	0.00		0.00
D. Total Full-Time Equivalent Students	<u>17,701.43</u>		<u>17,701.43</u>
<u>Supplemental Information</u>			
E. In-service Training Courses (FTES)	351.87		351.87
F. Basic Skills Courses and Immigrant Education (FTES)			
(a) Noncredit	500.64		500.64
(b) Credit	488.01		488.01
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	550.23		550.23
Centers FTES			
(a) Noncredit	155.64		155.64
(b) Credit	2,667.91		2,667.91

*FTES reported in the Recal 320 submitted by the District on September 20, 2018 less the emergency condition FTES of 1,542.70

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2018

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries:							
Contract or Regular	1100	\$ 21,546,383		\$ 21,546,383	\$ 21,546,383		\$ 21,546,383
Other	1300	22,327,896		22,327,896	22,327,896		22,327,896
Total Instructional Salaries		43,874,279		43,874,279	43,874,279		43,874,279
Non-Instructional Salaries:							
Contract or Regular	1200				10,262,069		10,262,069
Other	1400				1,558,120		1,558,120
Total Non-Instructional Salaries					11,820,189		11,820,189
Total Academic Salaries		43,874,279		43,874,279	55,694,468		55,694,468
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				20,514,196		20,514,196
Other	2300				1,697,625		1,697,625
Total Non-Instructional Salaries					22,211,821		22,211,821
Instructional Aides:							
Regular Status	2200	3,079,262		3,079,262	3,079,262		3,079,262
Other	2400	346,018		346,018	346,018		346,018
Total Instructional Aides		3,425,280		3,425,280	3,425,280		3,425,280
Total Classified Salaries		3,425,280		3,425,280	25,637,101		25,637,101
Employee Benefits	3000	14,580,443		14,580,443	28,931,598		28,931,598
Supplies and Materials	4000				2,653,224		2,653,224
Other Operating Expenses	5000	1,516,523		1,516,523	10,475,958		10,475,958
Equipment Replacement	6420						
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		63,396,525		63,396,525	123,392,349		123,392,349

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION YEAR ENDED JUNE 30, 2018

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900						
Student Health Services Above Amount Collected	6441				51,214		51,214
Student Transportation	6491						
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740						
Objects to Exclude:							
Rents and Leases	5060				261,012		261,012
Lottery Expenditures:							
Academic Salaries	1000				484,427		484,427
Classified Salaries	2000				1,196,922		1,196,922
Employee Benefits	3000				945,293		945,293
Supplies and Materials:	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional Supplies & Materials	4400						
Total Supplies and Materials							
Other Operating Expenses and Services	5000						
Capital Outlay:	6000						
Library Books	6300						
Equipment:	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						
TOTAL EXCLUSIONS					2,938,868		2,938,868
Total for ECS 84362, 50% Law		\$ 63,396,525	\$	\$ 63,396,525	\$ 120,453,481	\$	\$ 120,453,481
Percent of CEE (Instructional Salary Cost / Total CEE)		52.63%		52.63%	100%		100%
50% of Current Expense of Education					\$ 60,226,741		\$ 60,226,741

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2018

Education Protection Act (EPA) Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				\$ 14,564,378
Activity Classification	Activity Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	<u>14,564,378</u>	<u> </u>	<u> </u>	<u>14,564,378</u>
Total Expenditures for EPA*		<u>\$ 14,564,378</u>	<u>\$ </u>	<u>\$ </u>	<u>14,564,378</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 GOVERNMENTAL FUNDS TO NET POSITION YEAR ENDED JUNE 30, 2018

Fund Balance:

General Fund	\$ 6,971,242
Revenue Bond Interest and Redemption Fund	
Child Development Fund	
Farm Operation Fund	708,809
Revenue Bond Project Fund	45,403
Other Special Revenue Fund	53,946
Capital Outlay Projects Fund	6,049,518
General Obligation Bond Fund	73,312,937
Self-Insurance Fund	581,173
Other Internal Service Fund	3,080,391
Student Financial Aid and Trust Fund	
Scholarship and Loan Trust Fund	
Other Trust Fund	

Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	90,803,419
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Net audit adjustments:

No adjustments were made to the District's Funds	
Total Fund Balance	90,803,419

Reconciliation to Net Position:

Restricted Cash and Deposits Held in Escrow	51,028,834
Total OPEB Liability	(31,583,452)
Interest Payable	(4,788,015)
Capital Assets, Net	340,742,975
Deferred Charge on Refunding	11,347,594
Deferred Outflows of Resources Related to Pensions	40,786,343
Deferred outflows of Resources Related to OPEB	1,783,202
Net Pension Liability	(140,743,836)
Bonds Payable	(285,175,438)
Deferred Inflows of Resources Related to Pensions	(8,244,332)

Total Net Position	<u>\$ 65,957,294</u>
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SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

AUDITOR COMMENTS

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2018, was conducted in accordance with Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, which requires disclosure of the financial activities of all federally funded programs, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements. Negative amounts shown on the Schedule of Expenditures of Federal Awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2018.

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.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

Reconciliation of Education Protection Account Expenditures to District Accounting Records

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

Reconciliation of Governmental Funds to Net Position

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

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

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

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in dark ink that reads "Gilbert Associates, Inc." with a stylized, cursive-like script.

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

December 3, 2018

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Sonoma County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2018.

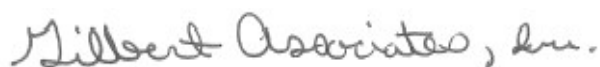
Report on Internal Control Over Compliance

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



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

December 4, 2018

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, 2018.

Management's Responsibilities

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of 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
- Dual Enrollment (CCAP and Non-CCAP)
- Student Equity
- Student Success and Support Program (SSSP) Funds
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Proposition 39 Clean Energy Fund
- Intersession Extension Program
- Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- Education Protection Account Funds


Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the types of compliance requirements referred to above is not modified with respect to this matter.

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

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2018.



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

December 3, 2018

FINDINGS AND RECOMMENDATIONS SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes

 X No

Significant deficiency(ies) identified?

_____ Yes

 X None Reported

Noncompliance material to financial statements noted?

_____ Yes

 X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes

 X No

Significant deficiency(ies) identified?

_____ Yes

 X None Reported

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

Unmodified

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

_____ Yes

 X No

Identification of major programs

CFDA Numbers

84.063, 84.007, 84.033, 84.268

Name of Federal Programs or Cluster

Student Financial Assistance Programs Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

 X Yes

_____ No

State Awards

Internal control over state programs:

Material weakness(es) identified?

_____ Yes

 X No

Significant deficiency(ies) identified?

_____ Yes

 X None Reported

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

 X Yes

_____ No

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

Unmodified

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III – STATE COMPLIANCE

2018-001: APPRENTICESHIP RELATED AND SUPPLEMENTAL INSTRUCTION (RSI) FUNDS

Criteria:

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

Condition/Cause:

Documentation reviewed to support hours claimed for 13 of 25 tested courses did not accurately support hours claimed due to manual errors in the program sponsors invoicing process. A review of 100% of apprenticeship courses for which RSI was claimed found that 37 of 63 courses had errors in reported hours which resulted in net understatement of total apprenticeship hours reported through the 2017-2018 3rd Period Apprenticeship Attendance Report (321) of 151 hours.

Effect:

Hours reported through the 2017-2018 3rd Period Apprenticeship Attendance Report (321) were not accurate, however, errors identified were subsequently corrected by the District through the Recal Reporting Period.

Questioned Costs:

There are no questioned costs related to this finding as the District has corrected the reported apprenticeship hours of instruction for 2017-2018 through the Recal Reporting Period.

Recommendation:

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

Management's Response:

The District agrees with the finding and recommendation. The District has already implemented processes and procedures to ensure 100% accuracy moving forward. The Apprenticeship office will create billing invoice and attendance spreadsheets that are input monthly and submitted to SRJC for payment via e-mail. No payment will be initiated until 100% accuracy is ensured with comparing submitted rosters with SRJC official rosters as well as verifying totals submitted by the apprenticeship

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

partner. The District has met with the individual apprentice programs to explain the situation, the findings, and inform them of the new changes being initiated to ensure accuracy, with positive results. District staff will verify enrollment and input all student hours into a database created to verify enrollment hours for the entire semester for each course for each apprentice program.

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, 2018

FINANCIAL STATEMENT FINDINGS

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

FEDERAL COMPLIANCE

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

STATE COMPLIANCE

There were no state compliance findings reported in the prior year