SONOMA COUNTY
JUNIOR COLLEGE DISTRICT

SANTA ROSA, CALIFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2013

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

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SONOMA COUNTY JUNIOR COLLEGE DISTRICT

ORGANIZATION
YEAR ENDED JUNE 30, 2013

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
Terry W. Lindley	President	2016
Jeff Kunde	Vice President	2014
Don Edgar	Clerk	2016
B. Robert Burdo	Member	2014
Richard W. Call	Member	2016
Onita Pellegrini	Member	2014
Don Zumwalt	Member	2014
Robert Edmonds	Student Member	2014

ADMINISTRATION

Dr. Frank Chong .... Superintendent/President

Mary Kay Rudolph .... Vice President of Academic Affairs/Assistant Superintendent

Doug Roberts .... Vice President of Business Services

Karen Furukawa .... Vice President of Human Resources

Ricardo D. Navarrette .... 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, 2013, 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.

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO | 101 PARKSHORE DRIVE, SUITE 100, FOLSOM | GILBERTCPA.COM | 916.646.6464

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, 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 22, 2013

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, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

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 Sonoma County Junior College District, familiarly called Santa Rosa Junior College (SRJC), is a public two-year community college, which serves approximately 26,700 students. The District has two campuses, located in Santa Rosa and Petaluma, California and two centers, a Public Safety Training Center located in Windsor, California and the Robert Shone Agricultural Center located in Forestville, California. Students may choose from associate degree majors and certificate programs, complete courses toward the first two years of a bachelor's degree program, or pursue courses for other professional or personal reasons.

Reporting Highlights

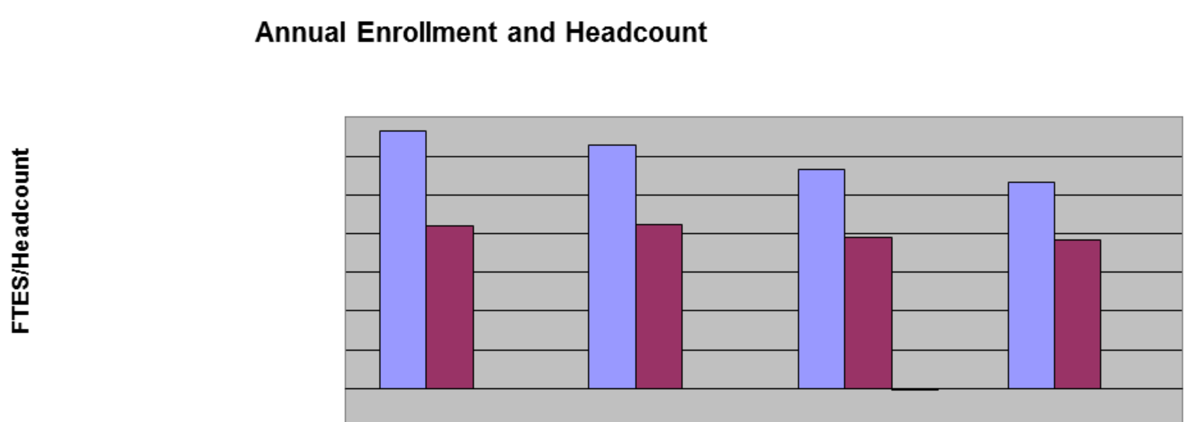
- The annual report consists of three basic financial statements that provide information on SRJC as a whole: the Balance Sheet; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The information provided on the statements that follow includes all funds and the Bookstore, but excludes the fiduciary funds that are reported separately. The following information is provided to assist with the understanding of the financial statements and the financial position of the District. Each statement is presented in a consolidated format and will be discussed separately.

- The financial statements of the Sonoma County Junior College Foundation are also included under this cover as a discretely presented component unit as well as presented under separate cover in greater detail.

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

Financial and Attendance Highlights

- Beginning in 2009-10, as a result of the economic crisis, the State began imposing a series of workload reductions on the community college system by reducing the number of FTES that they would fund. By 2011-12, the State has reduced the District's funded FTES by roughly 12%. Had Proposition 30 failed in 2012, the State would have reduced the District's funded FTES by yet another 6%. The District responded to each funded FTES reduction by reducing course offerings. The FTES reduction actually achieved was less than planned due to increased demand caused by unemployment, and enrollment restrictions placed on incoming freshmen by the UC and the CSU systems. With the passage of Proposition 30, 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 was conservatively forced to reduce course offerings in anticipation of the proposition's possible failure. As a result, the District experienced a further FTES reduction of nearly 2% in 2012-13. Although reported FTES was less than that needed for base apportionment funding, the District experienced no loss in revenues due to the State's apportionment-stability mechanism. For 2013-14, the District's budget includes a planned 8% increase in course offerings to restore base apportionment FTES and capture State restoration/growth funds.



	2009/10	2010/11	2011/12	2012/13
Fall Headcount	33,327	31,467	28,265	26,695
Resident FTES	21,054	21,087	19,556	19,194
% Chg in FTES	-0.2%	0.2%	-7.3%	-1.9%

Notes:

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

- In 2012/13, during the eleventh year of implementation of its $251.7 million General Obligation Bond program (Measure A), the District completed numerous maintenance projects and the construction of and equipment purchases for the B. Robert Burdo Culinary Arts Center. 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. There are no remaining major construction projects at the end of 2012/13. The Series D bond issue is being invested in tax free municipals to address longer term technology needs of the District. While many of the infrastructure and technology needs of the District have been met with this bond, there are still numerous upgrades, buildings, and other projects that are still necessary and will need to be addressed in future years.

- 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, 2013 was 0.828% compared to 0.874% for the June 30, 2012 quarter.

Financial Aid

For the years ended June 30, 2013 and 2012, the following sources of student financial aid and scholarships were disbursed:

	2013	2012	Change	% Change
Federal	$ 19,140,241	$ 20,510,430	$ (1,370,189)	-6.68%
State	1,124,140	655,269	468,871	71.55%
Local	261,879	108,123	153,756	142.20%
Total	$ 20,526,260	$ 21,273,822	$ (747,562)	-3.51%

The local funds were raised from the "Bridging the Doyle" campaign that the District established beginning Fall, 2009 to provide student scholarships during the suspension of Doyle Trust distributions. 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. Distributions from the Trust were suspended in September 2009, and resumed in September 2012, with traditional Doyle Scholarships planned to be awarded for Fall 2013 to qualifying high school graduates. The award amount planned will vary depending on how many qualified students apply, and the Doyle Scholarship Fund balance. In 2012-13, a total of 209 Bridging the Doyle scholarships in the amount of $500 were awarded to students.

Balance Sheet

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

	2013	2012	Change
ASSETS			
Current assets	$ 58,115,754	$ 59,872,513	$ (1,756,759)
Noncurrent assets	356,849,532	363,129,265	(6,279,733)
TOTAL ASSETS	414,965,286	423,001,778	(8,036,492)
DEFERRED OUTFLOW OF RESOURCES	17,293,972	191,791	17,102,181
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 432,259,258	$ 423,193,569	$ 9,065,689
LIABILITIES			
Current liabilities	$ 23,958,667	$ 24,898,063	$ (939,396)
Noncurrent liabilities	211,405,293	213,216,081	(1,810,788)
TOTAL LIABILITIES	235,363,960	238,114,144	(2,750,184)
NET POSITION			
Net investment in capital assets	148,345,776	126,618,396	21,727,380
Restricted	37,760,626	50,667,837	(12,907,211)
Unrestricted	10,788,896	7,793,192	2,995,704
TOTAL NET POSITION	196,895,298	185,079,425	11,815,873
TOTAL LIABILITIES AND NET POSITION	$ 432,259,258	$ 423,193,569	$ 9,065,689

Current assets at June 30, 2013 consist of:

- Current cash and cash equivalents, mainly held at the county treasury, total $25.2 million.

- Restricted cash and cash equivalents includes cash in the Bond Fund ($2.2 thousand), as well as the cash in the General Obligation debt service fund that is held for repayment of the general obligation bonds ($30.3 million).

- Accounts receivable includes amounts due from State, Federal and local grants, contracts, and general apportionment earned, but not received, by year-end. Accounts receivable decreased $4 million over prior year, mainly due to timing in apportionment payments.

- Inventory consists primarily of Bookstore inventory of approximately $597 thousand.

Noncurrent assets are:

- Restricted cash and cash equivalents consists of tax revenues collected by the county for payment of principal and interest in future years.

- Restricted investments are funds from the General Obligation Bond, Series D issue that are invested with Bond Logistix.

- Capital assets 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.

Deferred outflows of resources consist of:

- Deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price.

Current liabilities consist of:

- Accounts payable consists mainly of amounts due to vendors ($2.5 million) and employees ($1.7 million). Accounts payable decreased by $1.47 million over prior year, mostly due to a change in the timing of payments to vendors.

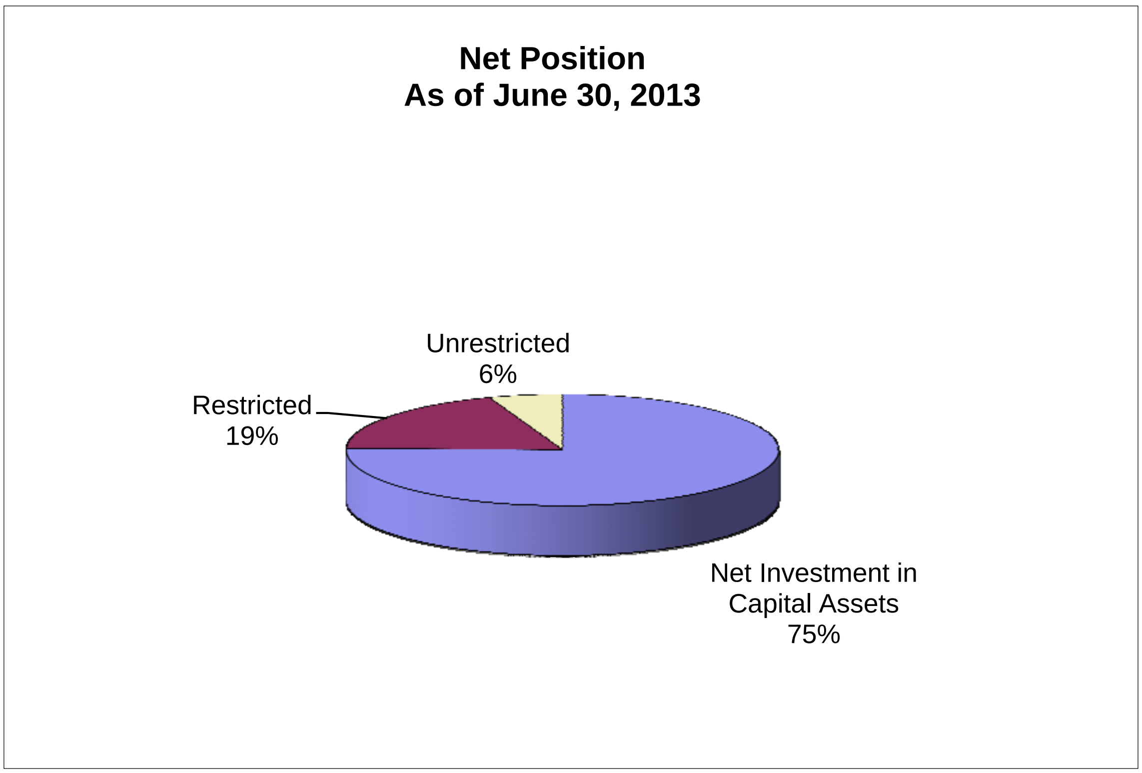
- Unearned revenue relates to federal, state and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are deferred enrollment fees for the Summer and Fall 2013 semesters ($750 thousand).

Noncurrent liabilities are:

- Noncurrent liabilities represent debt to be paid in one year or later. The major component of the non-current portion is long-term debt ($211.4 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, previously referred to as Net Assets, is the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of liabilities, and is an indicator of the District's financial position. Net Position is reported in three components: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets ($148.3 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 ($30.3 million). The Unrestricted portion ($10.8 million) represents resources with no external restrictions, but which may be designated by the Board of Trustees for contingencies and other special purposes. This represents 6% of the Total Position at June 30, 2013.



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. There is an adjustment to prior year beginning Net Position because the District implemented GASB 62 and 65 in 2012/13, which resulted in a cumulative change to capital assets of $17.1 million of past interest costs being capitalized and $1.9 million in bond issuance costs being written off. This resulted in a net $15.2 million that restates the beginning net position of the District. There is more detailed information in the footnotes.

	2013	2012	Change
Total operating revenues	$ 53,339,445	$ 53,985,441	$ (645,996)
Total operating expenses	147,200,256	148,580,617	(1,380,361)
Operating income (loss)	(93,860,811)	(94,595,176)	734,365
Total non-operating revenues	76,228,500	74,996,876	1,231,624
Income (loss) before other revenues, expenses, gains or losses	(17,632,311)	(19,598,300)	1,965,989
Capital revenues	14,252,593	15,048,150	(795,557)
Increase (decrease) in net position	(3,379,718)	(4,550,150)	1,170,432
Net Position - Beginning of year	185,079,425	189,629,575	(4,550,150)
Cumulative effect of change in accounting principle	15,195,591		15,195,591
Net Position - End of year	$ 196,895,298	$ 185,079,425	$ 11,815,873

Changes in operating revenues:

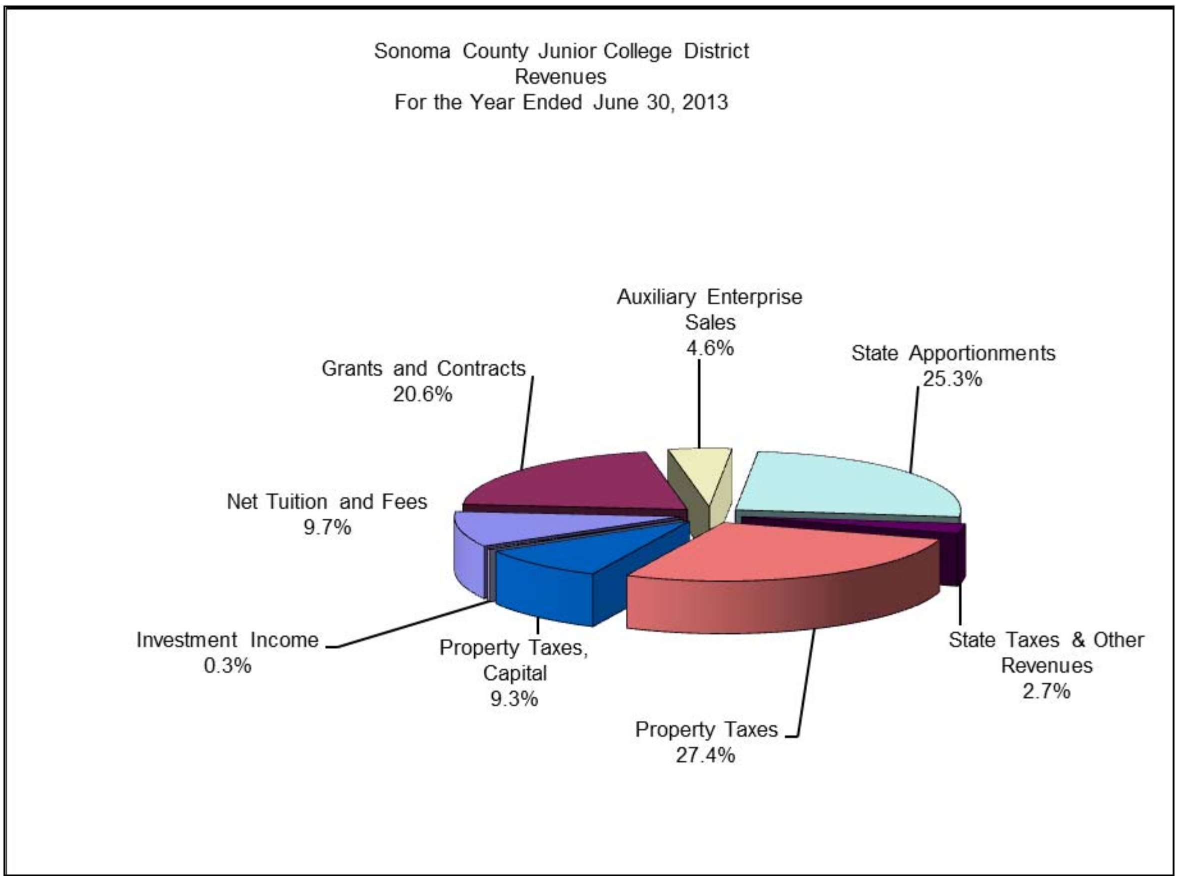
- Net tuition and fees increased to $14.9 million. Enrollment fees are set by the state legislature for all community colleges, which was $46 per unit in 2012/13.
- Auxiliary enterprise sales and charges are primarily Bookstore sales ($5.98 million) and Farm sales ($691 thousand). Bookstore sales decreased by $417 thousand from prior year, while Farm sales increased by $295 thousand.

Changes in non-operating revenues:

- State apportionment represents total state general revenue earned less property taxes and enrollment fees. State apportionments, noncapital, represent $38.6 million of the non-operating revenues and property taxes are $41.8 million. State apportionment decreased by $4.06 million from prior year and property tax revenue increased by $1.86 million.
- Investment income – non-capital is a loss of $486 thousand after adjusting the cash and investments to fair market value as required by GASB 31.

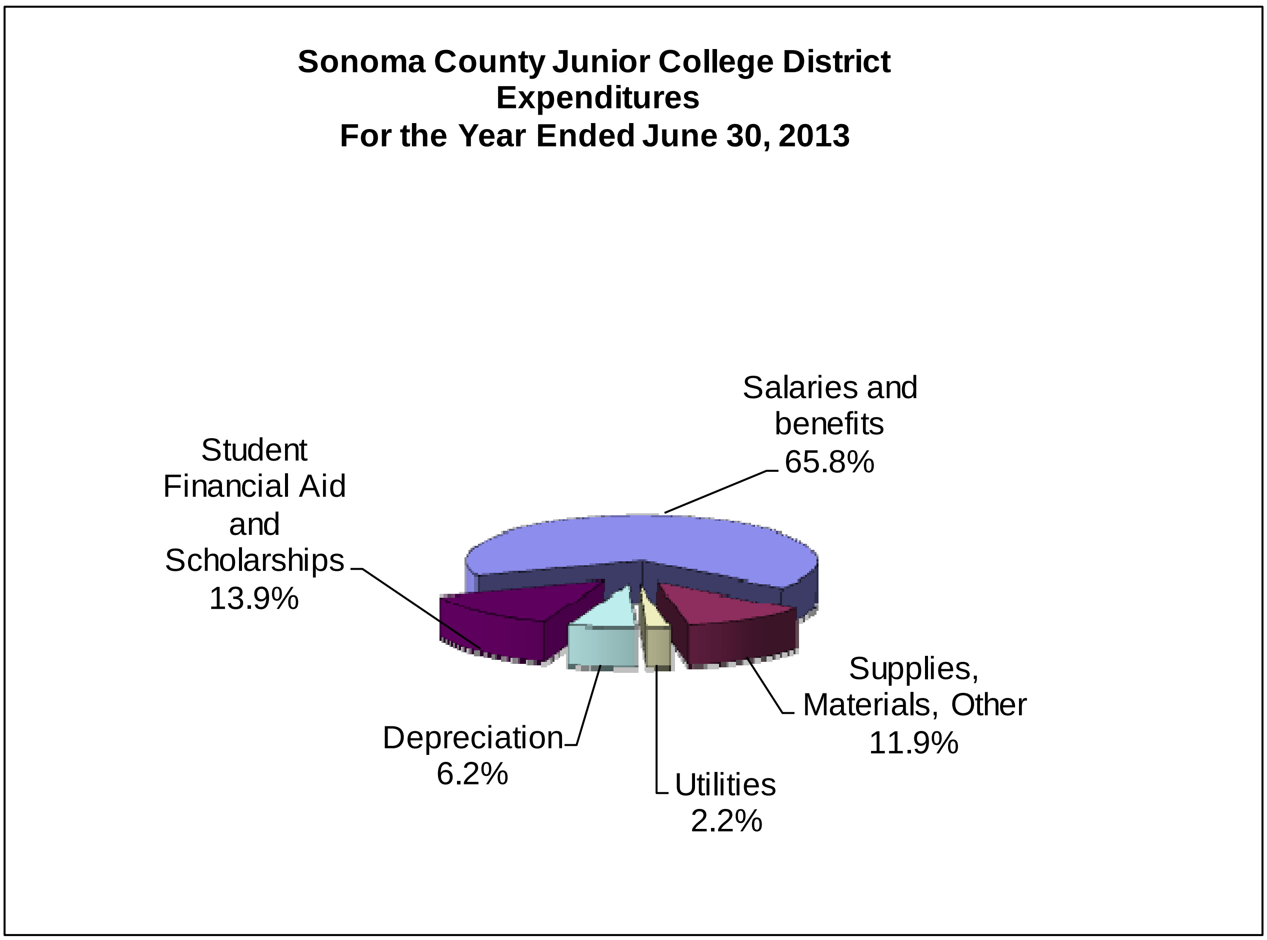
Revenues

	For the Year Ended June 30, 2013
Net Tuition and Fees	$ 14,879,586
Grants and Contracts	31,511,650
Auxiliary Enterprise Sales	6,948,209
State Apportionments	38,627,276
State Taxes & Other Revenues	4,196,481
Property Taxes	41,788,915
Property Taxes, Debt Service	14,252,593
Investment Income (Loss)	(52,254)
Total Revenues	$ 152,152,456



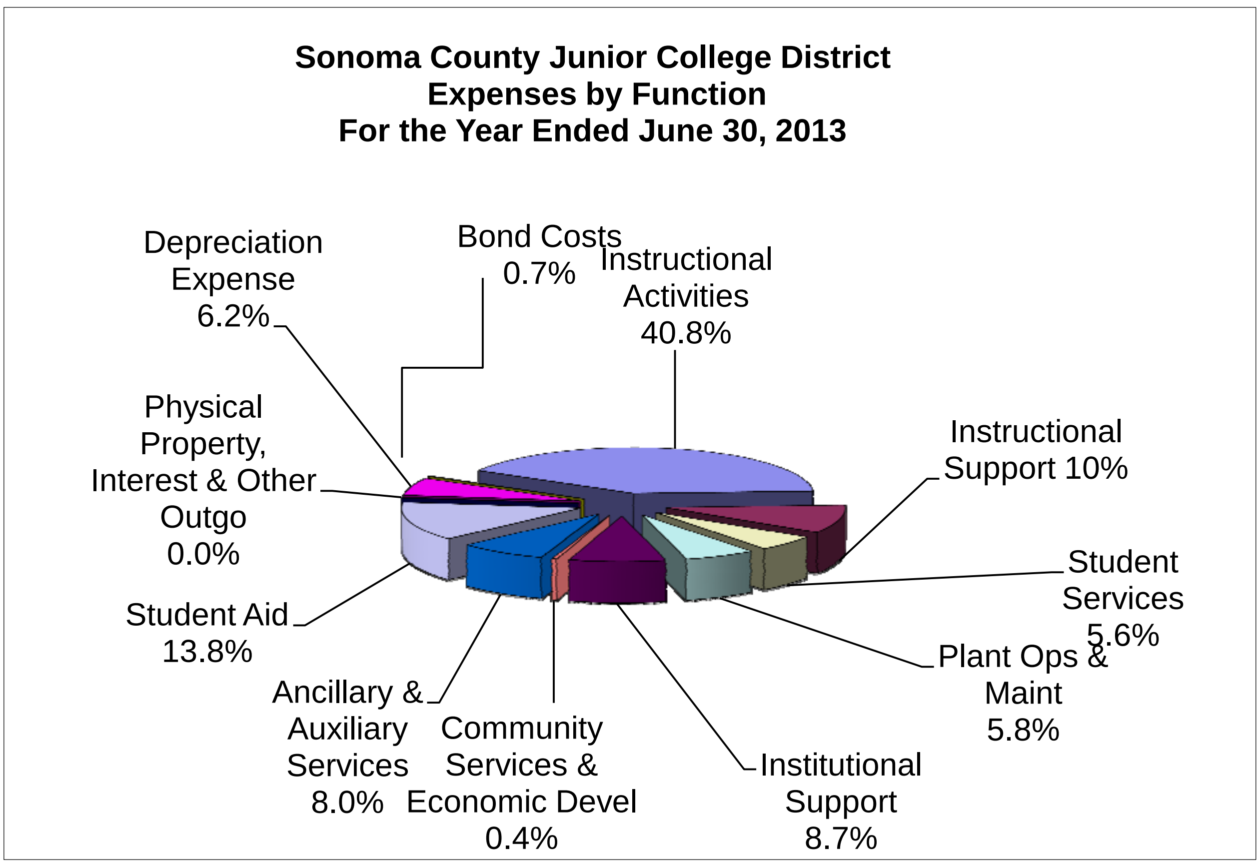
Operating Expenses (By natural classification)

	For the Year Ended June 30, 2013
Salaries	$ 74,207,777
Employee Benefits	22,647,694
Supplies and Materials	4,252,958
Other Operating Expenses and Services	13,276,118
Utilities	3,202,158
Depreciation	9,087,291
Student Financial Aid and Scholarships	20,526,260
Total Operating Expenses	$ 147,200,256



Operating Expenses (by function)

	For the Year Ended June 30, 2013
Instructional Activities	$ 60,102,971
Instructional Support	14,666,863
Student Services	8,178,364
Plant Operations & Maintenance	8,522,789
Institutional Support	12,802,657
Community Services & Economic Development	655,652
Ancillary & Auxiliary Services	11,746,869
Student Aid	20,336,088
Physical Property, Interest & Other Outgo	1,491
Depreciation Expense	9,077,208
Bond Costs	1,109,304
Total Operating Expenses	$ 147,200,256



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,		
	2013	2012	Change
Net Cash Provided (Used) By:			
Operating activities	$ (85,266,094)	$ (86,270,051)	$ 1,003,957
Noncapital financing activities	88,031,141	84,859,604	3,171,537
Capital and related financing activities	(11,140,022)	(9,738,957)	(1,401,065)
Investing activities	(485,922)	290,616	(776,538)
Net increase (decrease) in cash	(8,860,897)	(10,858,788)	1,997,891
Cash - Beginning of the fiscal year	64,931,815	75,790,603	(10,858,788)
Cash - End of the fiscal year	$ 56,070,918	$ 64,931,815	$ (8,860,897)

- Net cash used for operating activities decreased by $1 million from the prior year. This change was largely due to changes in payments to suppliers and employees and tuition and fees payments.

- Net cash provided by noncapital financing activities are from state apportionments and property taxes. Cash received from state apportionments and receipts increased by $1.7 million over prior year due mainly to the decrease of deferred apportionment payments from the state. Cash received from property taxes (non-capital) increased $1.86 million over prior year.

- Capital and related financing activities include cash provided from local property taxes collected for debt service, state apportionment for capital purposes and interest on capital investments. Cash outflows relate to purchases of capital assets and principal and interest payments on capital debt. Cash inflows were comprised of the proceeds from the refunding of the general obligation bonds ($160.9 million), property taxes ($14.3 million), and interest in capital investments ($434 thousand). Cash outflows were comprised of changes in principal ($3.8 million) and interest ($13.9 million) paid on long-term debt, the defeasance of the refunded bonds ($169.2 million) and construction or acquisition of capital assets ($2.4 million).

Capital Assets

The District had additions of $2.4 million in capital assets for the year, of which $1.9 million were for buildings and construction costs and land improvements. There are no major projects remaining. Capital assets are primarily acquired with General Obligation Bond proceeds while using matching state funds when available. This year, the District implemented GASB 62, which resulted in a cumulative change to capital assets of $17.2 million being capitalized related to prior years resulting in a change in accounting principle that restates the beginning net position of the District. As of June 30, 2013, the District had contracts and commitments for construction and property acquisitions totaling $64 thousand.

Long-Term Debt

The District's long-term debt balance of $211.4 million is comprised of: bonds payable, $206.5 million; post-employment health benefits, $4.4 million; and compensated absences, $0.5 million. Additional information regarding the District's long-term debt can be found in the footnotes to the financial statements.

Economic Factors That May Affect the Future

- Between 2008-09 and 2012-13, cumulative "workload reductions," inflicted upon the District, by the State, reduced District revenues by roughly 12%. To counteract these cuts, the District initiated several cost-cutting measures, including re-engineering, which created on-going salary and benefit reductions through realignment of current employees to the most critical work needs. As a result, over 50 employees were re-engineered, which allowed the District to freeze the positions of several recent retirees, and eliminated the need for many short-term hourly employees. The District also put in place several cost savings/revenue enhancement ideas that had been solicited from the college community.

- Contrary to popular belief, the November, 2012 passage of Proposition 30 did not provide any additional funding to the District in 2012-13. It did, however, spare the District from the Governor's proposed budgetary cuts to education had the measured failed. The District's share of such cuts would have been an additional permanent reduction of $6.3 million.

- Despite the District's mitigation efforts, the impact of the State cuts, compounded by increases to non-controllable operational costs, such as utilities, and State-imposed employer payroll-contributions, has created a budgetary structural imbalance where the District's on-going expenditures exceed the District's on-going revenues.

- Prior to 2013-14, the District had worked with its employee groups to bridge its budgetary shortfall through a series of one-year solutions. Those one-year solutions included employee salary and benefit concessions. Between 2008-09 and 2012-13, despite the loss of funding from the State, the District's employees not only helped the District to bridge potential budgetary shortfalls, but they also helped the District stave off any future budget problems that might be caused by the recession, by improving the District's ending fund balance by a cumulative $5.3 million.

- Although the passage of Proposition 30 did not bring any new money to the District in 2012-13, the resultant influx of revenues received under the Education Protection Act encouraged the Governor and the Legislature to issue a 1.57% COLA to community colleges in 2013-14 as well as a 1.63% potential revenue increase through growth/restoration funding. With the influx of new money, and the seemingly improved State economy, for 2013-14, both the District and its employees looked for relief from the concessions of the past four years.

- For 2013-14, the District has budgeted a $5.5 million spend-down from its beginning $12.5 million beginning fund balance. The budget assumptions include: 1) a deficit factor caused by a state-inflicted shortfall on promised apportionment funding of 3% or $2.8 million, and 2) the District restoring base-FTES apportionment funding and capturing an estimated $2.2 million in available growth/restoration funding. Neither of these events is certain.

- Early enrollment projections would indicate that the District might not produce enough FTES during the academic year to receive available growth/restoration funding. In response, the District is planning an increase of course offerings in spring and summer to insure its ability to capture maximum growth. However, such a plan would add to current expenditures, and increase the spend-down of fund balance. On the positive side, the Chancellor's Office is working with the Department of Finance to reduce deficit funding, which, if successful, would improve the District's ending fund balance. Given these two opposing possibilities, the District has developed a range of the possible level of fund balance spend-down in 2013-14. Under the worse-case scenario, the District would still maintain a fund balance above the 5% minimum reserve threshold recommended by the State Chancellor's Office.

- Early projections, regarding the State's 2014-15 budget development, would indicate improved community college funding under Proposition 98. The State Chancellor's Office has requested that the Community College System minimally receive a 4.4% COLA to partially offset previously unfunded COLA.

- Whatever the future may hold, the District and its employees will remain committed to its mission. As demonstrated during the past four years of fiscal hardship, SRJC and its employees will work together and take the steps necessary to maintain the long-term fiscal health of the District and continue its mission.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

BALANCE SHEET
JUNE 30, 2013

	Primary Institution	Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 25,220,200	$ 1,955,999
Restricted Cash and Cash Equivalents	17,075,023	
Cash with Trustee	517,881	
Accounts Receivable	14,640,571	1,500
Pledges Receivable		65,065
Inventory	629,894	
Prepaid Expenses	32,185	110,535
Total Current Assets	58,115,754	2,133,099
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	13,257,814	
Restricted Investments	14,297,169	36,234,222
Endowment Fund		942,148
Pledges Receivable		84,440
Charitable Remainder Trust Investments		3,413,286
Nondepreciable Capital Assets	11,966,606	
Depreciable Capital Assets, Net	317,327,943	
Total Noncurrent Assets	356,849,532	40,674,096
DEFERRED OUTFLOW OF RESOURCES		
Deferred Charge on Refunding	17,293,972	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 432,259,258	$ 42,807,195
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 5,491,086	$ 79,509
Unearned Revenue	2,796,211	152,674
Interest Payable	6,056,231	
Liabilities Under Charitable Remainder Trusts		58,683
Amounts Held on Behalf of Others	1,109,928	930,248
Long-Term Liabilities Due Within One Year:		
Compensated Absences Payable	2,409,931	
Bonds Payable	6,095,280	
Total Current Liabilities	23,958,667	1,221,114
Noncurrent Liabilities:		
Compensated Absences Payable	500,000	
Postemployment Benefits	4,441,684	
Liabilities Under Charitable Remainder Trusts - Noncurrent Portion		271,812
Bonds Payable	206,463,609	
Total Noncurrent Liabilities	211,405,293	271,812
TOTAL LIABILITIES	235,363,960	1,492,926
NET POSITION		
Net Investment in Capital Assets	148,345,776	
Restricted for:		
Expendable:		
Capital Projects	7,022,177	
Debt Service	30,313,861	
Other Special Purposes	424,588	
Restricted by Donors		39,887,442
Unrestricted	10,788,896	1,426,827
TOTAL NET POSITION	196,895,298	41,314,269
TOTAL LIABILITIES AND NET POSITION	$ 432,259,258	$ 42,807,195

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, 2013

	Primary Institution	Foundation
OPERATING REVENUES:		
Tuition and Fees (gross)	$ 22,804,298	
Less: Scholarship Discounts and Allowances	(7,924,712)	
Net Tuition and Fees	14,879,586	
Grants, Contracts, and Donations, Noncapital:		
Federal	21,280,508	
State	7,248,280	
Local	2,982,862	
Contributions		$ 4,336,922
Other		428,136
Auxiliary Enterprise Sales and Charges	6,948,209	
TOTAL OPERATING REVENUES	53,339,445	4,765,058
OPERATING EXPENSES:		
Academic Salaries	45,391,749	
Classified Salaries	28,816,028	
Employee Benefits	22,647,694	
Supplies and Materials	4,252,958	
Other Operating Expenses and Services	13,276,118	565,151
Utilities	3,202,158	
Depreciation	9,087,291	
Student Financial Aid and Scholarships	20,526,260	1,116,600
TOTAL OPERATING EXPENSES	147,200,256	1,681,751
OPERATING GAIN (LOSS)	(93,860,811)	3,083,307
NON-OPERATING REVENUES (EXPENSES):		
State Apportionments, Noncapital	38,627,276	
Local Property Taxes	41,788,915	
State Taxes and Other Revenues	4,196,481	
Investment Income (Loss) - Noncapital	(485,922)	3,216,326
Investment Income - Capital	433,668	
Interest Expense on Capital Asset-Related Debt	(8,318,185)	
Other Non-Operating Expenses	(13,733)	
Other Non-Operating Transfers		(546,925)
TOTAL NON-OPERATING REVENUES (EXPENSES)	76,228,500	2,669,401
GAIN (LOSS) BEFORE CAPITAL REVENUES:	(17,632,311)	5,752,708
Local Property Taxes and Revenues, Capital	14,252,593	
INCREASE (DECREASE) IN NET POSITION	(3,379,718)	5,752,708
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	185,079,425	35,561,561
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	15,195,591	
NET POSITION -- BEGINNING OF YEAR, AS RESTATED	200,275,016	
NET POSITION -- END OF YEAR	$ 196,895,298	$ 41,314,269

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$ 14,614,564	
Federal Grants and Contracts	21,435,969	
State Grants and Contracts	7,321,010	
Local Grants and Contracts	2,908,361	
Contributions		$ 4,303,715
Payments to Suppliers	(21,339,284)	(16,890)
Payments to/on behalf of Employees	(96,915,217)	
Payments to/on behalf of Students	(20,248,027)	(1,116,600)
Auxiliary Enterprise Sales and Charges	7,078,148	
Other Receipts and Payments	(121,618)	(1,724,895)
Net Cash Provided (Used) by Operating Activities	(85,266,094)	1,445,330
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State Apportionments and Receipts	46,303,678	
Property Taxes	41,788,915	
Student Organization Agency Disbursements	(61,452)	
Interest on Noncapital Investments		829,309
Other Transfers		(546,925)
Net Cash Provided by Noncapital Financing Activities	88,031,141	282,384
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Refunding Bonds	160,881,683	
Bond Issuance Costs Paid	(882,776)	
Purchases of Capital Assets	(2,421,675)	
Proceeds from Sales of Capital Assets	9,267	
Deposits Released from Escrow	840,592	
Principal Paid on Capital Debt	(3,765,134)	
Principal and Interest Paid on Refunded Bonds	(169,205,810)	
Interest Paid on Capital Debt	(13,943,791)	
Purchases of Capital Investments	(10,438,639)	
Proceeds from Sale of Capital Investments	13,100,000	
Interest on Capital Investments	433,668	
Local Property Taxes and Other Revenues for Capital Purposes	14,252,593	
Net Cash Used by Capital and Related Financing Activities	(11,140,022)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments		(7,622,873)
Sales and Maturities of Investments		6,157,073
Loss on Pooled Cash and Cash Equivalents	(485,922)	
Net Cash Used by Investing Activities	(485,922)	(1,465,800)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(8,860,897)	261,914
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	64,931,815	1,694,085
CASH AND EQUIVALENTS -- END OF YEAR	$ 56,070,918	$ 1,955,999

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2013

Reconciliation to Balance Sheet:		
Cash and Equivalents	$ 25,220,200	$ 1,955,999
Restricted Cash and Cash Equivalents - Current	17,075,023	
Cash with Trustee	517,881	
Restricted Cash and Cash Equivalents - Noncurrent	13,257,814	
Total Cash and Cash Equivalents	$ 56,070,918	$ 1,955,999
RECONCILIATION OF NET OPERATING GAIN (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	$ (93,860,811)	$ 3,083,307
Donated investments		(20,802)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	9,087,291	
Changes in Assets and Liabilities:		
Accounts Receivable	324,376	25,250
Pledges Receivable		40,418
Inventories, Prepaids, and Other Assets	159,528	(1,625,279)
Endowment Fund		(57,841)
Accounts Payable	(1,252,536)	(5,593)
Unearned Revenue	(94,381)	(20,232)
Postemployment Benefits	304,893	
Compensated Absences	65,546	
Liabilities Under Charitable Remainder Trusts		(6,452)
Amounts Held on Behalf of Others		32,554
Net Cash Provided (Used) by Operating Activities	$ (85,266,094)	$ 1,445,330
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Amortization of Deferred Charge on Refunding	$ (238,435)	
Amortization of Premium on Long-Term Debt	2,429,047	
Net Non-Cash Investing, Capital, and Financing Activities	$ 2,190,612	$

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Agency Funds Associated Students and Student Representation Fees
ASSETS:	
Cash and Cash Equivalents	$ 511,506
Accounts Receivable	63
TOTAL ASSETS	$ 511,569
LIABILITIES:	
Accounts Payable	$ 2
Due to District	1,114
Amounts Held in Trust for Others	510,453
TOTAL LIABILITIES	$ 511,569

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

Current Year GASB Implementation – For the year ended June 30, 2013, the District implemented GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the District's net position. The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

The District also implemented GASB Statement 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as of June 30, 2013. The primary objective of GASB 62 is to incorporate applicable guidance from FASB pronouncements into the GASB statements. GASB 62 addresses a number of accounting and financial reporting areas, but the most significant areas that may affect the District relate to (a) capitalization of interest costs, and (b) balance sheet classification. The guidance for the capitalization of interest costs reflects a change from previously issued guidance for governments using the business-type model.

In accordance with GASB 65, bond issuance costs are recognized as an expense in the year incurred. In accordance with GASB 62, interest incurred during the construction phase of capital assets is included as part of the capitalizable value of the assets constructed. As GASB 62 and 65 require retroactive application, interest subject to capitalization in prior years in the amount of $17,176,422 was added to the cost of capital assets and bond issuance costs that were previously reported as assets in the amount of $1,980,831 were written off. As a result, for the year ended June 30, 2013, the beginning net position increased by $15,195,591 as the cumulative effect of changing in accounting principles.

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 balance sheet based on anticipated use.

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

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

Pledges receivable – The Foundation accounts for its pledges in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33). GASB 33 establishes reporting standards for non-exchange transactions which, in the case of the Foundation, are restricted pledges to be contributed in the future. Endowed pledges are not recognized according to GASB 33.

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

Capital assets – Capital assets are those assets purchased or acquired with an 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. No interest costs were capitalized for the year ended June 30, 2013.

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.

Deferred Outflows/Deferred Inflows –In addition to assets, the balance sheet will sometimes report a separate section called *deferred outflows of resources*. A deferred outflow of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has one item, deferred charge on refunding, that qualifies for reporting in this category in the balance sheet. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding bond.

In addition to liabilities, the balance sheet will sometimes report a separate section called *deferred inflows of resources*. A deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District does not have items that qualify for reporting in this category.

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

Non-current liabilities – Non-current liabilities include estimated amounts for accrued compensated absences, postemployment benefits, 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 – Unrestricted net position represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. 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 2012, the GASB issued GASB Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with required implementation for the District during the year ended June 30, 2015. GASB 68 is an amendment of GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. The primary objective of GASB 68 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 will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The 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 68 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, 2013 are classified in the accompanying financial statements as follows:

Balance sheet of the Primary Institution:	
Cash and cash equivalents	$ 25,220,200
Restricted cash and cash equivalents – current	17,075,023
Restricted cash and cash equivalents - noncurrent	13,257,814
Restricted investments	14,297,169
Cash with trustee	517,881
Statement of fiduciary net position:	
Cash and cash equivalents	511,506
Total cash, cash equivalents, and investments	$ 70,879,593

The District's cash, cash equivalents, and investments as of June 30, 2013 consist of the following:

Cash and cash equivalents in Sonoma County Treasury	$ 51,596,829
Deposits with financial institutions	4,377,780
Cash on hand	73,138
Cash equivalents and investments with fiscal agent:	
Money Market	16,796
Cash held by trustee	517,881
U.S. Municipal Securities	14,297,169
Total cash, cash equivalents, and investments	$ 70,879,593

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
U.S. Agency Securities	5 years	None	None
Bankers' Acceptance	180 days	40%	30%
Commercial Paper	270 days	25% or 40%	10%
Negotiable Certificates of Deposits	5 years	30%	30%
CD Placement Services	5 years	30%	30%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through Securities	5 years	20%	None
Bank/Time Deposits	5 years	None	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

Investments Authorized by Debt Agreements

The District's cash, cash equivalents, and investments with fiscal agent in the amount of $14,316,145 represents unspent proceeds of the General Obligation Bond, Series D at June 30, 2013, 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, 2013, the weighted average maturity of the investments contained in the District's Treasury's investment pool is approximately 1,102 days. As of June 30, 2013, the District had the following investments held by trustees:

		Remaining Maturity (in Years)		
Investment Type	**Total Market Value**	**Less than 1 Year**	**1 to 5 Years**	**5 to 10 Years**
U.S. Municipal Securities	$ 14,297,169	$ 11,892,266	$ 2,404,903	$ 0

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.

			Rating as of Year End (Standard and Poor's)			
Investment Type	**Total Market Value**	**Exempt From Disclosure**	**AAA**	**AA+**	**AA**	**AA-**
U.S. Municipal Securities	$ 14,297,169		$ 8,899,366	$ 801,119	$ 1,245,164	$ 3,351,520
Money Market	16,796	$ 16,796				
	$ 14,313,965	$ 16,796	$ 8,899,366	$ 801,119	$ 1,245,164	$ 3,351,520

Concentration of Credit Risk

The investment policy contains no limitations on the amount that can be invested in any one issuer. The following investments represent 5% or more of the total investments balance as of June 30, 2013:

Investment	**Total Market Value**
Municipal variable rate demand obligations	
California Health Facilities Financing Authority VRDO, 0.070% due 10/1/31	$ 4,000,000
Metropolitan Water District of Southern California VRDO, 0.050% due 7/1/35	3,700,000
Department of Water and Power of the City of Los Angeles VRDO, 0.050%, due 7/1/34	2,900,000

Cash on Hand, in Banks, and in Revolving Fund

As of June 30, 2013, the carrying amount of the District's bank balance was $3,949,190. Of the bank balance, $271,300 was insured by the Federal Depository Insurance Corporation (FDIC). Cash on hand of $73,138 is not insured. District deposits held with financial institutions in excess of FDIC limits were $3,677,890. Of the total bank balance, $3,593,607 is held by the primary institution and $355,583 is held by fiduciary funds.

Restricted Cash, Cash Equivalents, and Investments

The District’s restricted cash, cash equivalents, and investments are $44,630,006 at June 30, 2013. Included in this restricted balance is $14,316,145 for the 2008 Series D General Obligation Bond unspent proceeds and $30,313,861 for the assessments collected by the County Treasurer’s Office on behalf of the District for the repayment of the District’s general obligation bonds.

Derivative Investments

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

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2013:

Federal Grants and Contracts	$ 728,131
State Grants and Contracts	1,870,592
Local Grants and Contracts	328,428
State Apportionment-Non-Capital	10,104,187
Auxiliaries	9,141
Tuition and Fees	1,512,462
Other	87,630
Totals	$ 14,640,571

5. FUNCTIONAL EXPENSES

For the year ended June 30, 2013, operating expenses are charged by function as follows:

Function	Salaries	Employee Benefits	Supplies, Materials, & Other Operating Expenses & Services	Other Outgo	Depreciation	Foundation	Totals
Instructional Activities	$ 42,904,260	$ 12,847,181	$ 4,288,597	$ 62,933			$ 60,102,971
Instructional Support	10,634,751	3,228,546	803,566				14,666,863
Student Services	5,672,003	1,875,474	479,248	151,639			8,178,364
Plant Operations & Maintenance	3,581,387	1,733,381	3,208,021				8,522,789
Institutional Support	6,651,820	1,358,064	4,792,773			$ 1,681,751	14,484,408
Community Services & Economic Development	351,865	51,441	252,346				655,652
Ancillary & Auxiliary Services	4,411,691	1,553,607	5,771,488		$ 10,083		11,746,869
Student Aid			24,400	20,311,688			20,336,088
Physical Property, Interest, & Other Outgo			1,491				1,491
Depreciation Expense					9,077,208		9,077,208
Bond Cost			1,109,304				1,109,304
Totals	$ 74,207,777	$ 22,647,694	$ 20,731,234	$ 20,526,260	$ 9,087,291	$ 1,681,751	$ 148,882,007

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012, as Restated	Additions	Transfers	Disposals	Balance June 30, 2013
Capital Assets, Not Depreciated:					
Land	$ 11,966,606				$ 11,966,606
Construction in Progress	19,884,933	$ 119,935	$(20,004,868)		
Total Capital Assets, Not Depreciated	31,851,539	119,935	(20,004,868)		11,966,606
Capital Assets, Depreciated:					
Buildings	352,229,381	531,720	20,004,868		372,765,969
Improvement of Sites	10,432,790	1,225,332			11,658,122
Vehicles	3,075,405	216,662		$ (130,000)	3,162,067
Machinery and Equipment	11,888,032	328,026			12,216,058
Total Capital Assets, Depreciated	377,625,608	2,301,740	20,004,868	(130,000)	399,802,216
Less Accumulated Depreciation for:					
Buildings	(54,143,284)	(8,262,651)			(62,405,935)
Improvement of Sites	(8,479,055)	(178,920)			(8,657,975)
Vehicles	(2,253,129)	(162,878)		107,000	(2,309,007)
Machinery and Equipment	(8,618,514)	(482,842)			(9,101,356)
Total Accumulated Depreciation	(73,493,982)	(9,087,291)		107,000	(82,474,273)
Total Capital Assets, Depreciated, Net	304,131,626	(6,785,551)	20,004,868	(23,000)	317,327,943
Capital Assets, Net	$ 335,983,165	$(6,665,616)	$	$ (23,000)	$ 329,294,549

7. LONG-TERM LIABILITIES

General Obligation Refunding Bonds

In May 2013, the District issued General Obligation Refunding Bonds, in the amount of $133,215,000, with interest rates ranging from 2.00% - 5.00%. The debt was issued to provide resources to purchase U.S. Government State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of $137,302,500 of General Obligation Bonds, Series B, and $93,758,875 of General Obligation Bonds, Series C. As a result, the refunded bonds are considered to be partially defeased as a legal defeasance and a prorated portion of the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by $17,340,616. This deferred charge on refunding is included in the deferred outflows of resources in the balance sheet, and will be amortized over the remaining life of the new debt, which is equal to the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 22 years by $27,796,234 and resulted in an economic gain of $22,634,172.

The 2013 General Obligation Refunding Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 2,610,000	$ 4,121,041	$ 6,731,041
2015	1,170,000	6,131,000	7,301,000
2016	1,170,000	6,107,600	7,277,600
2017	695,000	6,085,475	6,780,475
2018	280,000	6,070,850	6,350,850
2019-2023	44,525,000	26,040,550	70,565,550
2024-2028	54,480,000	14,048,000	68,528,000
2029-2030	28,285,000	1,445,625	29,730,625
Subtotal	133,215,000	70,050,141	203,265,141
Plus: Unamortized Premium	27,531,062		27,531,062
Totals	$ 160,746,062	$ 70,050,141	$ 230,796,203

In September 2005, the District issued General Obligation Bonds, Refunding Bonds, in the amount of $36,526,697. The General Obligation Bond issue included $4,000,000 of current interest bonds, with an interest rate of 3.00%, and $32,526,697 of capital appreciation bonds with an interest rate of 12.00%. 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 all future debt service payments of $60,556,353 of General Obligation Bonds, Series A. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the balance sheet.

The 2005 General Obligation Refunding Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 3,350,280	$ 4,964,720	$ 8,315,000
Plus: Unamortized Premium	428,697		428,697
Totals	$ 3,778,977	$ 4,964,720	$ 8,743,697

General Obligation Bonds

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

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

Year Ending June 30,	Principal	Interest	Total
2014		$ 1,175,500	$ 1,175,500
2015		1,175,500	1,175,500
2016		1,175,500	1,175,500
2017		1,175,500	1,175,500
2018		1,175,500	1,175,500
2019-2023		5,877,500	5,877,500
2024-2028	$ 14,895,000	4,433,375	19,328,375
2029-2030	8,615,000	436,125	9,051,125
Subtotal	23,510,000	16,624,500	40,134,500
Plus: Unamortized Premium	1,166,157		1,166,157
Totals	$ 24,676,157	$ 16,624,500	$ 41,300,657

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

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

Year Ending June 30,	Principal	Interest	Total
2014		$ 144,600	$ 144,600
2015		144,600	144,600
2016		144,600	144,600
2017		144,600	144,600
2018	$ 3,615,000	72,300	3,687,300
Subtotal	3,615,000	650,700	4,265,700
Plus: Unamortized Premium	154,643		154,643
Totals	$ 3,769,643	$ 650,700	$ 4,420,343

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:

Year Ending June 30,	Principal	Interest	Total
2014		$ 811,700	$ 811,700
2015	$ 3,780,000	736,100	4,516,100
2016	4,655,000	544,125	5,199,125
2017	5,585,000	288,125	5,873,125
2018	2,970,000	74,250	3,044,250
Subtotal	16,990,000	2,454,300	19,444,300
Plus: Unamortized Premium	748,050		748,050
Totals	$ 17,738,050	$ 2,454,300	$ 20,192,350

Revenue Bonds

The District's revenue bond indebtedness at June 30, 2013, consisted of the following:

	Amount of Original Issue	Outstanding July 1, 2012	Current Year Payments	Current Year Additions	Outstanding June 30, 2013
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	$ 1,975,000	$ 125,000	$	$ 1,850,000

Future payments relating to revenue bonds payable were as follows at June 30, 2013:

Year Ending June 30,	Principal	Interest	Total
2014	$ 135,000	$ 82,441	$ 217,441
2015	140,000	76,081	216,081
2016	145,000	69,491	214,491
2017	150,000	62,669	212,669
2018	160,000	55,500	215,500
2019-2023	910,000	157,712	1,067,712
2024	210,000	4,856	214,856
Totals	$ 1,850,000	$ 508,750	$ 2,358,750

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 207,761,581	$ 160,881,683	$ 157,934,375	$ 210,708,889	$ 5,960,280
Revenue Bonds	1,975,000		125,000	1,850,000	135,000
Other Postemployment Benefits (Note 10)	4,136,791	$ 2,027,113	1,722,220	4,441,684	
Compensated Absences	2,844,385	65,546		2,909,931	2,409,931
Total	$ 216,717,757	$ 162,974,342	$ 159,781,585	$ 219,910,504	$ 8,505,211

8. 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 - $25,000,000	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 nine 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, 2012	SAFER Property / Liability June 30, 2012	PIPS Workers' compensation June 30, 2012
Total Assets	$ 48,874,611	$ 10,462,248	$ 120,376,363
Total Liabilities	$ 21,266,021	$ 9,648,799	$ 97,382,754
Net Position	27,608,590	813,449	22,993,609
Total Liabilities and Net Position	$ 48,874,611	$ 10,462,248	$ 120,376,363
Total Revenues	$ 10,916,311	$ 9,585,343	$ 34,054,980
Total Expenses	6,710,584	8,960,233	33,820,261
Net Increase in Net Position	$ 4,205,727	$ 625,110	$ 234,719

9. 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.

10. EMPLOYEE RETIREMENT SYSTEMS

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 System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalPERS Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

CalPERS Funding Policy

Classic active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. Effective January 1, 2013, new active members are required to contribute 6% of their salary. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011 were $3,005,251, $2,842,497, and $2,853,426, respectively, and equal 100% of the required contributions for each year.

CalSTRS Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

CalSTRS Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were $2,781,051, $2,894,586, and $3,002,239 respectively, and equal 100% of the required contributions for each year.

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees.

Two alternative 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 a Cash Balance Retirement Plan (the 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. Participants in the Plan have an immediate vested right to their benefits and no annual maintenance fees are allocated to the Plan.

The 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, 2013, employees and the District each contributed $265,545 to the Plan.

The second 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 a 403(b) plan have an immediate vested right to their benefits. During the fiscal year ended June 30, 2013, employees and the District each contributed $103,665 to the 403(b) plan.

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, 2013, there were 459 retirees receiving health care benefits. The retiree must be age 55 or greater at retirement with at least 15 years of service. For classified retirees, the total of age plus years of service must be at least 80 years.

As of June 30, 2013, 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, 2013, expenditures of $2,027,113 were recognized for the OPEB expense. The 2012-13 contributions consist of $1,560,406 of postemployment benefits for current retirees on a pay-as-you-go basis, and the implicit subsidy of $161,814.

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	Projected Unit Credit
Amortization method	30 year level dollar, open period
Remaining amortization period at June 30, 2013	25
Interest rate assumption	4% Single Weighted Average
Health inflation assumption	4-8%
Projected payroll increase	0%

Annual required contribution	$ 2,100,872
Interest on net OPEB obligation	165,472
Adjustment to annual required contribution	(239,231)
Annual OPEB expense	2,027,113
Contributions made:	
Pay-as-you-go	(1,560,406)
Implicit subsidy	(161,814)
Increase in OPEB obligation	304,893
Net OPEB obligation at July 1, 2012	4,136,791
Net OPEB obligation at June 30, 2013	$ 4,441,684

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, 2013, 2012, and 2011 is as follows:

Fiscal year ended	Annual OPEB expense	% of annual OPEB expense contributed	Net OPEB obligation
6/30/11	$ 1,959,622	60.19%	$ 3,501,511
6/30/12	$ 1,959,622	67.58%	$ 4,136,791
6/30/13	$ 2,027,113	84.96%	$ 4,441,684

The District's funding status for other postemployment benefits as of the most recent valuation date, July 1, 2012, 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)
7/1/12	$ 0	$ 20,278,031	$ 20,278,031	0%	$ 51,735,223	39%

11. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to CalSTRS. These payments consisted of state general fund contributions to CalSTRS in the amount of $1,877,829 (5.176% of 2010-11 salaries subject to CalSTRS).

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2013

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)
6/30/09	$ 0	$ 23,240,100	$ 23,240,100	0%	$ 56,700,000	41%
7/1/10	$ 0	$ 18,095,593	$ 18,095,593	0%	$ 53,387,655	34%
7/1/12	$ 0	$ 20,278,031	$ 20,278,031	0%	$ 51,735,223	39%

SUPPLEMENTARY INFORMATION SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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	$ 15,722,024
Supplemental Educational Opportunity Grant Program	84.007	N/A	188,866
Federal Work-Study Program	84.033	N/A	262,579
Direct Student Loan Program	84.268	N/A	2,799,009
Subtotal Student Financial Assistance Programs Cluster			18,972,478
Passed Through California Community Colleges Chancellor's Office (CCCCO):			
Title II-C	84.048	04-C01-061	583,207
CTE Transitions	84.048	04-139-069	49,389
Subtotal Career and Technical Education			632,596
Passed Through California Department of Education:			
Adult Education (English Literacy/Civics Education Grant)	84.002A	14109	88,307
Adult Education (English As a Second Language)	84.002A	14508	217,673
Subtotal Adult Education			305,980
Passed Through Office of Migrant Education:			
High School Equivalency Program	84.141A	N/A	199,845
Passed Through California Department of Rehabilitation:			
College to Career	84.126A	28109	242,691
Vocational Rehabilitation (Workability III)	84.126	24626	194,906
Subtotal Vocational Rehabilitation Cluster			437,597
Total U.S. Department of Education			20,548,496
U.S. Department of Health and Human Services:			
Passed Through CCCCO:			
Temporary Assistance to Needy Families (TANF)	93.558	N/A	101,298
Passed Through County of Sonoma:			
Temporary Assistance to Needy Families (SonomaWorks)	93.558	17-0405-1SW	201,364
Subtotal TANF State Programs			302,662
Medical Administrative Activities	93.778	04-35070	80,544
Total U.S. Department of Health and Human Services			383,206

See the accompanying notes to supplemental information.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. National Science Foundation:			
Education and Human Resources	47.076	DUE-9952831	17,278
Small Business Administration:			
Passed Through Humboldt State University Sponsored Programs Foundation:			
Small Business Development Center	59.037	C02-0057	19,465
U.S. Department of Agriculture:			
Passed Through California Department of Education:			
USDA - Agriculture Marketing Service	10.168	12-25-G-1135	8,772
USDA - Beginning Farmers & Ranchers	10.311	SA7701	55,262
Child and Adult Care Food Program	10.558	1800-1A	48,539
Total U.S. Department of Agriculture			112,573
U.S. Department of Commerce			
Passed Through The Foundation for California Community Colleges:			
ARRA - California Connects Program	11.557	06-43-B10541	7,270
U.S. Corporation of National and Community Service			
National Service Trust Grant	94.006	N/A	192,220
Total Expenditures of Federal Awards			$ 21,280,508

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013

	Entitlements	Program Revenues				
Program Title	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Unearned/ Payables	Total	Program Expenditures
Apprenticeship	$ 83,151	$ 82,151			$ 82,151	$ 82,151
Basic Skills 10/11		145,583			145,583	145,583
Basic Skills 11/12	116,548	116,548		$ 113,874	2,674	2,674
Basic Skills 12/13	167,590	116,548		116,548		
Block Grant 00/01		709,225		709,225		
Cal Grants	771,065	774,296		3,231	771,065	771,065
CalWorks	357,569	330,531	$ 20,189		350,720	350,720
CalWorks Regional	10,000	7,129			7,129	7,129
CCCECE	40,000	19,972	20,028		40,000	40,000
CCCSHMP	127,907	47,791	44,686		92,477	92,477
Child Development	456,851	418,548	37,313		455,861	455,861
Child Development Consortium	10,425	10,375			10,375	10,375
Child Development Renovation & Repair	18,960	18,960		18,960		
Cooperative Agency Resource Education	46,499	46,499			46,499	46,499
CTE Core	70,462	70,462			70,462	70,462
CTE Entrepreneur	128,408					
CTE NIMS	141,916	13,148	37,224		50,372	50,372
Disabled Student Programs & Services	1,898,779	1,899,779			1,899,779	1,899,779
Economic Development	10,000	703			703	703
Employment Training Panel	160,869	20,750	1,815		22,565	22,565
Enrollment Growth	260,687	218,977	41,710		260,687	260,687
Enrollment Growth Carryover 09			7,339		7,339	7,339
EOPS Grants	16,350	16,350			16,350	16,350
ESL/Basic Skills	62,500	62,500			62,500	62,500
EWD Youth Entrepreneur Program	20,000					
Extended Opportunity Programs & Services	448,656	448,656			448,656	448,656
Faculty and Staff Diversity	9,296	9,296			9,296	9,296
Financial Aid Administration	688,898	688,898			688,898	688,898
Foster Parent Training Program	161,918	99,647	62,271		161,918	161,918
Healthcare Workforce Dev IDR	91,948		91,948		91,948	91,948
Instructional Equip 07/08		214,307		214,307		
Instructional Equip 08/09		40,353			40,353	40,353
Matriculation (Credit)	643,064	643,064			643,064	643,064
Matriculation (Non-Credit)	169,260	169,260			169,260	169,260
MESA	50,500	30,300	20,200		50,500	50,500
MESA Day		871			871	871
MESA Schools Pilot Program	15,963		529		529	529
MHSA-PEI	90,000	85,851			85,851	85,851
Program for Infant/Toddler Caregivers	28,592	13,569	15,023		28,592	28,592
Transfer Center and Articulation		2,515		2,515		
YESS-ILP	22,500	7,573	14,927		22,500	22,500
Total	$ 7,397,131	$ 7,600,985	$ 415,202	$ 1,178,660	$ 6,837,527	$ 6,837,527

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2013

STATE GENERAL APPORTIONMENT

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2012 Only)			
1. Noncredit	467.66		467.66
2. Credit	1,137.40		1,137.40
B. Summer Intersession (Summer 2013 – Prior to July 1, 2013)			
1. Noncredit	0.08		0.08
2. Credit	35.16		35.16
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	12,235.74	(16.37)	12,219.37
(b) Daily Census Contact Hours	705.97	(6.13)	699.84
2. Actual Hours of Attendance Courses:			
(a) Noncredit	2,104.70		2,104.70
(b) Credit	642.69		642.69
3. Alternative Attendance Accounting Procedure:			
(a) Weekly Census Procedure Courses	864.50		864.50
(b) Daily Census Procedure Courses	219.75		219.75
(c) Noncredit Independent Study	0.00		0.00
D. Total Full-Time Equivalent Students	18,413.65	(22.50)	18,391.15
Supplemental Information			
E. In-service Training Courses (FTES)	306.92		306.92
F. Basic Skills Courses and Immigrant Education (FTES)			
(a) Noncredit	529.23		529.23
(b) Credit	815.77		815.77
CCFS 320 Addendum			
CDCP Noncredit FTES	444.02		444.02
Centers FTES			
(a) Noncredit	121.76		121.76
(b) Credit	3,499.16		3,499.16

See the accompanying notes to supplemental information.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2013

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries:							
Contract or Regular	1100	$ 17,329,627		$ 17,329,627	$ 17,562,694		$ 17,562,694
Other	1300	15,767,385		15,767,385	15,767,385		15,767,385
Total Instructional Salaries		33,097,012		33,097,012	33,330,079		33,330,079
Non-Instructional Salaries:							
Contract or Regular	1200				8,194,772		8,194,772
Other	1400				979,239		979,239
Total Non-Instructional Salaries					9,174,011		9,174,011
Total Academic Salaries		33,097,012		33,097,012	42,504,090		42,504,090
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				16,135,664		16,135,664
Other	2300				1,854,326		1,854,326
Total Non-Instructional Salaries					17,989,990		17,989,990
Instructional Aides:							
Regular Status	2200	1,769,785		1,769,785	1,847,440		1,847,440
Other	2400	1,014,514		1,014,514	1,014,716		1,014,716
Total Instructional Aides		2,784,299		2,784,299	2,862,156		2,862,156
Total Classified Salaries		2,784,299		2,784,299	20,852,146		20,852,146
Employee Benefits	3000	8,796,555		8,796,555	19,435,545		19,435,545
Supplies and Materials	4000				2,531,455		2,531,455
Other Operating Expenses	5000	1,152,618		1,152,618	8,175,323		8,175,323
Equipment Replacement	6420						
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		45,830,484		45,830,484	93,498,559		93,498,559

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2013

		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				1,189		1,189
Student Transportation	6491				33,443		33,443
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740						
Objects to Exclude:							
Rents and Leases	5060				167,822		167,822
Lottery Expenditures:							
Academic Salaries	1000						
Classified Salaries	2000				1,794,272		1,794,272
Employee Benefits	3000				732,613		732,613
Supplies and Materials:	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional Supplies & Materials	4400						
Total Supplies and Materials							
Other Operating Expenses and Services	5000						
Capital Outlay:	6000						
Library Books	6300						
Equipment:	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						
TOTAL EXCLUSIONS					2,729,339		2,729,339
Total for ECS 84362, 50% Law		$ 45,830,484		$ 45,830,484	$ 90,769,220		$ 90,769,220
Percent of CEE (Instructional Salary Cost / Total CEE)		50.49%			100%		
50% of Current Expense of Education					$ 45,384,610		

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES
TO DISTRICT ACCOUNTING RECORDS
YEAR ENDED JUNE 30, 2013

Prop 30 EPA Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				$14,046,633

Activity Classification	Activity Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	$ 7,024,738			7,024,738
Academic Administration	6010	1,214,486			1,214,486
Library	6120	983,467			983,467
Media	6130	664,630			664,630
Admissions and Records	6200	1,393,378			1,393,378
Counseling and Guidance	6310	129,153			129,153
Matriculation and Student Assessment	6320	131,807			131,807
Career Guidance	6340	69,718			69,718
Financial Aid Administration	6460	495,550			495,550
Management Information Systems	6780	1,939,706			1,939,706
Total Expenditures for EPA*		$14,046,633	$	$	14,046,633
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 ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

AUDITOR'S COMMENTS

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

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2013, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.

Schedule of State Financial Assistance

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

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

The Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance represents the basis of apportionment for the District's annual source of funding.

Reconciliation of ECS 84362 (50 Percent Law) Calculation

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

Reconciliation of Education Protection Account Expenditures to District Accounting Records

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

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

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

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Sonoma County Junior College District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are disclosed in the accompanying Schedule of Audit Findings and Questioned Costs as items 13-1 and 13-2.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 22, 2013

Gilbert Associates, Inc.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Sonoma County Junior College District's (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 22, 2013

Gilbert Associates, Inc.
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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, 2013.

Management's Responsibilities

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

Auditor's Responsibility

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

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

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

- Salaries of Classroom Instructors (50% Law)

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- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Gann Limit Calculation
- California Work Opportunity and Responsibility to Kids (CalWORKS)
- Open Enrollment
- Student Fees – Instructional and Other Materials
- Student Fees – Health Fees and Use of Health Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2013. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Contracted District Audit Manual*, and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as items 13-1 and 13-2.

The District's responses to the compliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 22, 2013

FINDINGS AND RECOMMENDATIONS SECTION

SONOMA COUNTY JUNIOR COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies 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 deficiencies 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 OMB Circular A-133, Section .510(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
84.048	Career and Technical Education
84.002A	Adult Education
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified?	____ Yes	X None Reported
Any audit findings disclosed that are required to be disclosed in accordance with Contracted District Audit Manual?	X Yes	____ No
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III – STATE COMPLIANCE

13-1 – TO BE ARRANGED HOURS

Criteria:

Some courses with regularly scheduled hours of instruction have “hours to be arranged” (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures. TBA hours for classes using weekly census procedures should be scheduled the same number of hours each week of the term.

According to California Code of Regulations, Title V, Sections 58102 and 58104, descriptions of all courses should be published in the official schedule of classes.

According to California Code of Regulations, Title V, Section 55002, an outline (syllabus) for each course should specify the number of contact hours for the course as well as descriptions of course objectives and expectations and the methods of evaluation for determining whether the objectives have been met by students.

Condition:

Various errors were noted during testing of TBA compliance, including the following:

- Certain classes with TBA hours were not properly listed in the class schedule. The following three errors were noted:
  - The selected class was not listed in the class schedule.
  - The class schedule showed a different number of TBA hours than the class roster.
  - The class schedule identified that the class had TBA hours, but did not identify the number of such TBA hours.

  These errors did not affect FTES claimed.

- Certain classes with TBA hours did not describe the specific instructional activities to be conducted during TBA hours in the class syllabus or other document. This does not affect FTES claimed.

- Certain classes with TBA hours that applied weekly attendance accounting procedures did not appear to have the same number of TBA hours each week. Total FTES for such classes was 7.123, however, only the TBA portion of such classes is in question. The TBA portion of the FTES for the 5 classes was a total of 3.017.

- The District claimed FTES for certain students in weekly census courses with TBA hours, but was unable to provide documentation showing that the students had participated in TBA hours prior to the census date. The total FTES for such classes was 13.353.

Context:

The context of the findings can be described as follows:

- Out of 25 classes tested, 2 classes were not listed in the class schedule. A third class showed a different number of TBA hours in the class schedule than in the class roster. Two additional classes were noted as having TBA hours in the class schedule, but the number of such hours was not listed in the class schedule.
- Out of 25 classes tested, 11 classes did not describe the specific instructional activities to be conducted during TBA hours in the class syllabus.
- Out of 25 classes tested, 5 classes using weekly census attendance accounting methods did not have the same number of TBA hours scheduled each week.
- Out of 25 classes tested, 4 classes using weekly census attendance accounting methods did not have documentation showing selected students had participated in TBA hours prior to the census date.

Effect:

Time requirements and course expectations may not be clearly communicated to students, which can affect their choice of courses. The District is potentially claiming more FTES than actually earned for weekly census classes that do not offer the same number of TBA hours each week or for classes in which students did not participate in TBA hours prior to the census date.

The error related to classes with varying TBA hours for daily or weekly census courses was extrapolated as follows: 3.017 FTES related to the TBA portion of the courses divided by 142.440 total FTES in our sample of 25, times 2,330.119 of total FTES for courses with TBA lecture or lab hours, for a total extrapolated error of 49.354 FTES.

The error related to classes without documentation of selected students participating in TBA hours prior to the census date was extrapolated as follows: 13.353 FTES divided by 142.440 total FTES in our sample of 25, times 2,330.119 of total FTES for courses with TBA lecture or lab hours, for a total extrapolated error of 218.436 FTES. Note that this calculation assumes that no students participated in TBA hours prior to the census date and therefore all FTES for the classes should be disallowed, and thus is the most conservative estimate of the extrapolated error.

The FTES used in these calculations was obtained from the District's P-Annual report.

Questioned Costs:

The total estimated net misstatement of the TBA errors identified above is 267.79 FTES, which based on the District's funding per FTES, is equal to $1,222,415. However, as the District is below its base-funded FTES, and is on "stability," there are no questioned costs for these TBA errors with regards to the District's total State apportionment.

Recommendation:

We recommend that the District review class schedules to ensure that TBA hours are properly listed prior to issuance of such publications, and that the District remind instructors about required information to be communicated in the course syllabi.

We recommend that the District perform an internal audit of classes with TBA hours to determine if they qualify for weekly or daily attendance accounting procedures and switch ineligible classes to positive attendance classes to ensure FTES is properly calculated.

Lastly, we recommend that the District develop written policies regarding the documentation of student participation in TBA hours and distribute such policies to course instructors.

District Corrective Action Plan:

The District agrees with the Auditors recommended corrective action, and has already taken steps to implement corrections. During 2012-13, the District began developing its Educational Management System (EMS) whose intended purpose is to serve as a separate review and reconciliation tool to verify the correctness of information in the District's Student Information System (SIS). Using information from SIS, the EMS system specifically flags variances in published course hours between the catalog and the schedule of classes. In addition, EMS also flags courses that show no class contact hours as well as TBA hours that are not compliant with catalog hours. The system recalculates course FTES using each courses' actual scheduled meeting times, as well the number of sessions each component of the course meets. The District is using the EMS information for 2013-14 to identify courses that are not in full compliance with attendance accounting procedures, and effect changes to identified courses that might otherwise be incorrectly reported.

13-2 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – DAILY CENSUS COURSES

Criteria:

According to California Code of Regulations, Title V, Section 58003.1, for credit courses scheduled to meet for five or more days and scheduled regularly with respect to the number of hours each scheduled day (daily census courses), the units of full-time equivalent students (FTES) shall be computed by multiplying the daily student contact hours of active enrollment as of the census days nearest to one-fifth of the length of the course by the number of days the course is scheduled to meet, and dividing by 525.

Condition:

One course scheduled by the District was scheduled for 200 minutes on six Wednesday evenings, as well as two sessions of 140 minutes and 260 minutes on a single Saturday. The course was therefore not scheduled to meet for the same number of hours each day it met.

FTES for another daily census course was improperly calculated due to incorrect information entered into the accounting system. FTES was calculated using 2.3 daily contact hours for 16 days, but the class was actually scheduled for 4.7 contact hours on each of 8 days.

Context:

A class was not scheduled to meet for the same number of hours each day for 1 out of 25 daily census classes tested.

The contact hours and number of days used in FTES calculations were improper for 1 out of 25 daily census classes tested.

Effect:

The actual misstated FTES is unable to be quantified for the irregularly scheduled course as attendance for this course as scheduled should have been tracked on a positive hours basis, and this attendance information is unavailable. The District claimed 1.653 of FTES for the course in its P-Annual attendance reporting. The maximum FTES if all students were present for all scheduled class times would be 1.701. Upon further review of its daily census courses, the District identified two additional courses that were scheduled for varying amounts of time but used daily census attendance methods. The District also identified three additional courses that were not scheduled for the required minimum of five days. The total FTES claimed for these six daily census courses in the P-Annual report was 6.170.

For the course with the erroneous number of contact hours and days, the difference between the FTES claimed using the erroneous number of contact hours and days and the actual FTES was an understatement of 0.041 FTES. The error was extrapolated as follows: 0.041 FTES divided by 38.77 total FTES for our sample of 25 daily census courses, times 719.840 of total FTES for daily courses per the District's P-Annual report, for a total extrapolated understatement of 0.761 daily census FTES.

Questioned Costs:

The total estimated net misstatement of the daily census errors identified above is 5.409 FTES, which based on the District's funding per FTES, is equal to $24,691. However, as the District is below its base-funded FTES, and is on "stability," there are no questioned costs for these daily census errors with regards to the District's total State apportionment.

Recommendation:

We recommend that the District review the scheduled times and number of sessions of daily census classes to ensure that they meet the required guidelines for such courses, and switch courses with varying schedules or less than five scheduled days to positive attendance classes.

We recommend that the District's accounting department perform an internal audit of the components of the FTES calculations entered into the attendance accounting system to ensure such information is consistent with the actual scheduling of the courses.

District Corrective Action Plan:

The District agrees with the Auditors recommended corrective action, and has already taken steps to implement corrections. During 2012-13, the District began developing its Educational Management System (EMS) whose intended purpose is to serve as a separate review and reconciliation tool to verify the correctness of information in the District's Student Information System (SIS). Using information from SIS, the EMS system recalculates course FTES using each courses' actual scheduled meeting times, as well the number of sessions each component of the course meets. It was information from this system that helped the District identify the "two additional courses" mentioned in the auditor-finding. The District is using the EMS information for 2013-14 to identify courses that are not in full compliance with attendance accounting procedures, and effect changes to identified courses that might otherwise be incorrectly reported.

SECTION IV - FEDERAL COMPLIANCE

There were no federal compliance findings reported.

	Recommendation	Current Status	District Explanation If Not Implemented
12-1	TO BE ARRANGED HOURS We recommend that the District review class schedules to ensure that TBA hours are properly listed prior to issuance of such publications, and that the District remind instructors about required information to be communicated in the course syllabi. Lastly, we recommend that the District review classes with TBA hours to determine if they qualify for weekly attendance accounting procedures and switch ineligible classes to positive attendance classes to ensure FTES is properly calculated.	Not Implemented	See finding 13-1.
12-2	INSTRUCTIONAL MATERIALS We recommend that the District strengthen controls over fees charged for materials, including the procurement and provision of the materials, and the review and approval process for setting such fees to ensure the District is in compliance with District policies and regulations set for the in the law.	Implemented	