SONOMA COUNTY
JUNIOR COLLEGE DISTRICT

SANTA ROSA, CALIFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2017

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

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SONOMA COUNTY JUNIOR COLLEGE DISTRICT

ORGANIZATION
YEAR ENDED JUNE 30, 2017

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

Name	Office	Term Expires
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
Sabrina Rawson	Student Member	2017

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

Gilbert Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2017, 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.

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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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefits, the 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 November 20, 2017, 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 20, 2017

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, 2017. 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 31,600 students. The District has two campuses, located in Santa Rosa and Petaluma, California, and two centers, a Public Safety Training Center located in Windsor, California, and the Robert Shone Agricultural Center located in Forestville, California. Students may choose from associate degree majors and certificate programs, complete courses toward the first two years of a bachelor's degree program, or pursue courses for other professional or personal reasons.

Reporting Highlights

- ❖ The District was required to implement the reporting standards of Governmental Accounting Standards Board Statements No. 34 and 35 during the fiscal year 2002/03. The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the new reporting standards under the Business Type Activity (BTA) model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District has adopted the BTA reporting model for these financial statements. Under the BTA model of financial reporting, a single entity-wide statement is required to report financial activity for all funds of the District.

- ❖ The annual report consists of three basic financial statements that provide information on SRJC as a whole: the 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 and the Bookstore, but excludes the fiduciary funds that are reported separately. The following information is provided to assist with the understanding of the financial statements and the financial position of the District. Each statement is presented in a consolidated format and will be discussed separately.

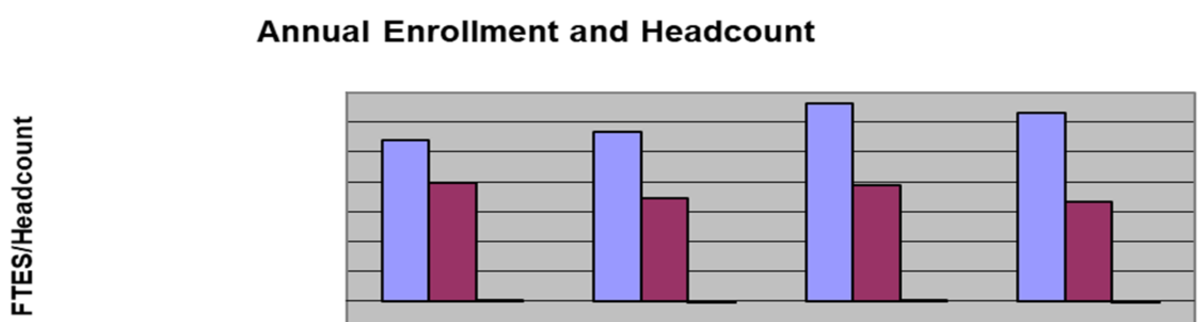
- ❖ The District maintains fiduciary funds to account for assets held by the District as an agent on behalf of others. The District's fiduciary funds are the Student Representation Fee, Student Body Center Fee, and Associated Students, each reported as agency funds.

- ❖ In 2014/15, the District implemented Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (collectively, the Statements). The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It requires employers to account for a net pension liability for the difference between the present value of projected pension benefits for previous service and restricted resources held in trust for the payment of benefits. The Statements prescribe the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additional information can be found in the footnotes.

Attendance and Financial Highlights

- Between 2009/10 and 2011/12, as a result of the economic crisis, the State imposed a series of workload reductions on the community college system by reducing the number of FTES that they would fund by roughly 12% and the District responded by reducing course offerings. With the passage of Proposition 30 in 2012/13, the District was spared any additional workload reduction. However, due to the uncertainty of the proposition's passage at the time of enrollment planning, the District conservatively reduced course offerings in the event that Prop 30 failed. As a result, the District experienced a further FTES reduction of nearly 2% in 2012/13. For 2013/14, the District's budget planned an 8% increase in course offerings to restore FTES and capture State restoration/growth funds. Unfortunately, the District fell short of its FTES goals and was forced to include 1,100 FTES from Summer 2014 in 2013/14 to ensure it captured all available growth funds. In 2014/15, the District increased its course offerings by 2% in an effort to reestablish FTES but failed to do so, instead declining slightly from 2013/14. In 2015/16, the District increased class offerings by a strategic additional 1% in another effort to reverse this trend but enrollments served decreased by 100 FTES over prior year. In 2016/17, the District budgeted a 5% decrease in instructional offerings and saw a 2.9% decrease in FTES served.

- The resident FTES in the following chart are distorted because of the 1,100 FTES transferred from 2014/15 to 2013/14 and again from 2016/17 to 2015/16. The true residents FTES served was approximately 18,500 in 2013/14, 18,400 in 2014/15, 18,300 in 2015/16, and 17,800 in 2016/17.



	2013/14	2014/15	2015/16	2016/17
Fall Headcount	27,002	28,256	33,107	31,626
Resident FTES	19,724	17,309	19,415	16,592
% Chg in FTES	2.8%	-12.2%	12.2%	-14.5%

Notes:

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

- In 2016/17, during the fifteenth year of the $251.7 million Measure A General Obligation Bond program, with the major construction completed, the District completed numerous maintenance projects and technology and equipment purchases and spent down the remaining amount from the bond. The District issued the 2002 General Obligation Bonds, Series A, in the amount of $60 million on February 4, 2003 and the 2002 General Obligation Bonds, Series B, in the amount of $105 million on October 13, 2005. The 2002 General Obligation Bonds, Series C in the amount of $69.71 million were issued on September 17, 2007, and the 2002 General Obligation Bonds, Series D in the amount of $16.99 million were issued on April 2, 2008. The Series D bond issue is being invested in tax free municipals to address longer term technology needs of the District.

- In 2016/17, the third year of the $410 million Measure H General Obligation Bond program, the District completed its planning phase and began major construction with the Burbank remodel and numerous maintenance projects and technology and equipment purchases. The District issued the 2014 General Obligation Bonds, Series A, in the amount of $125 million on December 7, 2016

- The District's cash is invested in the Sonoma County Pooled Investment Fund, administered by the County Treasurer. The interest rate (after fees) for the quarter ending June 30, 2017, was 1.162% compared to 0.865% for the June 30, 2016 quarter.

Financial Aid and Doyle Scholarships

For the years ended June 30, 2017 and 2016, the following sources of student financial aid were disbursed:

	2017	2016	Change	% Change
Federal	$ 14,608,354	$ 15,668,259	$ (1,059,905)	-6.76%
State	1,712,314	1,407,994	304,320	21.61%
Local	-	116,997	(116,997)	-100.00%
Scholarships	1,493,534	631,704	861,830	136.43%
TOTAL	$ 17,814,202	$ 17,193,250	$ (872,582)	-5.08%

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 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 2016/17, there were 2,542 scholarships awarded for $1,000 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.

	2017	2016	Change
ASSETS			
Current assets	$ 193,416,471	$ 56,526,049	$ 136,890,422
Non-current assets	335,817,225	336,321,498	(504,273)
TOTAL ASSETS	529,233,696	392,847,547	136,386,149
DEFERRED OUTFLOW OF RESOURCES	$ 39,377,376	$ 27,053,442	$ 12,323,934
LIABILITIES			
Current liabilities	$ 54,094,994	$ 29,946,704	$ 24,148,290
Non-current liabilities	416,970,888	289,133,708	127,837,180
TOTAL LIABILITIES	471,065,882	319,080,412	151,985,470
DEFERRED INFLOW OF RESOURCES	5,736,992	9,774,004	(4,037,012)
NET POSITION			
Invested in capital assets, net of related debt	123,985,124	142,343,712	(18,358,588)
Restricted	65,601,210	35,599,797	30,001,413
Unrestricted	(97,778,136)	(86,896,936)	(10,881,200)
TOTAL NET POSITION	$ 91,808,198	$ 91,046,573	$ 761,625

Current assets at June 30, 2017 consist of:

- Current cash and cash equivalents, mainly held at the county treasury, total $34.4 million.
- Restricted cash and cash equivalents which include cash in the Bond Funds ($108.9 million) and General Obligation debt service fund held for current repayments of the bonds ($40.3 million).
- Accounts receivables which include amounts due from grants, contracts, and general apportionment earned, but not received, by year-end. Accounts receivable increased $338 thousand over prior year, due mainly to the timing in payments from the state.
- Inventory has decreased to $58 thousand after the contracting out of the SRJC Bookstore to Follett.

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.
- ❖ Restricted investments which are funds from the Measure A General Obligation Bond, Series D issue that are invested with Public Trust Advisors.
- ❖ 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 ($4.8 million) and employees ($2.0 million). Accounts payable decreased by $917 thousand from prior year, mostly due to a change in the timing of payments to vendors.
- ❖ The current portion of debt, including interest ($5.2 million) and principle payments ($27.1 million) for the bonds. Interest payable increased by $1.9 million and the current portion of bond payments increased by $20.7 million 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 2017 semesters ($1.29 million). Unearned revenue increased by $2.14 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 are long-term debt ($288.9 million) and the net pension liability adjustment required by GASB 68 ($122.3 million). Detailed information regarding the District's long-term debt can be found in the footnotes to the financial statements

Analysis of the District's Financial Position

Net Position is the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of liabilities, and is an indicator of the District's financial position. Net Position is reported in three components: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets ($124.0 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 ($57.3 million), capital projects ($8.2 million) or other special purposes ($0.1 million). The Unrestricted portion (-$97.8 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 GASB 68 adjustment was $24.5 million or 11.4% 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.

	2017	2016	Change
Total operating revenues	$ 70,454,360	$ 68,679,594	$ 1,774,766
Total operating expenses	196,462,405	185,107,602	11,354,803
Operating income (loss)	(126,008,045)	(116,428,008)	(9,580,037)
Total non-operating revenues (expenses)	91,644,511	102,764,778	(11,120,267)
Income before other revenues, expenses, gains or losses	(34,363,534)	(13,663,230)	(20,700,304)
Capital revenues	35,125,159	14,653,685	20,471,474
Increase in net assets	761,625	990,455	(228,830)
Net Position - Beginning of year	91,046,573	90,056,118	990,455
Net Position - End of year	$ 91,808,198	$ 91,046,573	$ 761,625

Changes in operating revenues:

- Net tuition and fees increased slightly to $15.7 million. Enrollment fees are set by the state legislature for all community colleges, which was $46 a unit in 2016/17.

- Auxiliary enterprise sales and charges are primarily Bookstore sales ($5.1 million) and Farm sales ($1.45 million). Bookstore sales decreased by $1 million from prior year because of the contracting out to Follett in March 2017, while Farm sales increased by $514 thousand. There were also commissions of $74 thousand from vending and $140 thousand from the bookstore and food contracts.

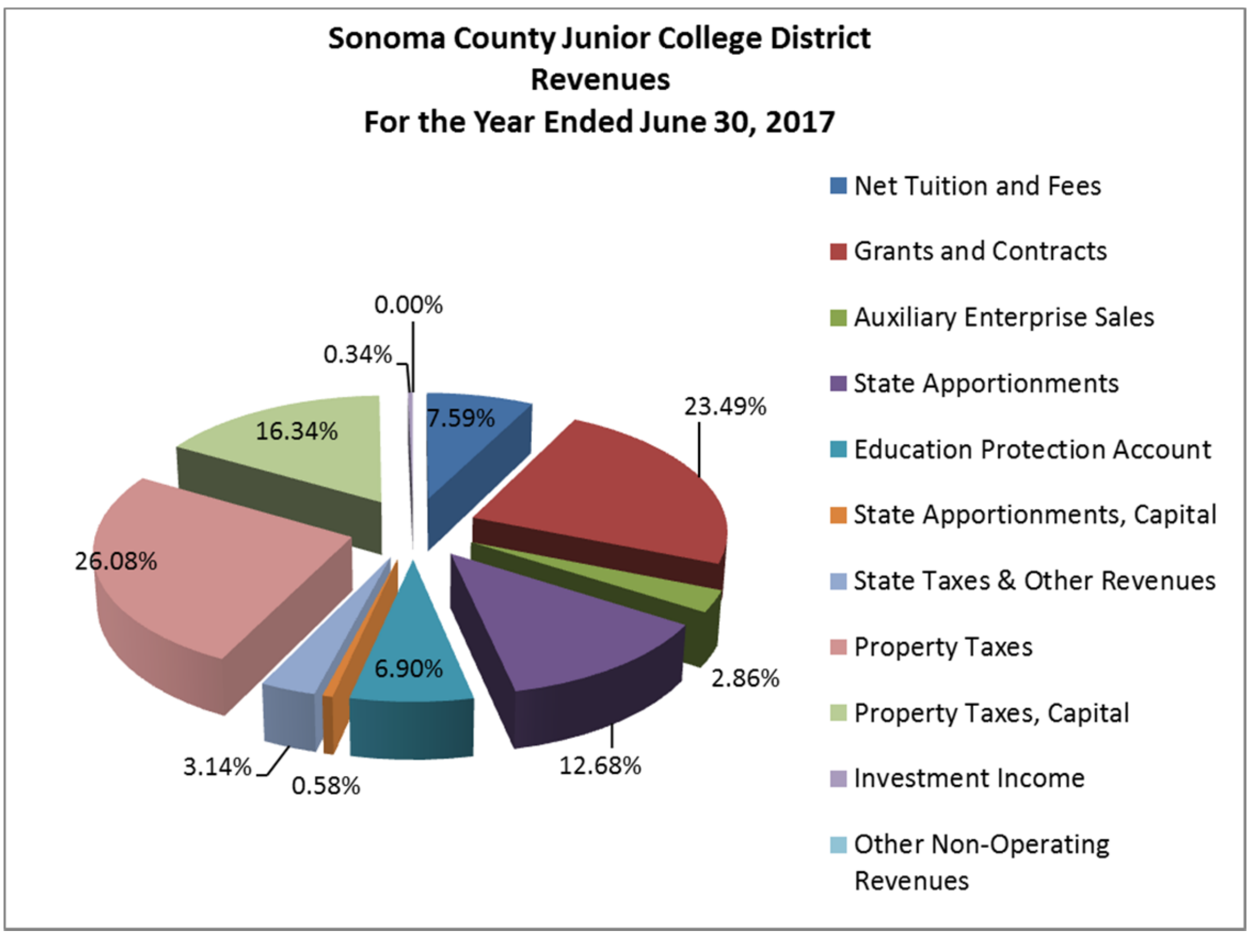
Changes in non-operating revenues:

- 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 decreased by $1.4 million from prior year, property tax revenue increased by $2.7 million, and Education Protection Act decreased by $583 thousand.

- Investment income – non-capital includes a gain of $202 thousand for adjusting the cash and investments to fair market value as required by GASB 31.

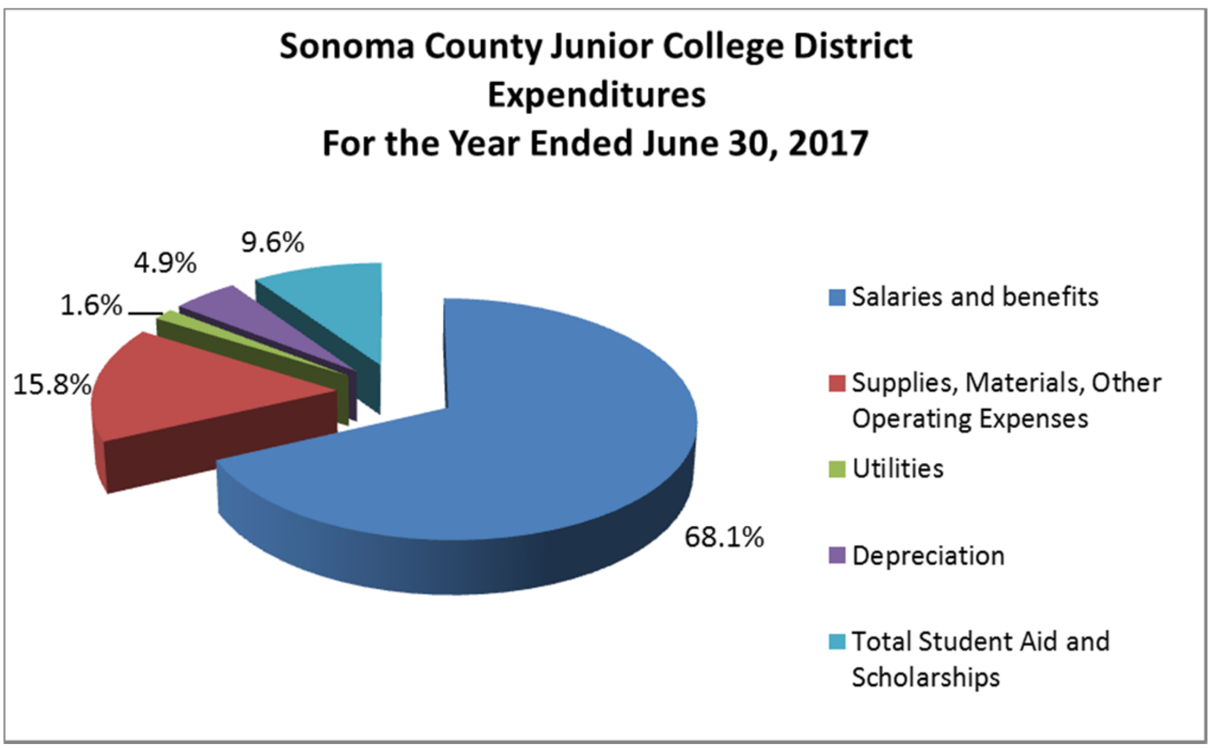
Revenues

	For the Year Ended June 30, 2017
Net Tuition and Fees	$ 15,758,412
Grants and Contracts	48,760,516
Auxiliary Enterprise Sales	5,935,432
State Apportionments	26,330,975
Education Protection Account	14,332,950
State Apportionments, Capital	1,202,731
State Taxes & Other Revenues	6,513,998
Property Taxes	54,144,875
Property Taxes, Capital	33,922,428
Investment Income	703,945
Other Non-Operating Revenues	-
Total Revenues	$ 207,606,262



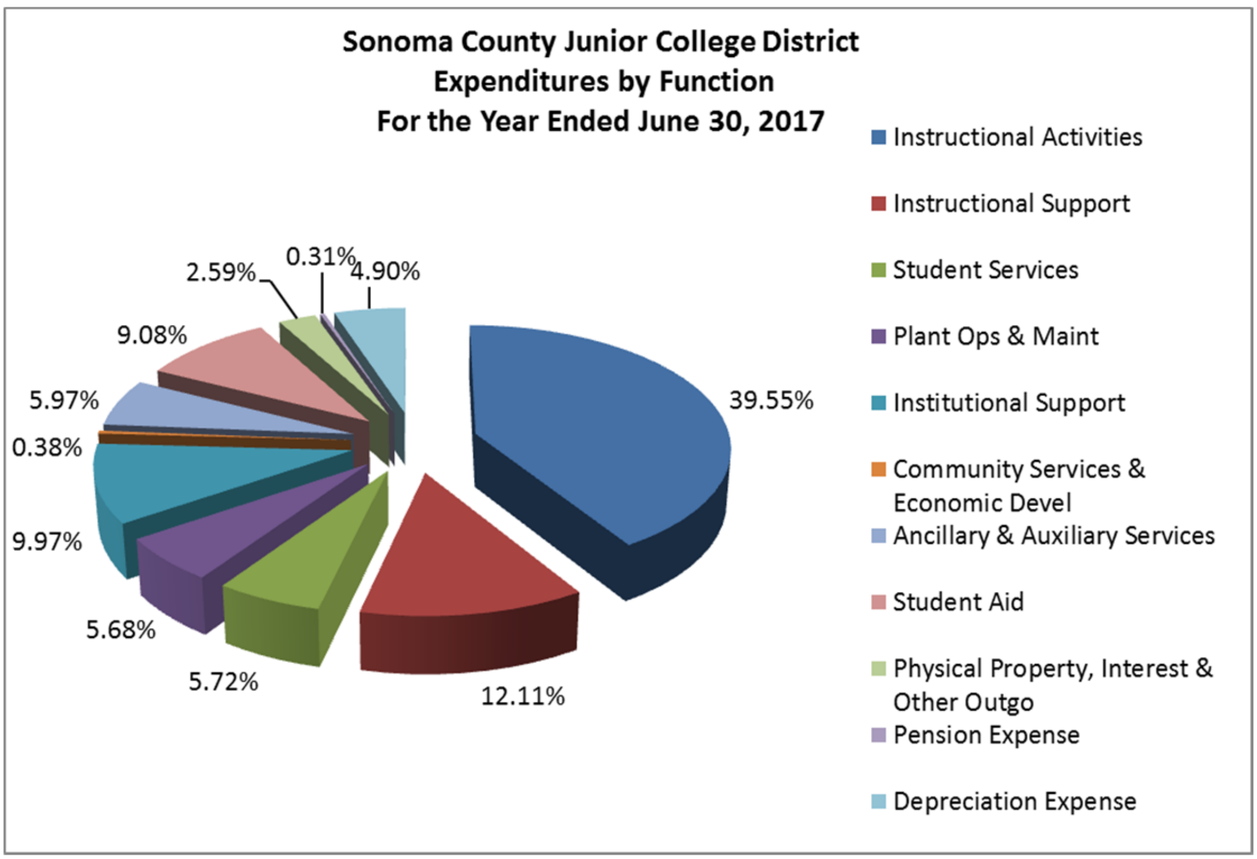
Operating Expenses (by natural classification)

	For the Year Ended June 30, 2017
Salaries	$ 96,617,234
Employee Benefits	37,116,649
Supplies and Materials	11,603,115
Other Operating Expenses and Services	19,504,643
Utilities	3,080,101
Depreciation	9,633,558
Total Student Aid and Scholarships	18,907,105
Total Operating Expenses	$ 196,462,405



Operating Expenses (by function)

	For the Year Ended June 30, 2017
Instructional Activities	$ 77,701,432
Instructional Support	23,784,804
Student Services	11,230,668
Plant Ops & Maint	11,154,729
Institutional Support	19,581,634
Community Services & Economic Devel	738,285
Ancillary & Auxiliary Services	11,731,742
Student Aid	17,837,871
Physical Property, Interest & Other Outgo	5,083,596
Pension Expense	613,211
Depreciation Expense	9,619,549
Bond Costs	7,384,885
Total	$ 196,462,405



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, 2017	2016	Change
Net Cash provided (Used) By:			
Operating activities	$ (113,542,383)	$ (102,957,886)	$ (10,584,497)
Non-capital financing activities	103,468,584	105,783,695	(2,315,111)
Capital and related financing activities	145,939,657	(2,710,547)	148,650,204
Investment activities	202,108	165,568	36,540
Net increase (decrease) in cash	136,067,966	280,830	135,787,136
Cash - Beginning of the fiscal year	66,003,376	65,722,546	280,830
Cash - End of the fiscal year	$ 202,071,342	$ 66,003,376	$ 136,067,966

- ❖ Net cash used for operating activities increased 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 decreased by $5.0 million over prior year due to increased property taxes and timing in payments from the state. Cash received from property taxes (non-capital) increased $2.7 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 ($13.4 million) and principal and interest payments on capital debt ($14.0 million). Cash inflows were comprised of property taxes ($33.9 million), and interest in capital investments ($500 thousand). Additional inflows and outflows related to the refunding and issuance of bonds include inflows for capital debt proceeds for the issuance of the first series for Measure H and partial refunding of Measure A, Series B ($145.8 million) and the premium received on the issuance and refunding of the bonds ($13.9 million), and outflows for payment to escrow account on refunded bonds ($23.5 million) and bond issuance costs ($936 thousand).

Capital Assets

The District had additions of $13.4 million in capital assets for the year, of which $9.5 million were for construction costs and land improvements and $1.2 million was for land. There are no major projects remaining in Measure A and the Measure was completely spent in 2016/17. 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.

Long-Term Debt

The District's long-term debt balance of $417.0 million is comprised of: bonds payable ($288.9 million), net pension liability required by GASB 68 ($122.3 million) and post-employment health benefits ($5.8 million). Additional information regarding the District's long-term debt can be found in the footnotes to the financial statements.

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.

Economic Factors That May Affect the Future

- As noted earlier in this report, student attendance is decreasing and the District needs to find ways to turn that around or there will be a substantial decrease to funding in 2017/18.

- The District created a plan to addressing the structural deficit that was identified as a recommendation in the 2015 ACCJC accreditation reaffirmation report which stated that the District needed to "develop and implement a plan to assure ongoing financial stability and a contingency plan to meet financial emergencies and unforeseen occurrences", and continues to ensure those expenditure reductions and revenue increases are achieved. However, with increased costs such as previously negotiated employee salary changes, minimum wage increases, and increases to employee benefits, when combined with the decreasing FTES, continue to strain the unrestricted general fund. The District continues to work with employee groups and look within to find ways to maintain a balanced budget as the ending fund balance is already close to the required 5% reserve.

- The State's primary employee pension providers, CalPERS and CalSTRS, are greatly underfunded. From 2013/14 to 2020/21, the employer contribution for CalSTRS will increase from 8.25% to 19.10%. The increase for the CalPERS program will be almost as dramatic as those for CalSTRS. CalPERS employer contributions will see an increase in that same time period from 11.442% to 20.4%.

- As outlined in the District's Strategic Plan, one of the District's goals is to diversify its revenues. To meet this goal, the District has increased its grant applications and is increasing the District's non-resident/international student population. Grant funds cannot directly provide funding to the District's Unrestricted General Fund, but some offer indirect help. To increase the non-resident/international student population, which does provide additional operational funding, the District has focused on greater outreach and student support. The increased efforts resulted in a revenue increase of $925 thousand from 2013/14 to 2016/17.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Institution	Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 34,405,379	$ 8,566,168
Restricted Cash and Cash Equivalents	149,178,641	
Cash with Trustee	757,458	
Accounts Receivable	8,798,674	19,402
Pledges Receivable		739,700
Inventory	58,010	
Prepaid Expenses	218,309	185,093
Total Current Assets	193,416,471	9,510,363
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	17,729,864	
Restricted Investments		42,631,374
Endowment Fund		996,552
Pledges Receivable		288,859
Charitable Remainder Trust Investments		2,515,654
Nondepreciable Capital Assets	16,205,540	
Depreciable Capital Assets, Net	301,881,821	
Total Noncurrent Assets	335,817,225	46,432,439
TOTAL ASSETS	529,233,696	55,942,802
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding	12,290,078	
Deferred Outflows of Resources Related to Pensions	27,087,298	
Total Deferred Outflows of Resources	39,377,376	
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,121,590	172,017
Unearned Revenue	10,265,193	303,332
Interest Payable	5,184,811	
Liabilities Under Charitable Remainder Trusts		16,769
Amounts Held on Behalf of Others	1,063,352	1,184,100
Compensated Absences Payable	3,320,048	
Long-Term Liabilities Due Within One Year:	27,140,000	
Total Current Liabilities	54,094,994	1,676,218
Noncurrent Liabilities:		
Postemployment Benefits	5,845,615	
Net Pension Liability	122,253,653	
Liabilities Under Charitable Remainder Trusts		102,744
Bonds Payable	288,871,620	
Total Noncurrent Liabilities	416,970,888	102,744
TOTAL LIABILITIES	471,065,882	1,778,962
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	5,736,992	
NET POSITION:		
Net Investment in Capital Assets	123,985,124	
Restricted for:		
Expendable:		
Capital Projects	8,184,631	
Debt Service	57,289,199	
Other Special Purposes	127,380	
Restricted by Donors		52,911,679
Unrestricted (Deficit)	(97,778,136)	1,252,161
TOTAL NET POSITION	$ 91,808,198	$ 54,163,840

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, 2017

	Primary Institution	Foundation
OPERATING REVENUES:		
Tuition and Fees (gross)	$ 24,207,025	
Less: Scholarship Discounts and Allowances	(8,448,613)	
Net Tuition and Fees	15,758,412	
Grants, Contracts, and Donations, Noncapital:		
Federal	18,027,446	
State	24,991,850	
Local	5,741,220	
Contributions		$ 6,326,954
Other		1,103,395
Auxiliary Enterprise Sales and Charges	5,935,432	
TOTAL OPERATING REVENUES	70,454,360	7,430,349
OPERATING EXPENSES:		
Academic Salaries	58,130,424	
Classified Salaries	38,486,810	
Employee Benefits	37,116,649	
Supplies and Materials	11,603,115	
Other Operating Expenses and Services	19,504,643	639,470
Utilities	3,080,101	
Depreciation	9,633,558	
Student Financial Aid and Scholarships	18,907,105	3,229,322
TOTAL OPERATING EXPENSES	196,462,405	3,868,792
OPERATING GAIN (LOSS)	(126,008,045)	3,561,557
NON-OPERATING REVENUES (EXPENSES):		
State Apportionments, Noncapital	26,330,975	
Education Protection Account	14,332,950	
Local Property Taxes	54,144,875	
State Taxes and Other Revenues	6,513,998	
Investment Income (Loss) - Noncapital	202,108	4,803,727
Investment Income - Capital	501,837	
Interest Expense on Capital Asset-Related Debt	(10,105,295)	
Other Non-Operating Income (Expenses), Net	(276,937)	
Other Non-Operating Transfers		(1,028,109)
TOTAL NON-OPERATING REVENUES (EXPENSES)	91,644,511	3,775,618
GAIN (LOSS) BEFORE CAPITAL REVENUES:	(34,363,534)	7,337,175
State Apportionments, Capital	1,202,731	
Local Property Taxes and Revenues, Capital	33,922,428	
INCREASE (DECREASE) IN NET POSITION	761,625	7,337,175
NET POSITION, BEGINNING OF YEAR	91,046,573	46,826,665
NET POSITION -- END OF YEAR	$ 91,808,198	$ 54,163,840

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$ 15,754,173	
Federal Grants and Contracts	18,178,649	
State Grants and Contracts	24,328,912	
Local Grants and Contracts	6,014,388	
Contributions		$ 6,573,248
Payments to Suppliers	(35,451,862)	
Payments to/on behalf of Employees	(129,474,689)	
Payments to/on behalf of Students	(18,423,351)	(3,229,322)
Auxiliary Enterprise Sales and Charges	5,594,991	
Other Receipts and Payments	(63,594)	149,481
Net Cash Provided (Used) by Operating Activities	(113,542,383)	3,493,407
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State Apportionments and Receipts	49,273,802	
Property Taxes	54,144,875	
Student Organization Agency Disbursements	49,907	
Interest on Noncapital Investments		765,001
Other Transfers		(1,028,109)
Net Cash Provided by Noncapital Financing Activities	103,468,584	(263,108)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Capital/Refunding Bonds	145,795,000	
Premiums Received on Capital/Refunding Bonds	13,907,671	
Bond Issuance Costs Paid on Capital/Refunding Bonds	(936,305)	
State Apportionments for Capital Purposes	1,663,715	
Purchases of Capital Assets	(13,423,192)	
Proceeds from Sales of Capital Assets	(315)	
Principal Paid on Capital Debt	(6,430,000)	
Payment to Escrow Account on Refunded Bonds	(23,510,000)	
Interest Paid on Capital Debt	(8,521,182)	
Purchases of Capital Investments	(16,482)	
Proceeds from Sale of Capital Investments	2,986,482	
Interest on Capital Investments	501,837	
Local Property Taxes and Other Revenues for Capital Purposes	33,922,428	
Net Cash Provided (Used) by Capital and Related Financing Activities	145,939,657	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments		(14,891,862)
Sales and Maturities of Investments		14,764,604
Gain on Pooled Cash and Cash Equivalents	202,108	
Net Cash Provided (Used) by Investing Activities	202,108	(127,258)
NET INCREASE IN CASH AND EQUIVALENTS	136,067,966	3,103,041
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	66,003,376	5,463,127
CASH AND EQUIVALENTS -- END OF YEAR	$ 202,071,342	$ 8,566,168

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2017

	Primary Institution	Foundation
Reconciliation to Balance Sheet:		
Cash and Equivalents	$ 34,405,379	8,566,168
Restricted Cash and Cash Equivalents - Current	149,178,641	
Cash with Trustee	757,458	
Restricted Cash and Cash Equivalents - Noncurrent	17,729,864	
Total Cash and Cash Equivalents	$ 202,071,342	$ 8,566,168
RECONCILIATION OF NET OPERATING GAIN (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	$ (126,008,045)	$ 3,561,557
Donated Investments		(64,267)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	9,633,558	
Changes in:		
Accounts Receivable	(2,433,874)	1,100,439
Pledges Receivable		(823,348)
Inventories, Prepaids, and Other Assets	562,826	(434,576)
Endowment Fund		(64,986)
Deferred Outflows Related to Pensions	(14,229,361)	
Accounts Payable	(917,890)	41,417
Unearned Revenue	1,676,549	98,456
Compensated Absences	274,203	
Postemployment Benefits	239,822	
Net Pension Liability	21,696,841	
Liabilities Under Charitable Remainder Trusts		389
Amounts Held on Behalf of Others		78,326
Deferred Inflows Related to Pensions	(4,037,012)	
Net Cash Provided (Used) by Operating Activities	$ (113,542,383)	$ 3,493,407
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Amortization of Deferred Charge on Refunding	$ 974,798	
Amortization of Premium on Long-Term Debt	(3,152,155)	
Net Non-Cash Investing, Capital, and Financing Activities	$ (2,177,357)	$

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

		Agency Funds
ASSETS:		
Cash and Cash Equivalents	$	758,477
Accounts Receivable		254
TOTAL ASSETS	$	758,731
LIABILITIES:		
Accounts Payable	$	8,132
Due to District		1,971
Amounts Held in Trust for Others		748,628
TOTAL LIABILITIES	$	758,731

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

1. ORGANIZATION AND REPORTING ENTITY

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Interest incurred during the construction phase of capital assets is included as part of the capitalizable value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. Interest costs of $167,065 were capitalized for the year ended June 30, 2017.

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 plans after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year. Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 9 for further details related to these pension deferred outflows and inflows.

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

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

Compensated Absences – Employee vacation pay is accrued at year-end for financial statement purposes based on vacation time accrued and current pay rates. The liability and expense incurred are recorded at year end as accrued vacation payable in the 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.

- Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting" and GASB No. 34, such as State appropriations and investment income.

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

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

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

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's cash, cash equivalents, and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position of the Primary Institution:	
Cash and Cash Equivalents	$ 34,405,379
Restricted Cash and Cash Equivalents – Current	149,178,641
Restricted Cash and Cash Equivalents – Noncurrent	17,729,864
Cash with Trustee	757,458
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	758,477
Total Cash, Cash Equivalents, and Investments	$ 202,829,819

The District's cash, cash equivalents, and investments as of June 30, 2017 consist of the following:

Cash and Cash Equivalents in Sonoma County Treasury	$ 198,762,911
Deposits with Financial Institutions	2,570,582
Cash on Hand	52,642
Cash Equivalents and Investments with Fiscal Agent:	
Money Market Mutual Fund	686,226
Cash Held by Trustee	757,458
Total Cash, Cash Equivalents, and Investments	$ 202,829,819

Cash in County Treasury

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

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

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

Investments Authorized by the District's Investment Policy

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

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

Investments Authorized by Debt Agreements

The District's cash, cash equivalents, and investments with fiscal agent in the amount of $109,631,554 represents unspent proceeds of the 2014 General Obligation Bond, Series A and 2002 General Obligation Bond, Series D at June 30, 2017, which are restricted for specific purposes under terms of the bonds offering.

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

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, 2017, the weighted average maturity of the investments contained in the District's Treasury's investment pool is approximately 569 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. Money market funds held by the District are exempt from disclosure.

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, 2017, the carrying amount of the District's bank balance was $2,619,405. Of the bank balance, $270,295 was insured by the Federal Depository Insurance Corporation (FDIC). Cash on hand of $52,642 is not insured. District deposits held with financial institutions in excess of FDIC limits were $2,349,110. Of the total bank balance, $2,247,716 is held by the primary institution and $371,689 is held by fiduciary funds.

Restricted Cash, Cash Equivalents, and Investments

The District’s restricted cash, cash equivalents, and investments are $166,908,505 at June 30, 2017. Included in this restricted balance is $109,631,555 for the 2014 Series A General Obligation Bond and General Obligation Bonds Series D unspent proceeds and $57,276,950 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.

The County Treasury Pooled Investment Fund and Money Market Mutual Fund are 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, 2017:

Federal Grants and Contracts	$ 901,744
State Grants and Contracts	2,077,335
Local Grants and Contracts	114,173
State Apportionment – Non-Capital	2,170,828
Auxiliaries	63,986
Tuition and Fees	1,679,036
Other	1,791,572
Totals	$ 8,798,674

5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital Assets, Not Depreciated:				
Land	$ 13,084,973	$ 1,169,391		$ 14,254,364
Construction in Progress		1,951,176		1,951,176
Total Capital Assets, Not Depreciated	13,084,973	3,120,567		16,205,540
Capital Assets, Depreciated:				
Buildings	377,739,205	7,499,387		385,238,592
Improvement of Sites	13,929,175	743,214		14,672,389
Vehicles	3,454,612	378,564	$ (405,580)	3,427,596
Machinery and Equipment	15,895,654	1,681,460	(1,067,641)	16,509,473
Total Capital Assets, Depreciated	411,018,646	10,302,625	(1,473,221)	419,848,050
Less Accumulated Depreciation for:				
Buildings	(87,511,834)	(8,547,534)		(96,059,368)
Improvement of Sites	(9,401,520)	(342,464)		(9,743,984)
Vehicles	(2,260,695)	(235,785)	278,820	(2,217,660)
Machinery and Equipment	(10,355,222)	(507,774)	917,779	(9,945,217)
Total Accumulated Depreciation	(109,529,271)	(9,633,557)	1,196,599	(117,966,229)
Total Capital Assets, Depreciated, Net	301,489,375	669,068	(276,622)	301,881,821
Capital Assets, Net	$ 314,574,348	$ 3,789,635	$ (276,622)	$ 318,087,361

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 by $930,629, 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, 2017 of $885,391 is being amortized over the remaining life of the new debt. This current refunding was undertaken to reduce total debt service payments over the next 11 years by $5,634,781 and resulted in an economic gain of $4,469,511.

The 2016 General Obligation Refunding Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 555,000	$ 945,013	$ 1,500,013
2019		936,688	936,688
2020		936,687	936,687
2021		936,688	936,688
2022		936,687	936,687
2023-2027	9,280,000	4,039,738	13,319,738
2028-2030	10,960,000	715,968	11,675,968
Subtotal	20,795,000	9,447,469	30,242,469
Plus: Unamortized Premium	3,192,587		3,192,587
Totals	$ 23,987,587	$ 9,447,469	$ 33,435,056

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, 2017 of $13,174,469 is being amortized over the remaining life of the new debt.

The 2013 General Obligation Refunding Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 280,000	$ 6,070,850	$ 6,350,850
2019	7,455,000	5,929,600	13,384,600
2020	8,025,000	5,607,300	13,632,300
2021	8,845,000	5,255,150	14,100,150
2022	9,640,000	4,866,500	14,506,500
2023-2027	52,710,000	16,707,500	69,417,500
2028-2030	40,615,000	3,168,125	43,783,125
Subtotal	127,570,000	47,605,025	175,175,025
Plus: Unamortized Premium	21,021,254		21,021,254
Totals	$ 148,591,254	$ 47,605,025	$ 196,196,279

General Obligation Bonds

In September 2005, the District issued General Obligation Bonds, Series B, in the amount of $105,000,000, with an interest rate of 5.00%. As described above, these bonds were partially refunded in May 2013, and the remaining outstanding balance was refunded in December 2016. As such, this liability has been removed from the statement of net position.

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

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

	Principal	Interest	Total
Year Ending June 30, 2018	$ 3,615,000	$ 72,300	$ 3,687,300
Plus: Unamortized Premium	28,831		28,831
Totals	$ 3,643,831	$ 72,300	$ 3,716,131

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

The General Obligation Bonds, Series D mature as follows:

	Principal	Interest	Total
Year Ending June 30, 2018	$ 2,970,000	$ 74,250	$ 3,044,250
Plus: Unamortized Premium	227,666		227,666
Totals	$ 3,197,666	$ 74,250	$ 3,271,916

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:

Year Ending June 30,	Principal	Interest	Total
2018	$ 19,560,000	$ 4,781,300	$ 24,341,300
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
2023-2027	6,235,000	14,724,800	20,959,800
2028-2032	11,500,000	12,701,000	24,201,000
2033-2037	18,560,000	9,353,188	27,913,188
2038-2042	28,395,000	3,767,887	32,162,887
Subtotal	125,000,000	59,190,775	184,190,775
Plus: Unamortized Premium	10,311,282		10,311,282
Totals	$ 135,311,282	$ 59,190,775	$ 194,502,057

Revenue Bonds

The District's revenue bond indebtedness at June 30, 2017, consisted of the following:

	Amount of Original Issue	Outstanding July 1, 2016	Current Year Payments	Current Year Additions	Outstanding June 30, 2017
Lease Revenue Bonds, 1998 Series A – Payable in annual installments ranging from $75,000 to $210,000, plus interest at rates ranging from 3.6% to 4.625%, final maturity in 2023.	$ 3,215,000	$ 1,430,000	$ 150,000	$	$ 1,280,000

Future payments relating to revenue bonds payable were as follows at June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	$ 160,000	$ 55,500	$ 215,500
2019	165,000	47,984	212,984
2020	175,000	40,122	215,122
2021	180,000	31,913	211,913
2022	190,000	23,356	213,356
2023-2024	410,000	19,194	429,194
Totals	$ 1,280,000	$ 218,069	$ 1,498,069

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 187,971,104	$ 159,702,671	$ 32,942,155	$ 314,731,620	$ 26,980,000
Revenue Bonds	1,430,000		150,000	1,280,000	150,000
Other Postemployment Benefits (Note 10)	5,605,793	2,052,814	1,812,992	5,845,615	
Compensated Absences	3,045,845	3,320,048	3,045,845	3,320,048	3,320,048
Total	$ 198,052,742	$ 165,075,533	$ 37,950,992	$ 325,177,283	$ 30,450,048

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

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

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

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

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

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

Self-insurance and other limits are as follows:

Type of Coverage	Self-Insurance	SWACC	SAFER	PIPS
General Liability	Up to $50,000	$50,000 - $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):

	SWACC Property / Liability June 30, 2016	SAFER Property / Liability June 30, 2016	PIPS Workers' compensation June 30, 2016
Total Assets	$ 53,650,572	$ 23,297,652	$ 117,633,714
Total Liabilities	$ 25,243,178	$ 21,155,886	$ 104,282,740
Net Position	28,407,394	2,141,766	13,350,974
Total Liabilities and Net Position	$ 53,650,572	$ 23,297,652	$ 117,633,714
Total Revenues	$ 19,710,832	$ 56,004,631	$ 265,667,899
Total Expenses	21,820,131	55,390,780	262,755,057
Net Increase (Decrease) in Net Position	$ (2,109,299)	$ 613,851	$ 2,912,842

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 $19,749,471 at June 30, 2017. 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 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, 2017, was 12.58% of annual pay. District contributions to the CalSTRS Plan were $5,166,959 for the year ended June 30, 2017.

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 4.311% in 2016-17. The increased contributions end as of fiscal year 2046-47. 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, 2015, and rolling forward the total pension liability to the measurement date of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Investment Rate of Return[(1)]	7.60%
Mortality[(2)]	CalSTRS' Membership Data
	2% simple for DB (Annually)
	Maintain 85% purchasing power Level for DB
Post-Retirement Benefit Increase	Not applicable for DBS /CBB

[(1)] Net of investment expenses, but gross of administrative expenses.
[(2)] CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information.

Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board on 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
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	100.00%	

*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. PEPRA 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 PEPRA, 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.

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, 2017, was 13.888% of annual pay. District contributions to the CalPERS Plan were $4,952,867 for the year ended June 30, 2017.

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases[1]	Varies
Investment Rate of Return[2]	7.65%
Mortality[3]	CalPERS' Membership Data
Post-Retirement Benefit Increase[4]	Up to 2.75%

[1] Depending on 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 experience study report.
[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, including updates to salary increase, mortality and retirement rates.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the amortization and smoothing periods recently adopted by the Board were used. A projection of expected benefit payments and contributions was performed for the Plan to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The results of the crossover testing for the CalPERS Plan are presented in a detailed report that can be obtained from the CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 – 10[a]	Real Return Years 11+[b]
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
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.

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

As of June 30, 2017, 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	$ 67,131,230
CalPERS Plan	55,122,423
Total District net pension liability	122,253,653
State's proportionate share of CalSTRS net pension liability associated with the District	38,263,861
Total	$ 160,517,514

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, 2016, 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, 2016, was 0.083% and 0.2791% for the CalSTRS and CalPERS Plans, respectively, which was a decrease of 0.006% and an increase of 0.0034%, respectively, from its proportion measured as of June 30, 2015 for CalSTRS and CalPERS Plans, respectively.

For the year ended June 30, 2017, the District recognized pension expense of $17,256,718 and revenue of $3,706,425 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,370,792	$ (1,637,590)
Changes in assumptions		(1,656,100)
Changes in proportion	706,553	(2,241,810)
Change in proportionate share of contributions		(201,492)
Net differences between projected and actual investment earnings of pension plan investments	13,890,128	
District contributions subsequent to measurement date	10,119,825	
Total	$ 27,087,298	$ (5,736,992)

The $10,119,825 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, 2018. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	$ 1,189,022
2019	1,178,292
2020	6,747,401
2021	3,579,971
2022	(654,138)
Thereafter	(810,067)

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% (6.60%)	Current Discount Rate (7.60%)	Discount Rate +1% (8.60%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 96,616,980	$ 67,131,230	$ 42,642,080

	Discount Rate –1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 82,242,961	$ 55,122,423	$ 32,539,237

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.

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, 2017, employees and the District each contributed $349,437 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, 2017, employees and the District each contributed $125,743 to the 403(b) plan.

10. OTHER POSTEMPLOYMENT BENEFIT PLAN

Under the terms of certain District employee agreements and Board adopted policies, the District maintains a single-employer plan to provide $84-$136.50 per month for specified group health insurance for the life of eligible retiring employees and their surviving spouses. Benefit provisions and obligations to contribute for non-management employees are established and may be amended through employee union negotiations. Benefit provisions and obligations to contribute for management employees are established and may be amended by the District's Board of Trustees. At June 30, 2017, there were 555 retirees receiving health care benefits. The retiree must be age 55 or greater at retirement with at least 15 years of service. For employees hired on or after October 1, 2013, the eligibility requirements are age 62 and 17 years of full-time service.

As of June 30, 2017, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. During the year ended June 30, 2017, expenditures of $2,052,814 were recognized for the OPEB expense. The 2016-17 contributions consist of $1,625,258 of postemployment benefits for current retirees on a pay-as-you-go basis, and the implicit subsidy of $187,734.

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

Actuarial cost method	Entry Age, Level Percent of Pay
Amortization method	30 year level dollar, open period
Remaining amortization period at June 30, 2017	21
Interest rate assumption	4% Single Weighted Average
Health inflation assumption	4-6%
Projected payroll increase	3%

Annual required contribution	$ 2,051,362
Interest on net OPEB obligation	224,232
Adjustment to annual required contribution	(222,780)
Annual OPEB expense	2,052,814
Contributions made:	
Pay-as-you-go	(1,625,258)
Implicit subsidy	(187,734)
Annual OPEB contributions	(1,812,992)
Increase in OPEB obligation	239,822
Net OPEB obligation at July 1, 2016	5,605,793
Net OPEB obligation at June 30, 2017	$ 5,845,615

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for the years ended June 30, 2017, 2016, and 2015 is as follows:

Fiscal year ended	Annual OPEB expense	% of annual OPEB expense contributed	Net OPEB obligation
6/30/15	$ 2,107,204	76.90%	$ 5,172,367
6/30/16	$ 2,107,204	79.43%	$ 5,605,793
6/30/17	$ 2,052,814	86.04%	$ 5,845,615

The District's funding status for other postemployment benefits as of the most recent valuation date, July 1, 2016, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/16	$ 0	$ 29,216,626	$ 29,216,626	0%	$ 65,202,582	45%

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/12	$ 0	$ 20,278,031	$ 20,278,031	0%	$ 51,735,223	39%
7/1/14	$ 0	$ 21,011,494	$ 21,011,494	0%	$ 57,426,560	37%
7/1/16	$ 0	$ 29,216,626	$ 29,216,626	0%	$ 65,202,582	45%

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalSTRS Plan

	Measurement Date		
	2016	**2015**	**2014**
District's proportion of the net pension liability	0.083%	0.089%	0.086%
District's proportionate share of the net pension liability	$ 67,131,230	$ 59,918,360	$ 50,255,820
State's proportionate share of the net pension liability associated with the District	38,263,861	31,811,375	30,231,043
Total	$ 105,395,091	$ 91,729,735	$ 80,486,863
District's covered employee payroll	$ 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	171%	158%	143%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%

Notes to Schedule:

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

Changes in assumptions – There were no changes in assumptions.

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalPERS Plan

	Measurement Date		
	2016	**2015**	**2014**
District's proportion of the net pension liability	0.2791%	0.2757%	0.2714%
District's proportionate share of the net pension liability	$ 55,122,423	$ 40,638,452	$ 30,810,508
District's covered employee payroll	$ 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	165%	131%	103%
Plan fiduciary net position as a percentage of the total pension liability	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.

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 5,166,959	$ 4,208,991	$ 3,354,769
Contributions in relation to the contractually required contributions	(5,166,959)	(4,208,991)	(3,354,769)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 41,128,188	$ 39,288,231	$ 37,976,024
Contributions as a percentage of covered-employee payroll	12.56%	10.70%	8.83%

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalPERS Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 4,952,867	$ 3,965,995	$ 3,592,525
Contributions in relation to the contractually required contributions	(4,952,867)	(3,965,995)	(3,592,525)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 33,663,359	$ 33,475,412	$ 30,965,438
Contributions as a percentage of covered-employee payroll	13.88%	11.85%	11.60%

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

SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	**Federal CFDA Number**	**Pass-Through Identifying Number**	**Program Expenditures**
U.S. Department of Education:			
Student Financial Assistance Programs Cluster:			
Pell Grant Program	84.063	N/A	$ 12,320,374
Supplemental Educational Opportunity Grant Program	84.007	N/A	194,084
Federal Work-Study Program	84.033	N/A	257,450
Direct Student Loan Program	84.268	N/A	1,785,729
Subtotal Student Financial Assistance Programs Cluster			14,557,637
Hispanic Serving Institute - SRJC Meta4	84.031S	P031S140184-15	614,635
TRIO Student Support Services	84.042A	N/A	248,027
Passed Through California Community Colleges Chancellor's Office (CCCCO):			
Title II-C	84.048	04-C01-061	550,788
CTE Transitions	84.048	04-139-069	43,748
Subtotal Career and Technical Education			594,536
Passed Through California Department of Education:			
Adult Education (English Literacy/Civics Education Grant)	84.002A	14109	81,552
Adult Education (English As a Second Language)	84.002A	14508	391,050
Subtotal Adult Education			472,602
Passed Through Office of Migrant Education:			
High School Equivalency Program	84.141A	N/A	595,767
Passed Through California Department of Rehabilitation:			
College to Career	84.126A	28109	250,000
Total U.S. Department of Education			17,333,204
U.S. Department of Health and Human Services:			
Passed Through CCCCO:			
Temporary Assistance to Needy Families (TANF)	93.558	N/A	85,693
Passed Through County of Sonoma:			
Temporary Assistance to Needy Families (SonomaWorks)	93.558	17-0405-1SW	228,971
Subtotal TANF State Programs Cluster			314,664
Medical Administrative Activities	93.778	04-35070	(73,595)
Total U.S. Department of Health and Human Services			241,069

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	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	68,793
Improving Pathways in Sustainable Agriculture Education	47.076	DUE-1304588	55,682
Subtotal National Science			124,475
U.S. Department of Agriculture:			
Passed Through California Department of Education:			
Child and Adult Care Food Program	10.558	1800-1A	56,902
Department of State, Bureau of Educational and Cultural Affairs:			
Passed Through the International Research & Exchanges Board			
Community College Initiatives Board	19.009	06-43-B10541	199,937
U.S. Corporation of National and Community Service:			
National Service Trust Grant	94.006	N/A	71,859
Total Expenditures of Federal Awards			$ 18,027,446

See the accompanying notes to supplemental information.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

	Entitlements	Program Revenues				
Program Title	**Current Year**	**Unearned Revenue and Cash Received**	**Accounts Receivable**	**Unearned/ Payables**	**Total**	**Program Expenditures**
21st Century Alternative Fuel	$ 29,350	$ 7,802	$ 5,863		$ 13,665	$ 13,665
21st Century Skills		10,130			10,130	10,130
Adult Ed AB 86	914,337	1,358,825		$ 737,373	621,452	621,452
Adult Ed Data Collection	262,258	262,258		262,068	190	190
Apprenticeship	230,316	230,316			230,316	230,316
Basic Skills 15/16		117,094			117,094	117,094
Basic Skills 16/17	115,828	110,439		31,706	78,733	78,733
Block Grant 00/01		709,225		709,225		
Cal Grants	1,191,463	1,169,760	21,703		1,191,463	1,191,463
CalWorks	531,749	531,749			531,749	531,749
CalWorks Regional	10,000	10,000	(4,383)		5,617	5,617
Child Development	659,455	584,950	2,841		587,791	587,791
Child Development Consortium	15,000	6,250			6,250	6,250
Cooperative Agency Resource Education	78,457	78,457			78,457	78,457
CTE Entrepreneur	50,000	50,000		50,000		
CTE Data Unlocked		26,200		590	25,610	25,610
CTE Food/Beverage	1,790,201	314,864	1,273,472		1,588,336	1,588,336
CTE Strong Workforce	1,641,874	1,641,874		1,180,777	461,097	461,097
CTE Strong Workforce Regional	930,395		465,198	275,867	189,331	189,331
Disabled Student Program & Services	3,061,918	3,061,918			3,061,918	3,061,918
Education Planning Initiative	105,000	52,500		7,075	45,425	45,425
Enrollment Growth	268,000	246,560	21,440		268,000	268,000
EOPS Grants	171,478	165,973	5,505		171,478	171,478
ESL /Basic Skills	31,250	31,250			31,250	31,250
Extended Opportunity Program and Services	1,176,578	1,176,578			1,176,578	1,176,578
Faculty and Staff Diversity	60,000	60,000		20,413	39,587	39,587
Financial Aid Administration	609,195	609,195			609,195	609,195
FKCE CSEC Training	7,750	4,650	3,100		7,750	7,750
Foster Parent Training Program	154,133	80,588	73,545		154,133	154,133
Full Time Student Success Grants	349,373	339,976	9,397		349,373	349,373
Health Workforce Initiative	10,000	17,357		1,227	16,130	16,130
IEPI Leadership Development	50,000	50,000		29,267	20,733	20,733
Instruction Equipment 15/16	83,163	83,163			83,163	83,163
Instruction Equipment 16/17	1,556,048	1,556,048		525,513	1,030,535	1,030,535
Instructional Equip 07/08		47,032		47,032		
Integrated Teacher Prep	31,688		10,563		10,563	10,563
MESA	77,893	30,300	47,594		77,894	77,894
MESA Schools Pilot Program		31,994		16,813	15,181	15,181

See the accompanying notes to supplemental information.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

	Entitlements	Program Revenues				
Program Title	**Current Year**	**Unearned Revenue and Cash Received**	**Accounts Receivable**	**Unearned/ Payables**	**Total**	**Program Expenditures**
MHSA-PEI	200,000	130,100	67,748		197,848	197,848
My Future is in Healthcare	12,000	10,800	1,199		11,999	11,999
Program for Infant/Toddler Caregivers	29,592	18,332	11,140		29,472	29,472
Prop 39	50,000	2,021	44,862		46,883	46,883
Prop 39 CEA	706,087	1,304,757		539,845	764,912	764,912
Puente	4,500	4,500			4,500	4,500
Scheduled Maintenance 13/14		107,362		7,327	100,035	100,035
Scheduled Maintenance 14/15		207,444		101,466	105,978	105,978
Scheduled Maintenance 15/16		1,104,162		107,445	996,717	996,717
Scheduled Maintenance 16/17	1,556,048	1,556,048		1,556,048		
SSSP (Credit)	3,103,886	4,264,733		705,574	3,559,159	3,559,159
SSSP (Non-Credit)	415,396	563,336		194,501	368,835	368,835
Student Equity	2,005,582	2,799,530		243,412	2,556,118	2,556,118
Student Mental Health	750	750			750	750
Textbook Affordability Program	29,000	26,100		26,100		
Transfer Center and Articulation		447			447	447
YESS-ILP	22,500	5,952	16,548		22,500	22,500
Total	$ 24,389,491	$ 26,971,649	$ 2,077,335	$ 7,376,664	$ 21,672,320	$ 21,672,320

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2017

STATE GENERAL APPORTIONMENT

Categories	Reported Data*	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2016 Only)			
1. Noncredit	551.74		551.74
2. Credit	298.35		298.35
B. Summer Intersession (Summer 2017, Prior to July 1, 2017)			
1. Noncredit	1.61		1.61
2. Credit	28.11		28.11
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	9,333.10		9,333.10
(b) Daily Census Contact Hours	855.33		855.33
2. Actual Hours of Attendance Courses:			
(a) Noncredit	2,317.71		2,317.71
(b) Credit	1,121.73		1,121.73
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	1,435.96		1,435.96
(b) Daily Census Procedure Courses	459.89		459.89
(c) Noncredit Independent Study	0.00		0.00
D. Total Full-Time Equivalent Students	16,403.53		16,403.53
Supplemental Information			
E. In-service Training Courses (FTES)	340.01		340.01
F. Basic Skills Courses and Immigrant Education (FTES)			
(a) Noncredit	548.65		548.65
(b) Credit	601.80		601.80
CCFS 320 Addendum			
CDCP Noncredit FTES	567.70		567.70
Centers FTES			
(a) Noncredit	158.08		158.08
(b) Credit	2,787.61		2,787.61

*FTES reported in the CCFS 320 submitted by the District on July 13, 2017.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2017

		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	$ 20,137,665		$ 20,137,665	$ 20,137,665		$ 20,137,665
Other	1300	21,241,305		21,241,305	21,241,305		21,241,305
Total Instructional Salaries		41,378,970		41,378,970	41,378,970		41,378,970
Non-Instructional Salaries:							
Contract or Regular	1200				10,073,486		10,073,486
Other	1400				1,392,528		1,392,528
Total Non-Instructional Salaries					11,466,014		11,466,014
Total Academic Salaries		41,378,970		41,378,970	52,844,984		52,844,984
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				20,269,582		20,269,582
Other	2300				2,444,871		2,444,871
Total Non-Instructional Salaries					22,714,453		22,714,453
Instructional Aides:							
Regular Status	2200	3,012,390		3,012,390	3,012,390		3,012,390
Other	2400	446,307		446,307	446,307		446,307
Total Instructional Aides		3,458,697		3,458,697	3,458,697		3,458,697
Total Classified Salaries		3,458,697		3,458,697	26,173,150		26,173,150
Employee Benefits	3000	12,827,254		12,827,254	26,316,512		26,316,512
Supplies and Materials	4000				2,784,985		2,784,985
Other Operating Expenses	5000	1,114,552		1,114,552	9,917,395		9,917,395
Equipment Replacement	6420				1,045		1,045
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		58,779,473		58,779,473	118,038,071		118,038,071

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2017

		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				2,421		2,421
Student Transportation	6491				99,287		99,287
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740						
Objects to Exclude:							
Rents and Leases	5060				250,004		250,004
Lottery Expenditures:							
Academic Salaries	1000				520,708		520,708
Classified Salaries	2000				1,287,054		1,287,054
Employee Benefits	3000				1,052,287		1,052,287
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					3,211,761		3,211,761
Total for ECS 84362, 50% Law		$ 58,779,473	$	$	$	$	$
Percent of CEE (Instructional Salary Cost / Total CEE)		51.19%		51.19%	100%		100%
				58,779,473			114,826,310
50% of Current Expense of Education					$ 57,413,155		$ 57,413,155

114,826,310

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES
TO DISTRICT ACCOUNTING RECORDS
YEAR ENDED JUNE 30, 2017

Education Protection Act (EPA) Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				$ 14,332,950
Activity Classification	**Activity Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 7,166,475			$ 7,166,475
Academic Administration - Student Support Services	6010	1,791,780			1,791,780
Library	6120	1,065,136			1,065,136
Media	6130	724,132			724,132
Admissions and Records	6200	1,577,172			1,577,172
Counseling and Guidance	6310	313,290			313,290
Matriculation and Student Assessment	6320	258,704			258,704
Transfer Programs	6330	187,947			187,947
Career Guidance	6340	68,920			68,920
Extended Opportunity Programs and Services (EOPS)	6430	83,517			83,517
Job Placement Services	6470	103,931			103,931
Building Maintenance and Repairs	6510	991,946			991,946
Total Expenditures for EPA*		$14,332,950	$	$	14,332,950
Revenues less Expenditures					$

*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, 2017

Fund Balance:	
General Fund	$ 7,882,803
Revenue Bond Interest and Redemption Fund	1,413,946
Child Development Fund	
Farm Operation Fund	738,330
Revenue Bond Project Fund	1,503,153
Other Special Revenue Fund	254,490
Capital Outlay Projects Fund	8,184,631
General Obligation Bond Fund	107,640,606
Bookstore Fund	
Self-Insurance Fund	1,034,569
Other Internal Service Fund	4,083,554
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)	132,736,082
Net audit adjustments:	
No adjustments were made to the District's Funds	
Total Fund Balance	132,736,082
Reconciliation to Net Position:	
Restricted Cash and Deposits Held in Escrow	56,640,070
Net OPEB Liability	(5,845,615)
Interest Payable	(5,184,811)
Capital Assets, Net	318,087,361
Deferred Charge on Refunding	12,290,078
Deferred Outflows of Resources Related to Pensions	27,087,298
Net Pension Liability	(122,253,653)
Bonds Payable	(316,011,620)
Deferred Inflows of Resources Related to Pensions	(5,736,992)
Total Net Position	$ 91,808,198

See accompanying notes to supplemental information.

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2017, 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, 2017.

Schedule of State Financial Assistance

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

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

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

Reconciliation of ECS 84362 (50 Percent Law) Calculation

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

Reconciliation of Education Protection Account Expenditures to District Accounting Records

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

Reconciliation of Governmental Funds to Net Position

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

OTHER INDEPENDENT AUDITOR'S REPORTS

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2017.

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.

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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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 20, 2017

Gilbert Associates, Inc.
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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, 2017. 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.

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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, 2017.

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.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 20, 2017

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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, 2017.

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.

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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
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51State Bond Funded Projects
- Proposition 55 Education Protection Account Funds

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, 2017. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with the *Contracted District Audit Manual*.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 20, 2017

FINDINGS AND RECOMMENDATIONS SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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	Name of Federal Programs or Cluster
84.063, 84.007, 84.033, 84.268	Student Financial Assistance Programs Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$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?	____ Yes	X No
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III – STATE COMPLIANCE

There were no state compliance findings reported.

SECTION IV - FEDERAL COMPLIANCE

There were no federal compliance findings reported.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2017

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