SONOMA COUNTY JUNIOR COLLEGE DISTRICT MEASURES A AND H BOND FUNDS

SANTA ROSA, CALIFORNIA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED JUNE 30, 2017

SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURES A AND H BOND FUNDS

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JUNE 30, 2017

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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 Measures A and H Bond Funds (the Measures) of the Sonoma County Junior College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measures' 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measures of the District, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measures and do not purport to, and do not present fairly the financial position of the District as of June 30, 2017, and the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 20, 2017

SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURES A AND H BOND FUNDS

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Our discussion and analysis of the Sonoma County Junior College District Measure A and H Bond Funds audit report provides an overview of the financial activities related to the Bond Funds for the fiscal year ended June 30, 2017.

Financial Highlights

<u>Measure A</u>

On March 5, 2002, $251,700,000 in general obligation bonds were authorized by voter's approval of Measure A. A Citizens Bond Oversight Committee (CBOC) was appointed on June 11, 2002, to comply with the California Constitution and the Education Code. The purpose of the CBOC is to inform the public regarding the appropriate use of the Bond proceeds. The first series of Bonds in the amount of $60,000,000 was issued on February 1, 2003. Series A was refunded on September 29, 2005, resulting in an additional $36,526,697 and defeased the debt from the original Series A. The second series of Bonds in the amount of $105,000,000 was issued on September 29, 2005. The third series of Bonds in the amount of $69,710,000 was issued on September 17, 2007. The fourth and final series (D) of Bonds in the amount of $16,990,000 was issued on April 2, 2008. In May 2013, the District took advantage of lowered interest rates, and issued $133.2 million in General Obligation Refunding Bonds to partially defease Series B and Series C, resulting in a lower property tax assessment, and saving local taxpayers an estimated $18,000,000. In December 2016, the District again took advantage of lower interest rates and refunded $20,795,000 of outstanding Series C bonds. The total proceeds from each bond series less the bond issuance costs have been used to finance the construction, acquisition, furnishing, and equipping of District facilities and technology needs. Further information regarding the interest rates and payment schedules of the bond issuances can be found in the notes to the financial statements. The District completed spending of the Measure A Series in 2016/17.

<u>Measure H</u>

On November 4, 2014, $410,000,000 in general obligation bonds were authorized by voter's approval of Measure H. In 2015/16, the District hired a capital projects director and administrative support and began the master planning process to guide the spending of the $410 million approved. Effective February 1, 2015, the original, Measure A CBOC was dissolved, and a new Citizen's Bond Oversight Committee was created to be responsible for the oversight of both Measure A and Measure H. The first series (Series A) of Bonds in the amount of $125,000,000 was issued on December 7, 2017.

Balance Sheet

The Balance Sheet reflects the assets, deferred outflows of resources, and liabilities of the funds. Assets primarily consist of amounts expended to date for projects, net of depreciation, and funds available for future projects or debt service. Liabilities consist primarily of outstanding debt, related interest payable and amounts payable to vendors. Net position is, by definition, the difference between assets and liabilities.

	2017	2016	Change
ASSETS			
Current assets	$ 148,603,481	$ 11,442,906	$ 137,160,575
Non-current assets	249,142,885	247,651,218	1,491,667
TOTAL ASSETS	$ 397,746,366	$ 259,094,124	$ 138,652,242
Deferred Amount on Refunding	$ 12,290,078	$ 14,195,505	$ (1,905,427)
LIABILITIES			
Current liabilities	34,184,239	11,641,035	22,543,204
Non-current liabilities	287,751,620	181,691,103	106,060,517
TOTAL LIABILITIES	321,935,859	193,332,138	128,603,721
NET ASSETS			
Restricted for Bond Measures	88,100,585	79,957,491	8,143,094
TOTAL NET POSITION	88,100,585	79,957,491	8,143,094
TOTAL LIABILITIES AND NET POSITION	$ 410,036,444	$ 273,289,629	$ 136,746,815

Current assets at June 30, 2017 consist of:

- Restricted current cash and cash equivalents includes cash held at county treasury and includes the current amount due for principle and interest payments and totals $148.6 million.

Non-current assets are:

- Restricted cash and cash equivalents consists of tax revenues collected by the county for payment of principal and interest in future years ($17.8 million).

- Capital assets are reported at historical cost of land, buildings, and equipment less accumulated depreciation, where applicable. Additionally, interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The footnotes to the financial statements contain detailed information for capital assets.

Current liabilities consist of:

- Accounts payable consists primarily of amounts due to vendors ($2.0 million). Accounts payable increased by $431 thousand over prior year, primarily due to the timing of payments to vendors as spending of Measure H funds increases.

- Current liabilities relating to debt are interest payable within one year ($5.2 million) and bond principle payable within one year ($27.0 million).

Non-current liabilities are:

- Noncurrent liabilities represent debt to be paid in one year or later. The sole component of the non-current portion is long-term debt ($287.8 million). Detailed information regarding the long-term debt can be found in the footnotes to the financial statements.

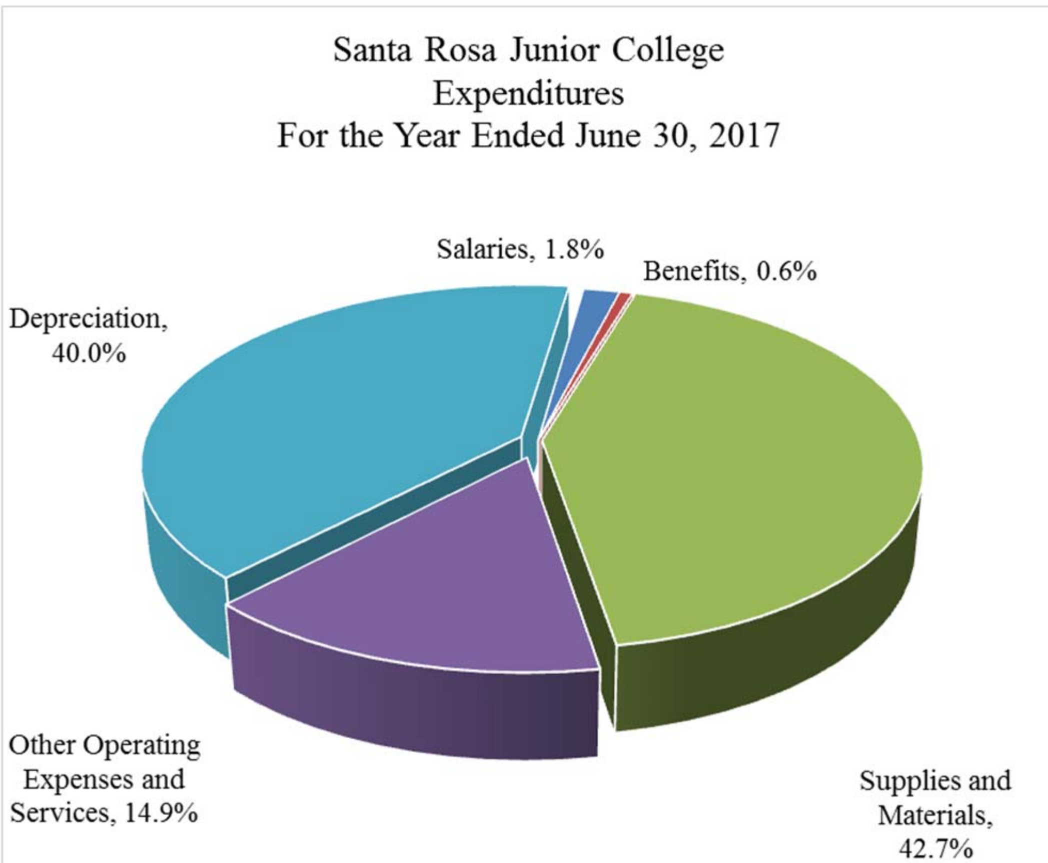
Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes operating and financing activity, but excludes proceeds from the sale of bonds and construction, purchases and other project costs. The primary components of revenues are property taxes assessed for debt service and investment income; expenses include depreciation of assets completed and put into service, interest expense on outstanding bonds, and the amortization of bond issuance costs. Changes in net position result from interest income earned on unexpended bond proceeds, property taxes collected for future debt service less accrued bond interest expense, non-cash adjustments for current year depreciation expense, and the amortization of bond premiums and bond issuance costs.

	2017	2016	Change
Total operating revenues	$ -	$ -	$ -
Total operating expenses	15,975,731	10,708,060	5,267,671
Operating income (loss)	(15,975,731)	(10,708,060)	(5,267,671)
Total non-operating revenues (expenses)	(9,642,025)	(6,687,871)	(2,954,154)
Income before other revenues, expenses, gains or losses	(25,617,756)	(17,395,931)	(8,221,825)
Capital revenues	33,760,850	13,355,568	20,405,282
Increase in net position	8,143,094	(4,040,363)	12,183,457
Net Position - Beginning of year	79,957,491	83,997,854	(4,040,363)
Net Position - End of year	$ 88,100,585	$ 79,957,491	$ 8,143,094

Operating Expenses (by natural classification)

	For the Year Ended June 30, 2017
Salaries	$ 283,783
Benefits	101,121
Supplies and Materials	6,822,930
Other Operating Expenses and Services	2,375,614
Depreciation	6,392,283
Total Operating Expenses	$ 15,975,731



Statement of Cash Flows

The Statement of Cash Flow reports the cash flow related to categories shown on the previous two statements discussed above. Categories include noncapital financing activities, capital and related financing activities and investing activities. The increase or decrease in cash balance depends on the timing of cash flow activities.

Economic Factors That May Affect the Future

- With the Facilities Master Planning process complete, the District will be spending the Measure H Series in earnest in 2017/18.

- In July 2017, the State notified the District of approval of $1,086,000 in State bond funds for the Preliminary Planning Process for the new Science, Technology, Engineering, and Math (STEM) building to supplement Measure H.

SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURES A AND H BOND FUNDS

BALANCE SHEET
JUNE 30, 2017

ASSETS	
Current assets:	
Restricted cash and cash equivalents	$ 148,559,090
Due from other funds	43,194
Accounts receivable	1,197
Total current assets	148,603,481
Noncurrent assets:	
Restricted cash and cash equivalents	17,821,327
Nondepreciable capital assets	11,978,219
Depreciable capital assets, net	219,343,339
Total noncurrent assets	249,142,885
TOTAL ASSETS	397,746,366
DEFERRED OUTFLOW OF RESOURCES:	
Deferred charge on refunding	12,290,078
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 410,036,444
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	$ 2,039,161
Interest payable - current portion	5,165,078
Bonds payable - current portion	26,980,000
Total current liabilities	34,184,239
Noncurrent liabilities:	
Bonds payable - net of current portion	287,751,620
Total noncurrent liabilities	287,751,620
TOTAL LIABILITIES	321,935,859
Net position:	
Restricted for Bond Measures	88,100,585
TOTAL LIABILITIES AND NET POSITION	$ 410,036,444

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURES A AND H BOND FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

OPERATING EXPENSES:	
Supplies and materials	$ 6,822,930
Depreciation	6,392,283
Other operating expenses and services	2,760,518
OPERATING LOSS	(15,975,731)
NON-OPERATING REVENUES (EXPENSES):	
Interest and investment income - capital	615,583
Debt interest and other service charges	(10,257,608)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(9,642,025)
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(25,617,756)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES:	
Local property taxes and revenues, capital	33,760,850
INCREASE IN NET POSITION	8,143,094
NET POSITION - BEGINNING OF YEAR	79,957,491
NET POSITION - END OF YEAR	$ 88,100,585

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

SONOMA COUNTY JUNIOR COLLEGE DISTRICT
MEASURES A AND H BOND FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments to suppliers	$ (6,392,984)
Other operating expenses and services	(3,288,500)
Net cash used by operating activities	(9,681,484)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital/refunding bonds	145,795,000
Premiums received on capital/refunding bonds	13,907,671
Bond issuance costs paid	(936,305)
Purchases of capital assets	(9,034,312)
Principal paid on capital debt	(6,280,000)
Payment to escrow account on refunded bonds	(23,510,000)
Interest paid on capital debt	(8,671,181)
Purchases of capital investments	(16,482)
Proceeds from sale of capital investments	2,986,482
Interest paid on capital investments	615,583
Local property taxes and other receipts for capital purposes	33,760,850
Net cash provided by capital and related financing activities	148,617,306
NET INCREASE IN CASH AND EQUIVALENTS	138,935,822
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	27,444,595
CASH AND EQUIVALENTS -- END OF YEAR	$ 166,380,417
Reconciliation to Balance Sheet:	
Restricted cash and cash equivalents - current	$ 148,559,090
Restricted cash and cash equivalents - noncurrent	17,821,327
Total cash and cash equivalents	$ 166,380,417
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	$ (15,975,731)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	6,392,283
Changes in assets and liabilities:	
Accounts receivable	(1,197)
Accounts payable	431,143
Due to/ from other District funds	(527,982)
Net cash used by operating activities	$ (9,681,484)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Amortization of deferred amount on refunding	$ 974,798
Amortization of premium on long-term debt	(3,152,155)
Net non-cash capital and related financing activities	$ (2,177,357)

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

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. These financial statements present only the Measure A and H General Obligation Bond Funds (the Measures). These financial statements do not include financial data for the remainder of the District's funds and component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The Measure A bond authorization (Measure A) is a facilities and equipment bond measure adopted by the District's Board of Trustees and passed by voters in March 2002. Measure A authorizes up to $251,700,000 in bond issues. Through June 30, 2013, bonds totaling $251,700,000 have been issued as follows:

- In February 2003, $60,000,000 in Series A Bonds were issued. Subsequently, in September 2005, all the outstanding Series A Bonds were refunded with the issuance of the General Obligation Bonds, Refunding Bonds, resulting in an additional $36,526,697 and defeasing the debt from the original Series A. 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% with interest payments due each February and August commencing February 1, 2006. Maturing principal is paid each August in conjunction with interest payments beginning August 2006.

- 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%.

- 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%.

- 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 bonds consist of serial bonds with interest payments due each February and August commencing August 1, 2008. Maturing principal is paid each August in conjunction with interest payments beginning August 2014.

- In May 2013, the District issued General Obligation Bonds, Refunding B/C, in the amount of $133,215,000, with interest rates ranging from 2.00% - 5.00%. The bonds consist of current interest bonds with interest payments due each February and August commencing August 1, 2013. Maturing principal is paid each August in conjunction with interest payments beginning August 2013 and ending August, 2029. The refunding bonds were used to partially defease the Series B and Series C bonds.

- In December 2016, the District issued General Obligation Refunding Bonds, in the amount of $20,795,000 with interest rates ranging from 3.00% - 5.00%. The debt was issued to defease the remaining outstanding principle amount of General Obligation Bonds, Series B, and accrued interest until the date of the defeasement.

The Measure H bond authorization (Measure H) is a facilities improvement and equipment bond measure adopted by the District's Board of Trustees and passed by voters in November 2014. Measure H authorizes up to $410,000,000 in bond issues. Through June 30, 2017, bonds totaling $125,000,000 have been issued as follows:

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

The Sonoma County Board of Supervisors is empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and interest on the bonds. The District has established a separate capital project fund to account for the activities of the Measures.

2. SUMMARY OF 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 (GASB) 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 Measures financial statements have been presented using 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.

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.

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.

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. Interest costs of $167,065 were capitalized for the year ended June 30, 2017.

Non-current liabilities – Non-current liabilities include estimated amounts for bond repayments that will not be paid within the next fiscal year**.**

Deferred Outflow/Deferred Inflow – 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 Measures have one item, deferred charge on refunding, which 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 Measures do not have items that qualify for reporting in this category.

Net position – The Measures' net position is classified as follows:

Restricted for Measure A and H Bonds includes resources the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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.

3. RESTRICTED CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Balance Sheet:	
Restricted cash and cash equivalents – current	$ 148,559,090
Restricted cash and cash equivalents - noncurrent	17,821,327
Total cash, cash equivalents, and investments	$ 166,380,417

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

Cash and cash equivalents in Sonoma County Treasury	$ 166,376,850
Cash and cash equivalents in banks	3,567
Total cash, cash equivalents, and investments	$ 166,380,417

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of the Measures' 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 Measures by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

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

Investments Authorized by Debt Agreements

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2017, the weighted average maturity of the investments contained in the District's Treasury's investment pool is approximately 569 days.

Credit Risk

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

Concentration of Credit Risk

The investment policy contains no limitations on the amount that can be invested in any one issuer. The District had no investments that represented 5% or more of the total investments balance as of June 30, 2017.

Fair Value Measurement

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

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

4. CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital Assets, Not Depreciated:				
Land	$ 8,857,652	$ 1,169,391		$ 10,027,043
Construction in Progress		1,951,176		1,951,176
Total Capital Assets, Not Depreciated	8,857,652	3,120,567		11,978,219
Capital Assets, Depreciated:				
Buildings	256,187,053	5,323,033		261,540,086
Improvement of Sites	3,469,134	338,536		3,807,670
Machinery and Equipment	6,412,663	252,176		6,664,839
Total Capital Assets, Depreciated	266,068,850	5,913,745		271,982,595
Less Accumulated Depreciation for:				
Buildings	(42,020,458)	(5,972,186)		(47,992,644)
Improvement of Sites	(834,210)	(174,867)		(1,009,077)
Machinery and Equipment	(3,392,305)	(245.230)		(3,637,535)
Total Accumulated Depreciation	(46,246,973)	(6,392,283)		(52,639,256)
Total Capital Assets, Depreciated, Net	219,821,877	(478,538)		219,343,339
Capital Assets, Net	$ 228,679,529	$ 2,642,029	$	$ 231,321,558

5. LONG-TERM DEBT

General Obligation Refunding Bonds

In December 2016, the District issued General Obligation Refunding Bonds, in the amount of $20,795,000, with interest rates ranging from 3.00% - 5.00%. The debt was issued to provide resources to defease the remaining outstanding principal amount of General Obligation Bonds, Series B, and interest accrued until the date of defeasement. The net carrying amount of the old debt, made up of outstanding principal and unamortized premium, exceeded the reacquisition price by $930,629, resulting in a deferred amount on refunding. This deferred amount on refunding is included in the net deferred outflows of resources 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 current refunding was undertaken to reduce total debt service payments over the next 11 years by $5,634,781 and resulted in an economic gain of $4,469,511.

The 2016 General Obligation Refunding Bonds mature as follows:

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

In May 2013, the District issued General Obligation Refunding Bonds, in the amount of $133,215,000, with interest rates ranging from 2.00% - 5.00%. The debt was issued to provide resources to purchase U.S. Government State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of $137,302,500 of General Obligation Bonds, Series B, and $93,758,875 of General Obligation Bonds, Series C. As a result, the refunded bonds are considered to be partially defeased as a legal defeasance and a prorated portion of the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt resulting in a deferred charge on refunding. The deferred charge on refunding at June 30, 2017 of $13,174,469 is being amortized over the remaining life of the new debt.

The 2013 General Obligation Refunding Bonds mature as follows:

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

General Obligation Bonds

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

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:

	Principal	Interest	Total
Year Ending June 30, 2018	$ 3,615,000	$ 72,300	$ 3,687,300
Plus: Unamortized Premium	28,851		28,851
Totals	$ 3,643,851	$ 72,300	$ 3,716,131

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

The General Obligation Bonds, Series D mature as follows:

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

In December 2016, the District issued General Obligation Bonds, Series A, in the amount of $125,000,000, with an interest rate of 3.00%, 4.00%, and 5.00%.

The General Obligation Bonds, Series A mature as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 19,560,000	$ 4,781,300	$ 24,341,300
2019	20,160,000	4,185,500	24,345,500
2020	19,190,000	3,499,300	22,689,300
2021	630,000	3,102,900	3,732,900
2022	770,000	3,074,900	3,844,900
2023-2027	6,235,000	14,724,800	20,959,800
2028-2032	11,500,000	12,701,000	24,201,000
2033-2037	18,560,000	9,353,188	27,913,188
2038-2042	28,395,000	3,767,887	32,162,887
Subtotal	125,000,000	59,190,775	184,190,775
Plus: Unamortized Premium	10,311,282		10,311,282
Totals	$ 135,311,282	$ 59,190,775	$ 194,502,057

Changes In Long-Term Liabilities

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 163,945,000	$ 145,795,000	$ 29,790,000	$ 279,950,000	$ 26,980,000
Bond issuance premiums	24,026,104	13,907,671	3,152,155	34,781,620	
Total	$ 187,971,104	$ 159,702,671	$ 32,942,155	$ 314,731,620	$ 26,980,000

6. 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 JPA may be obtained from:

JPA	Address
SWACC	2355 Crenshaw Blvd., Suite 200, Torrance, CA 90501
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 - $244,750,000	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. In the current year, there was a significant decrease in Property Insurance Limits for SAFER of ~$5.25M. For the past four years, there have been no settlement amounts that have exceeded commercial or authority insurance coverage.

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

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

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

7. CONSTRUCTION COMMITMENTS

The District has construction commitments of approximately $19,533,876 at June 30, 2017.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measures A and H Bond Funds (the Measures) of the Sonoma County Junior College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measures' basic financial statements and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Measures' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 20, 2017