SONOMA COUNTY Community Development Commission

Santa Rosa, CA

Financial Statements
Proprietary (Enterprise) Fund Type
&
Independent Auditors' Report

<u>For the Year Ended June 30, 2015</u>

SM&Co
Smith Marion
& Company, LLP
Certified Public Accountants

Sonoma County Community Development Commission

Proprietary (Enterprise) Fund Type

Santa Rosa, CA

Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2015

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FINANCIAL INFORMATION

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Board of Commissioners
Sonoma County Community Development Commission
Santa Rosa, CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Sonoma County Community Development Commission as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission'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 misstatements, 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 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sonoma County Community Development Commission, as of June 30, 2015, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sonoma County Community Development Commission's financial statements. The combining statement of net position, and combining statement of revenues, expenses and changes in fund net positions are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining statement of net position and combining statement of revenues, expenses and changes in fund net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 combining statement of net position, and combining statement of revenues, expenses and changes in fund net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 04, 2015, on our consideration of the Commission's internal control over financial reporting and 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 the 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 Sonoma County Community Development Commission's internal control over financial reporting and compliance.

Smith Marion & Co

December 04, 2015

The Sonoma County Community Development Commission (the "Commission") provides housing assistance to low income families and individuals and funds community development projects and activities. The Commission also provides staffing services for the Sonoma County Successor Agency to the former Sonoma County Community Redevelopment Agency and administers the Low Moderate Income Housing Asset Fund per ABx1 26 and AB1484. The Commission's largest funding source is the U.S. Department of Housing and Urban Development (HUD).

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB), Statement No. 34 (GASB 34) Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. The MD&A is meant to be read in conjunction with the Basic Financial Statements.

For accounting purposes, the Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector where the determination of net income is useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting, in which all assets and liabilities associated with the operation of the funds are included on the balance sheet. The focus of enterprise funds is on income measurement which, together with the maintenance of equity, is an important financial indicator.

The Commission's Programs

Under the Housing Choice Voucher Program, the Commission administers contracts with independent landlords that own rental properties. A Housing Assistance Payment is made by the Commission to a landlord to subsidize a low income family or individual's rent. This program is administered under a contract with HUD, who provides funding for this purpose. The Housing Choice Voucher Program is 61% of the Commission's revenues and 77% of the Commission's expenses.

The Commission's other HUD-funded programs include the Community Development Block Grant, the HOME Investment Partnerships Program, the Emergency Solutions Grant and the McKinney-Vento Continuum of Care. These programs help provide affordable housing to low income individuals and families, rehabilitate homes of low income individuals that are in ill repair, and provide homeless intervention and prevention services. These programs are 11% of the Commission's revenues and 13% of the Commission's expenses.

The Flood Elevation program is funded by California's Emergency Management Agency (CalEMA) through the Federal Emergency Management Agency (FEMA). The program provides a percentage of the cost of raising a flood-prone residential structure above the 100-year flood level. The Flood Elevation program is 9% of the Commission's revenues and 6% of the Commission's expenses.

The Commission also maintains other state and local programs to help support their objectives of affordable and safe housing to low income individuals.

Financial Highlights

The following financial highlights are provided in an effort to describe, in terms of dollar amounts, the resources and operations of the Sonoma County Community Development Commission.

- The Commission's revenues are primarily derived from federally supported activities, which accounted for 78% of current fiscal year revenues.

- Total assets increased by $8,946,003 from prior year and liabilities increased by $1,523,904.The majority of the Commission's assets are cash, investments and notes receivable. Cash and investments accounted for 17% of total assets. Loans and related interest represents 69% of the agency's assets. The fiscal year ended with total assets of $97,380,635 and liabilities of $2,680,918. Total liabilities amount to 2.8% of total assets.

- The total net position of the Commission increased by $7,650,388 from the June 30, 2014 balance of $87,277,618, to the June 30, 2015 balance of $94,928,006.

Overview of the Financial Statements

The Commission's Financial Report is comprised of the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements, Supplementary Information, and Compliance Reports. The Commission is classified as an enterprise fund, and accordingly, uses the full accrual method of accounting. Enterprise accounting reports information similar to private sector companies to offer short and long term financial information about the Commission's activities.

The Basic Financial Statements

The *Statement of Net Position* provides information about the financial position of the Commission as a whole on the full accrual basis, similar to that used in the private sector. The *Statement of Net Position* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* provides information about the Commission's revenues and expenses on the full accrual basis, with emphasis on measuring net revenues and expenses of each of the Commission's programs. The *Statement of Revenues, Expenses and Changes in Fund Net Position* explains the change in net position during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the change in the Commission's cash and cash equivalents during the most recent fiscal year.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

The Commission's total net position from governmental activities increased during the current fiscal year in the amount of $7,650,388. The year-to-year change in total net position is a result of the net change of revenues and expenses during the year. The following table represents a comparative analysis of the net position of the governmental activities at June 30, 2015 and 2014.

			Change	
	June 30, 2015	June 30, 2014	Amount	Percentage
Current assets	$ 20,015,196	$ 18,436,095	$ 1,579,101	9%
Non-current assets	77,365,439	69,998,537	7,366,902	11%
Total Assets	97,380,635	88,434,632	8,946,003	10%
			-	
Deferred outflows of resources	575,868	-	575,868	
Current liabilities	889,346	928,403	(39,057)	-4%
Non-current liabilities	1,791,572	228,611	1,562,961	684%
Total Liabilities	2,680,918	1,157,014	1,523,904	132%
Deferred inflows of resources	347,579	-	347,579	
Net Position				
Investment in capital assets	9,669,238	9,751,748	(82,510)	-1%
Restricted	576,988	292,548	284,440	97%
Unrestricted	84,681,780	77,233,322	7,448,458	10%
Total Net Position	$ 94,928,006	$ 87,277,618	$ 7,650,388	9%

Analysis of Net Position– Various Commission activities contributed to the total increase in net position. The following table shows the change in net assets by program.

Program	Change in net position
Housing Choice Voucher Program	$ 117,731
Hazard Mitigation - Flood Elevation	2,151,317
County Fund for Housing	2,915,149
Other HUD Funded Programs	1,522,828
All Other Programs	2,313,910
	$ 9,020,935

The Commission administers the Sonoma County Housing Authority. The Housing Authority's largest program is the Housing Choice Voucher Program. The net position of this program increased by $117,731 during the fiscal year ended June 30, 2015.

The second largest increase in net position was in the Commission's Flood Elevation program, funded by FEMA. Operating expenses in the fund were much lower than anticipated, resulting in a substantial increase in net position of the fund. This amount is being held to fund shortfalls in future years and to supplement other funds that fall within the Construction Services Department, such as CDBG and CalHome.

The County Fund for Housing receives revenue through Sonoma County's Permit and Resource Management Department. During fiscal year 2014-15, $1.4M was given to a low income housing development project in the form of a low interest 20-year loan.

The remaining changes in all other funds of the Commission are due to normal business activities.

The following table is a comparative analysis of the Statement of Revenues, Expenses and Changes in Net Position for fiscal years ended June 30, 2015 and 2014.

			Change	
	June 30, 2015	June 30, 2014	Amount	Percentage
Operating revenues	$ 41,749,767	$ 38,319,694	$ 3,430,073	9%
Operating expenses	(34,296,530)	(33,916,100)	(380,430)	1%
Operating income (loss)	7,453,237	4,403,594	3,049,643	69%
Non-operating revenues (expenses)	1,567,698	1,509,801	57,897	4%
Capital contributions and net transfers	-	-	-	
Change in Net Position	$ 9,020,935	$ 5,913,395	$ 3,107,540	53%
Beginning net position	$ 87,277,618	$ 81,364,223	$ 5,913,395	7%
Change in net Position	9,020,935	5,913,395	3,107,540	53%
Prior period adjustments	(1,370,547)	-	(1,370,547)	
Ending net position	$ 94,928,006	$ 87,277,618	$ 7,650,388	9%

Capital Assets and Debt Administration

Capital Assets
As of June 30, 2015, investment in capital assets for its business-type activities was $9,669,238 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

			Change	
	June 30, 2015	June 30, 2014	Amount	Percentage
Land	$ 6,750,000	$ 5,450,000	$ 1,300,000	24%
Buildings and improvements	3,642,015	4,714,218	(1,072,203)	-23%
Equipment	119,836	117,359	2,477	2%
Accumulated depreciation	(842,613)	(688,274)	(154,339)	22%
Capital Assets (net)	$ 9,669,238	$ 9,593,303	$ 75,935	1%

The Commission's capital assets were comprised of several computers, a shopping center, two single-family homes and a rent-restricted affordable apartment complex at the beginning of the fiscal year.

Debt Administration
At June 30, 2015, the Commission had no long-term debt outstanding.

EXPENDABLE FUND BALANCE

The expendable fund balance is a measure of the Commission's liquidity. If all current assets, less materials inventory, are converted to cash and the Commission pays all current liabilities, the amount of cash remaining is the expendable fund balance. The number of months of expendable fund balance is calculated by dividing expendable fund balance by monthly operating expenses. See the table below for an analysis of the Commission's expendable fund balances:

			Change	
	June 30, 2015	June 30, 2014	Amount	Percentage
Expendable fund balance	$ 19,125,850	$ 17,507,692	$ 1,618,158	9%
Number of months of expendable fund balance	6.69	6.19	0.50	8%

Economic Factors and Next Year's Budget

The Commission will continue to rely primarily on federal funding, specifically HUD, for Community Development and Rental Assistance Programs. California continues to face significant economic and budgetary challenges, which may effect the Commission's state funded programs and the ability of individuals and non-profits to pay their Commission-sponsored loans.

Request for Information

This annual report is intended to provide citizens with a general overview of the Commission's finances. Questions about this report should be directed to the Commission's Executive Director at 1440 Guerneville Road, Santa Rosa, CA 95403.

Sonoma County Community Development Commission

Proprietary (Enterprise) Fund Type
Santa Rosa, CA

Statement of Net Position
June 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents:	
Unrestricted	$ 15,966,155
Restricted	576,988
Subtotal	16,543,143
Accounts receivable (net)	3,452,725
Prepaids	19,328
Total Current Assets	20,015,196
Noncurrent Assets	
Capital assets (net)	9,669,238
Long-term notes and related interest receivable (net)	67,696,201
Total Noncurrent Assets	77,365,439
TOTAL ASSETS	97,380,635
DEFERRED OUTFLOWS OF RESOURCES	575,868
LIABILITIES	
Current Liabilities	
Accounts payable	
Vendors	518,217
Other governments	173,711
Subtotal	691,928
Other liabilities	172,923
Compensated absences - current	24,495
Total Current Liabilities	889,346
Noncurrent Liabilities	
Compensated absences - long-term	138,805
Net pension liability	1,652,767
Total Noncurrent Liabilities	1,791,572
TOTAL LIABILITIES	2,680,918
DEFERRED INFLOWS OF RESOURCES	347,579
NET POSITION	
Investment in capital assets	9,669,238
Restricted	561,974
Unrestricted	84,696,794
TOTAL NET POSITION	$ 94,928,006

See notes to financial statements

Sonoma County Community Development Commission

Proprietary (Enterprise) Fund Type

Santa Rosa, CA

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

For the Year Ended June 30, 2015

REVENUES		
Operating Revenues		
Intergovernmental revenue	$	39,940,229
Service charges		126,085
Rent and concession (net)		370,664
Licenses and permits		78,037
Program revenue		1,099,360
Other revenues		135,392
Total Operating Revenues		41,749,767
EXPENSES		
Operating Expenses		
Salary and benefits		4,426,013
Administration - services and supplies		860,982
Rents and leases		175,315
Insurance		25,247
Support and care of persons		27,615,490
Maintenance and operations		693,085
Utilities		18,919
Intergovernmental expenses - county charges		252,211
Taxes and assessments		23,498
Depreciation		154,339
Other expenses		51,431
Total Operating Expenses		34,296,530
Operating Income (Loss)		7,453,237
Nonoperating Revenues (Expenses)		
Investment income		1,588,487
Interest expense		(20,789)
Gain (loss) on sale of capital assets		-
Total Nonoperating Revenues (Expenses)		1,567,698
Income (loss) Before Capital Contributions and Transfers		9,020,935
Capital Contributions and Transfers		
Government grants - capital		-
Transfers in (out)		-
Total Capital Contributions and Transfers		-
Change in Net Position		9,020,935
Net position - beginning		87,277,618
Prior period adjustments		(1,370,547)
Net Position - ending	$	94,928,006

See notes to financial statements

Sonoma County Community Development Commission
Proprietary (Enterprise) Fund Type
Santa Rosa, CA

Statement of Cash Flows
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,674,146
Receipts from grants	39,440,862
Payments to suppliers of goods and services	(1,230,812)
Payments for personnel and related benefits	(5,169,844)
Payments for housing assistance	(27,615,490)
Other receipts (payments)	83,961
Net Cash Provided (Used) By Operating Activities	7,182,823
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Capital contributions - Sonoma County	-
Net Cash Provided (Used) By Noncapital Financing Activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(240,703)
Interest paid on debt of sucessor agency	(20,789)
Net Cash Provided (Used) By Financing Activities	(261,492)
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal and interest payments received from notes receivable	710,588
Cash loans provided to other Housing Agencies and low income individuals	(6,571,513)
Net Cash Provided (Used) By Investing Activities	(5,860,925)
Net Increase (Decrease) In Cash	1,060,406
BEGINNING CASH	15,482,737
ENDING CASH	$ 16,543,143

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ 7,453,237
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Non-cash items:	
Depreciation	154,339
Changes in assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	(499,367)
Prepaid expenses	(19,328)
Deferred outflows - contributions subsequent to measurement date	222,805
Increase (decrease) in liabilities:	
Accounts payable	198,879
Other liabilities	(222,088)
Compensated absences	(105,654)
Total Adjustments	(270,414)
Net Cash Provided (Used) By Operating Activities	$ 7,182,823

See notes to financial statements

Notes to Financial Statements
For the Year Ended JUNE 30, 2015

The notes to the basic financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and final position of the Sonoma County Community Development Commission as follows:

Note 1.	Summary of Significant Accounting Policies
Note 2.	Cash and Equivalents, and Investments
Note 3.	Accounts Receivable
Note 4.	Long-term Notes Receivable and Interest Receivable
Note 5.	Capital Assets
Note 6.	Other Liabilities
Note 7.	Long-term Liabilities
Note 8.	Pension Plan
Note 9.	Other Post-Employment Health Benefits
Note 10.	Contingent Liabilities
Note 11.	Related Party Transactions
Note 12.	Changes in Accounting Policies and Prior Period Adjustments

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of Sonoma County Community Development Commission (the "Commission") have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Commission has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments.* Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations.

Sonoma County Community Development Commission is a special-purpose government engaged only in business-type activities and, therefore, presents only the financial statements required for proprietary (enterprise funds), in accordance with GASB Statement 34, paragraph 138 and GASB 63. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of:
    - Statement of Net Position
    - Statement of Revenues, Expenses & Changes in Fund Net Position
    - Statement of Cash Flows
- Notes to Financial Statements
- Required supplemental information other than MD&A

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low income housing programs in the United States. Accordingly, HUD has contracted with the Commission to administer certain HUD funds.

A. <u>Reporting Entity</u>

The Commission was established as a separate public and corporate entity pursuant to Section 34110 of the California Health and Safety Code. The Commission is governed by the Board of Commissioners who are appointed by the Elected Board of Supervisors of Sonoma County. The exercise of this oversight responsibility causes the Commission to be an integral part of the County of Sonoma's (the "County") reporting entity. Therefore, the Commission's basic financial statements are expected to be included as a component unit in the County's annual financial report for the fiscal year ended June 30, 2015.

The Commission's financial statements include activities over which the Board of Commissioners has oversight and budgeting responsibility. Sonoma County Commission is included in the reporting entity.

GASB established criteria for determining the governmental reporting entity's status as either a primary government or component unit of a primary government. Under provisions of this statement, Sonoma County Community Development Commission is considered a component unit of the County although it is a legally separate special-purpose government, it does not have a separately elected governing body from that of the County and is not fiscally independent of other state and local governments. Fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

The main programs of the Commission are as follows:

Housing Choice Vouchers Program- Designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. The Commission administers contracts with independent land-lords that own property and rent that property to families that have applied for housing assistance through the Commission. The Commission subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Commission to structure a lease that sets the participants' rent at 30% of household income.

Community Development Block Grant Program – The primary objective of the Community Development Block Grants (CDBG)/Entitlement Grants program (large cities and urban counties) (24 CFR part 570 subpart D) is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.

Hazard Mitigation Grant Program - The Hazard Mitigation Grant Program (HMGP) is a cost-shared program administered by the Federal Emergency Management Agency (FEMA), Department of Homeland Security. The program's purpose is to mitigate the vulnerability of life and property to future disasters during the recovery and reconstruction process following a disaster. HMGP provides funds to implement projects to reduce risk from future hazard events.

Other Commission Programs – The Commission operates several other programs that assist in the realization of Commission's goals and/or enhance the above programs.

B. Basic Financial Statements/Funds

All activities of Sonoma County Community Development Commission are reported in proprietary fund types. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is secured by the Commission's capital assets and by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

In the Statement of Net Position, equity is classified as net position and displayed in three components:

a) Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.
b) Restricted net position – Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
c) Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted net positions are available for use, generally it is the Commission's policy to use restricted resources first.

C. Accrual Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

D. Budgetary Data

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with Sonoma County Community Development Commission’s contract with HUD. The Commission prepares annual budgets for each program. Prior to the beginning of each budget year, the Commission's annual budget is approved by its governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year.

E. Financial Statement Accounts & Other Accounting Matters

Revenues. All Sonoma County Community Development Commission revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, gain/loss on sale of fixed assets, and interest income/expense, are reported as non-operating revenues. All revenues generated by a program are only used for that program’s purposes.

Revenues for government-mandated and voluntary exchange transactions, are recorded when all applicable eligibility requirements, including time requirements, are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources or unearned revenues.

In accordance with GASB standards, for the fiscal year ended June 30, 2015, dwelling income and other rental related fees of $370,715 have been reported net of concessions of $(51).

Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are purchased due to triviality of inventory balances.

Cash and Equivalents, and Investments.

a. Cash and Equivalents. The Commission defines cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.
b. Investments. Investments, if any, would be carried at fair market value, except for U.S. Treasury Bills, which would be carried at amortized cost.

The majority of the Commission’s cash and investments are pooled with the Sonoma County Treasurer in the County Treasury Investment Pool (“the Treasury Pool”), which is an external investment pool.

The Commission also has cash deposits with banks and investments which are held by outside trustees. The Sonoma County Treasurer acts as a disbursing agent for the Commission. The fair value of the investments in the Sonoma County Treasury pool is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter.

During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of 90 days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Restricted Cash. Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program, cash and investments that are held in trust, reserves and escrows, as well as other cash and investments that are restricted for specific purposes.

Accounts Receivable. Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

When applicable, included in accounts receivable are Due From Other Governments which represent amounts due to the Commission and represents revenues earned or accrued in the current period. These include amounts due from grantors for grants for specific programs. All amounts are deemed to be fully collectible, therefore no allowance for uncollectable amounts have been recorded.

Assets Held for Sale. If any, an asset which the Commission is not using in operations and that is intended to sell is classified on the Statement of Net Position as "Assets Held for Resale." The carrying value of an asset is the lower of the asset's cost or its net realizable value.

Notes and Related Interest Receivable. As part of the Commission's housing rehabilitation programs and low-income housing development programs, the Commission makes certain loans to homeowners, non-profit agencies and for-profit entities. The Commission accrues interest on these loans based on the loan agreement.

The Commission's notes receivable are primarily "second mortgages" which follow a first lender in order of security interest. It is the Commission's practice to primarily make only "traditional" fixed interest rate loans with 20 to 30 year amortization periods.

The Commission performs an analysis of notes receivable annually to estimate the potential for uncollectible notes and interest receivable. This analysis involves consideration of the notes risk of default and, should a default take place, the probability that the value of the property on which the note is secured will be less than the related outstanding debt.

Section Intentionally Left Blank

Capital Assets. Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. 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 of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Fund Position. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Asset Class	Estimated Lives
Buildings and improvements	30-50
Machinery and equipment	3-15

No capital asset impairments were recorded for the year ended June 30, 2015.

Compensated Absences. Compensated absences are absences for which employees will be paid, i.e., vacation and other approved leaves, with the exception of those employees that are terminated on grounds of gross misconduct. The Commission accrues the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Permanent Commission employees earn from 10 to 20 vacation days a year, depending upon their length of employment, and 13 sick days a year. Employees can carry forward up to the equivalent number of vacation days earned in the immediately preceding thirty-six month period and an unlimited number of unused sick leave days.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. The monetary equivalent of 25% of all unused sick leave is used in the calculation of retirement benefits, but not paid to the employee upon separation.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tenant Security Deposits. Security deposits consist of amounts held in trust with Sonoma County Community Development Commission in order for tenants to secure apartment leases.

Unearned Revenue. Unearned revenues, if any, consist of rental payments made by tenants in advance of their due date, and rental supplements to be paid to owners of private dwellings during the first month of the next fiscal year as well as grant advances that are only subject to performance milestones in order to recognize revenues.

Deferred Inflows/Outflows of Resources. In accordance with GASB 63, in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Commission had deferred outflows of resources consisting of pension contributions subsequent to the measurement date of June 30, 2014 of $222,805. Additionally, the Commission had deferred outflows of resources related to changes in proportions and differences between employer's contributions and their proportionate share of contributions to the pension plan of $353,063.

Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Commission deferred inflows of resources consist of net differences between projected and actual earnings of pension plan. The balance as of June 30, 2015 was $347,579.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Pension Plans (CEPP) and additions to/deductions from CEPP's fiduciary net position have been determined on the same basis as they are reported by the Sonoma County Employee's Retirement System (SCERA) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Depreciation. Depreciation expense of $154,339 has been recognized during the year ended June 30, 2015.

Income Taxes. The Commission is not subject to federal or state income taxes.

Interfund Eliminations. All interfund receivables and payables between program and (if applicable) blended component units have ben eliminated in the financial statements. As have any inter-program or company revenues and expenses.
Leasing Activities. The Commission is the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. The Commission may cancel the leases only for a cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within dwelling rent revenue.

Impact of Recently Issued Accounting Standard.
GASB 67/68 Financial Reporting for Pension Plans - Amendment of GASB 25. In June 2012, the GASB issued *GASB Statement No. 68 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS—AN AMENDMENT OF GASB STATEMENT NO. 27*. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

GASB 68 is effective for the Commission's fiscal year ended June 30, 2015. As a result, the Commission is required to make a prior period adjustment to book the Net Pension Liability of $1,282,833 and an equal corresponding reduction in Net Position.

GASB 70 Accounting and Financial Reporting For Nonexchange Financial Guarantees. The Commission did not extend financial guarantees for obligations of another government, a non-profit agency, or a private entity. Therefore, this Statement does not apply.

Subsequent Events. Sonoma County Community Development Commission adopted the Subsequent Events topic of the GASB Accounting Standards, which requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Commission's activity through December 04, 2015, the audit report date, and has concluded that no pertinent information should be disclosed.

2. CASH AND EQUIVALENTS, AND INVESTMENTS

Cash and equivalent, and investments were comprised of the following categories as of June 30, 2015:

Unrestricted	
Petty cash	$ 250
Checking and money market accounts	15,965,905
Subtotal	15,966,155
Restricted	
Deposits held in trust - tenant security	15,014
Reserves and escrows	561,974
Subtotal	576,988
Total cash and investments	$ 16,543,143

Sonoma County Pooled Cash

The Commission follows the practice of pooling cash and investment of funds with the County Treasurer except for funds required to be held by outside fiscal agents or trustees under the provisions of bond indentures and grant agreements. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the average daily balances by fund during the quarter. Interest income from cash and investments with fiscal agents or trustees is credited directly to the related fund.

Non-Pooled Cash and Investments

The following schedule shows the pooled and non-pooled cash amounts as of year end:

Cash inside Sonoma County Treasurer's Pool	$ 12,407,444
Cash outside Sonoma County Treasurer's Pool	4,135,699
Total cash and investments	$ 16,543,143

Investment Guidelines

The Commission's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Permitted investments include the following:

- U.S. Treasury and Federal Agency securities
- Bonds issued by local agencies
- Registered State Warrants and Municipal Notes
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (Slate Pool) demand deposits
- Repurchase agreements
- Shares of a mutual fund average life
- Collateralized mortgage obligations
- Joint power agreements

A copy of the County Investment Policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 1001F, Santa Rosa, California, 95403.

Investment in County Treasurer's Pooled Cash
As of June 30, 2015, the Commission's cash and investments balance managed by the County Treasurer was $12,407,444. At that time, the weighted average maturity of the investments in the pool was less than two years. The credit rating and other information regarding the Treasury pool for the year is disclosed in Sonoma County's 2014-2015 Comprehensive Annual Financial Report.

The net decrease in the fair value of the Commission's investments during the year was $59,957. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The cumulative unrealized gain on investments held at year end amounted to $30,816. The realized gain and loss from securities matured during the current fiscal year are recognized through the net change in the fair value of the investment held in the Treasury Pool.

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 value to changes in market interest rates. One of the ways that the Commission manages its exposure is to spread its cash between several financial institutions. The majority of the Commission's cash and investments are held by the Treasury Pool, which has a weighted average maturity of less than two years.

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of cash, deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral. Under California law this collateral is held in the Commission's name and places the Commission ahead of general creditors of the institution. The Commission has waived the collateral requirements for the portion of deposits covered by federal deposit insurance.

As of June 30, 2015, $500,000 of the Commission's cash with financial institutions outside of the Sonoma County Treasurer's Pool was federally insured and the remaining cash not covered by the FDIC was fully collateralized by pledged securities per written agreements with the financial institutions utilized by the Commission and therefore not exposed to custodial risk.

Concentration of Credit Risk
The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Commission has no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments. Below indicates the concentration of cash deposits with financial institutions outside of the County of Sonoma Treasurer's Pool as of June 30, 2015:

Exchange Bank	$ 1,156,273	28%
WestAmerica Bank	2,979,426	72%
Cash outside Sonoma County Treasurer's Pool	$ 4,135,699	100%

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 Commission follows the County's policy to purchase investments with the minimum ratings required by the California Government Code. The Commission does not currently hold any investments to report.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2015**:**

Fraud recovery	$ 238,741
Less: Allowance	(238,741)
Fraud recovery (net)	-
Tenant rents receivable	82
Less: Allowance	-
Tenant rents receivable (net)	82
Due from other governments	3,345,487
Density bonus	17,550
Miscellaneous other	89,606
Accounts receivable (net)	$ 3,452,725

4. LONG-TERM NOTES RECEIVABLE AND INTEREST RECEIVABLE

There are various types of notes receivable. Some require monthly principal reduction, and others have balloon payments at the end of the term of the note. Interest rates on the loans range from zero to ten percent per annum. Long-term notes receivable and interest receivable consisted of the following at year end:

Long-term notes receivable	$ 56,817,790
Interest receivable on notes	11,871,343
Less: Allowance for uncollectible notes and interest	(992,932)
Long-term notes receivable (net)	$ 67,696,201

5. CAPITAL ASSETS

A summary of the activity for capital assets for the year ended June 30, 2015 is as follows:

	07/01/14	Additions & Transfers In	Deletions & Transfers Out	06/30/15
Non-depreciable Capital Assets:				
Land	$ 5,450,000	$ 1,300,000	$ -	$ 6,750,000
Subtotal	5,450,000	1,300,000	-	6,750,000
Depreciable Capital Assets:				
Buildings and improvements	4,714,218	-	(1,072,203)	3,642,015
Equipment	117,359	2,477	-	119,836
Subtotal	4,831,577	2,477	(1,072,203)	3,761,851
Total Capital Assets	10,281,577	1,302,477	(1,072,203)	10,511,851
Accumulated depreciation	(688,274)	(154,339)	-	(842,613)
Capital Assets (net)	$ 9,593,303	$ 1,148,138	$ (1,072,203)	$ 9,669,238

Depreciation expense for the year ended June 30, 2015 was $154,339.

6. OTHER LIABILITIES

Other current liabilities of the Commission were comprised of the following as of June 30, 2015:

FSS escrow deposits	$ 118,580
Tenant security deposits	15,014
Unearned revenues	14,599
Due to other governments	-
Other deposits held in trust	24,730
Total Other Liabilities	$ 172,923

7. LONG-TERM LIABILITIES

The Commission had the following activity for long-term liabilities for the year ended June 30, 2015:

	07/01/14	Additions	Deletions	06/30/15
Compensated absences - LT	$ 228,611	$ 45,722	$ (135,528)	$ 138,805
Net pension liability	1,738,005	369,934	(455,172)	1,652,767
Total	$ 1,966,616	$ 415,656	$ (590,700)	$ 1,791,572

8. PENSION PLAN

General Information about the Pension Plan

Plan descriptions.

Through the County of Sonoma, the Commission contracts with the Sonoma County Employees' Retirement System (SCERA) to provide retirement benefits to its employees. SCERA was organized on January 1, 1946, under the provisions of the 1937 County Employees Retirement Act. SCERA, a cost-sharing, multiple-employer Defined Benefit Pension Plan (Plan), serves as a distribution agent for County Postemployment Healthcare Plan (PH Plan), and is legally separate of the County. The California Public Employees' Pension Reform Act of 2013 (PEPRA) was signed into law by Governor Jerry Brown on September 12, 2012, with an effective date of January 1, 2013. All General and Safety employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a new tier called Plan B. Plan members include all permanent employees appointed to a permanent position of at least half time for employees of the County of Sonoma, Valley of the Moon Fire District (District), and Superior Courts of California. Plan members are classified as either General or Safety (Safety e.g., eligible Sheriff, Fire, and Probation Department employees). Membership becomes effective on the first day of service. The Plan provides benefits as defined by the law upon retirement, death, or disability of members and may be amended by the Board of Supervisors and then shall be implemented by the Board of Retirement. SCERA issues a comprehensive annual financial report (CAFR) which details its plan assets, liabilities, and plan activity. The County receives an annual actuarial valuation report which summarizes plan assets, liabilities, and employer rates for its plans. Under GASB Statement No. 68, the Commission is an agent multiple-employer defined benefit pension plans due to the pooling composite. The financial statements for the County (the primary government) contain additional financial information for the defined pension benefits, which may not be presented here. Detailed information and separately issued financial statements of the Retirement Association can be obtained from the Sonoma County Employee's Retirement Association located at: 433 Aviation Boulevard, Suite 100. Santa Rosa, California 95403 or can be found at www.scretire.com.

Benefits provided.

SCERA provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees and permanent part-time employees who work 50% or more for the County of Sonoma or participating agencies become members of SCERA effective on the first day of the first full pay period after employment in a permanent position. There are separate retirement plans for General and Safety member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. All other employees are classified as General members.

There are currently two tiers applicable to both General and Safety members. Members with membership dates before January 1, 2013 are included in General Plan A or Safety Plan A. Any new member who becomes a member on or after January 1, 2013 is designated as General Plan B or Safety Plan B and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197. A detailed description of the benefits provided by these plans can be found by inquiry to SBCERA or visiting www.scretire.com.

Contributions.

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2015 were based on the Plan's valuation dated December 31, 2012. The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. Plan A members are required to contribute 7% -13% of their annual covered salary based upon the member's age at the date of entry into the system and Plan B members are required to contribute 7.25% for General Plan B Employees and 11.75% for Safety Plan B Employees of their annual covered salary. The County is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Employer and member contributions are funded and recognized through the County and District payroll systems via employer benefit payments and employee deductions. For the fiscal year ended June 30, 2015, the Commission contributed $455,172 or approximately 18.37% of covered payroll.

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

Allocation of Net Pension Liability and Pension Expense to Individual Plans.

At June 30, 2015, the Commission reported a liability of $1,652,767 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At December 31, 2014, the Commission's proportion was 0.763%, which was an increase of 0.049% from its proportion measured as of December 31, 2013 of 0.714%.

The following table shows the Plans' proportionate share of the risk pool collective net pension liability over the measurement period.

	Plan Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Plan Net Pension Liability (Asset) [c] = [a]-[b]
Balance at June 30, 2013	$ 17,606,438	$ 15,868,433	$ 1,738,005
Balance at June 30, 2014	19,138,727	17,485,961	1,652,766
Total Net Changes	$ 1,532,289	$ 1,617,528	$ (85,239)

For the year ended June 30, 2015, the Commission recognized pension expense of $364,449. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (347,579)
Changes in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	266,376	-
Changes in proportion and differences between contributions and proprotionate share of contributions	86,687	-
Contributions subsequent to the measurement date	222,805	-
Totals	$ 575,868	$ (347,579)

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

$222,805 reported as deferred outflows of resources related to pensions resulting from Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

2016	$ (26,250)
2017	(26,250)
2018	(8,611)
2019	66,595
2020	-
Thereafter	-
	$ 5,484

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Plan Net Pension Liability (Assets)	$ 3,792,280	$ 1,652,766	$ (145,611)

Subsequent Events Related to Pension.
There were no subsequent events that would materially affect the results presented in this disclosure.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability.
In preparing an actuarial valuation, the actuary employs generally accepted actuarial methods and assumptions to evaluate the System's assets, liabilities, and future contribution requirements. The actuary utilizes member data and financial information provided by the System with economic and demographic assumptions made about the future to estimate the System's financial status as of a specified point in time. Examples of estimates include assumptions about future employment, mortality, future investment returns, future salary increases, expected retirements and other relevant factors. Actuarially determined amounts are subject to continual review or modification. The Board reviews the economic and demographic assumptions of the System every three years.

The actuarial assumptions used to determine the total pension liability as of measurement date December 31, 2014 were based on the results of the most recent Actuarial Experience Study which covered the period from January 1, 2009 through December 31, 2011. These same assumptions were used in the December 31, 2014 actuarial valuation, which is used to determine contribution rates for funding purposes. Key methods and assumptions used in the latest actuarial valuation and the total pension liability are presented below:

Actuarial Cost Method	Entry Age Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Inflation	3.25%
Salary Increases	General: 4.50% to 10.00% and Safety: 4.50% to 12.50%, varying by service, including inflation
Other assumptions	See SBCERA's analysis of actuarial experience during the period January 1, 2009 through December 31, 2011

Expected Rate of Return.
The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	30.7%	6.15%
Small Cap U.S. Equity	6.3%	6.87%
Developed International Equity	25.0%	6.70%
U.S. Core Fixed Income	17.0%	0.98%
Unconstrained Bonds	3.0%	3.56%
Bank Loans	3.0%	2.55%
Real Estate	15.0%	4.88%
	100.0%	

Discount rate.
The discount rate used to measure the Total Pension Liability was 7.50% as of December 31, 2014 and December 31, 2013. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2014 and December 31, 2013.

Payable to the Pension Plan.
At June 30, 2015, the Commission had no amounts payable for outstanding annual required contribution payments to the pension plan.

9. OTHER POST-EMPLOYEMENT HEALTH BENEFITS

The County of Sonoma administers a post-employment healthcare plan. The County offers either a defined benefit or defined contribution medical plan in accordance with the County Salary Resolution No. 95-0926 and the Commission's employees are covered under said resolution.

Governmental Accounting Standards Board (GASB) standard 45 direct how local governments account for and report other post-employment benefits (OPEB) that are separate from pension benefits. The County of Sonoma has calculated the medical benefit plan OPEB requirements and described the County's methodology and amounts within the County's June 30, 2015 CAFR. These calculations cover the OPEB or all County employees including Commission employees. For additional OPEB details see the notes to the financial statements of the County of Sonoma's CAFR for the fiscal year ending June 30, 2015.

10. CONTINGENT LIABILITIES

Insurance.
The Commission, as a component unit of the County, is named insured on all general and automobile liability coverage maintained by the County of Sonoma. The County maintains a self-insured retention of $1,000,000 per occurrence which is accounted for in the County's Risk Management internal Service Fund. Excess liability coverage is maintained through participation in the California State Association of Counties, Excess Insurance Commission (CSAC-EIA), and Excess Liability Program. Limits of this coverage are $15,000,000. The Commission is covered under this program for general liability, auto liability, public employee faithful performance/dishonesty and property insurance. The Commission paid an annual premium to the County for the above insurance coverage in the amount of $25,247. Settlements have not exceeded coverage for each of the past three fiscal years. The Commission maintains worker's compensation insurance through the State Compensation Insurance Fund.

Grants
The Commission has received funds from various federal, state, and local grant programs. It is possible that at some future date it may be determined that the Commission was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission does not expect such disallowed amounts, if any, to materially affect the financial statements.

11. RELATED-PARTY TRANSACTIONS

In fiscal year 2012-2013, the Commission received a multifamily project from the Sonoma City Redevelopment Agency dissolution called "Village Green." In accordance with the Successor Agency agreement, only the assets were transferred to the Commission. The project has a related mortgage which was not transferred to the Commission but was transferred to Sonoma City. Currently, the Commission is making the principal and interest payments on the mortgage. As of June 30, 2015 Sonoma City has prepaid $60,312 to the Commission for future mortgage payments. The amount is currently classified as due to other governments.

12. CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ADJUSTMENTS

Beginning net position as of July 1, 2014, has been restated as follows for both the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* as well as adjustments related to the absorption of the Village Green II:

Ending net position as previously reported at June 30, 2014	$ 87,277,618
Prior period adjustment - Accounting Policy Changes:	
Net pension liability (measurement date as of June 30, 2013)	(1,282,833)
Prior period adjustment - Corrections of Errors:	
Inclusion of Prior Operations - Village Green II	(87,714)
Total prior period adjustment	(1,370,547)
Net position as restated as of June 30, 2014	$ 85,907,071

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

Sonoma County Community Development Commission
Proprietary (Enterprise) Fund Type
Santa Rosa, CA

REQUIRED SCHEDULES OF THE PENSION PLAN
AS OF MEASUREMENT DATE DECEMBER 31, 2014

SCHEDULE OF THE PENSION PLAN'S PORPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS *

Reporting Date for Employer under GAB 68 as of June 30	Proportion of Net Pension Liability	Proportionate share of Net Pension Liability	Covered Employee Payroll**	Proportionate share of the Net Pension Liability as a percentage of covered-	Plan Fiduciary Net Position as a percentage of the Total Pension
2014	0.714%	$ 1,738,005	$ 2,299,042	75.60%	89.76%
2015	0.762%	$ 1,652,766	$ 2,478,440	66.69%	90.88%

*This is a 10-year schedule; however, the information in this schedule is not required ot be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

**Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

*** The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is the same for all General employers because neither the Plan Fiduciary Net Position nor the Total Pension Liability have been maintained separately for each of those employers. The same is also the case for all Safety employers.

SCHEDULE OF THE PENSION PLAN'S CONTRIBUTIONS

Reporting Date for Employer under GAB 68 as of June 30	Actuarially determined contribution [A]	Contributions in relation to actuarially determined contribution [B]	Contribution deficiency (excess) [C]=[A]-[B]	Covered-employee payroll	Contribution as a percentage covered-employees payroll
2015	$ 455,172	$ 455,172	$ -	$ 2,478,440	18.37%

Notes to Required Supplementary Information Schedules:

Change in Benefits: *None*
Change in Assumptions: *None*

SUPPLEMENTARY FINANCIAL INFORMATION

Sonoma County Community Development Commission

Proprietary (Enterprise) Fund Type

Santa Rosa, CA

Combining Statement of Net Position

June 30, 2015

ASSETS	Housing Choice Vouchers	Other Programs	Inter-Program Eliminating Entries	Totals
Current Assets				
Cash and cash equivalents:				
Unrestricted	$ 3,503,476	$ 12,462,679	$ -	$ 15,966,155
Restricted	-	576,988	-	576,988
Subtotal	3,503,476	13,039,667	-	16,543,143
Accounts receivable (net)	63,765	3,388,960	-	3,452,725
Due from other funds	-	1,676,753	(1,676,753)	-
Prepaids	19,328	-	-	19,328
Total Current Assets	3,586,569	18,105,380	(1,676,753)	20,015,196
Noncurrent Assets				
Capital assets (net)	-	9,669,238	-	9,669,238
Long-term notes and related interest receivable (net)	-	67,696,201	-	67,696,201
Total Noncurrent Assets	-	77,365,439	-	77,365,439
TOTAL ASSETS	3,586,569	95,470,819	(1,676,753)	97,380,635
DEFERRED OUTFLOWS OF RESOURCES	238,823	337,045	-	575,868
LIABILITIES				
Current Liabilities				
Accounts payable				
Vendors	1,744	516,473	-	518,217
Other governments	-	173,711	-	173,711
Subtotal	1,744	690,184	-	691,928
Due to other funds	-	1,676,753	(1,676,753)	-
Other liabilities	118,580	54,343	-	172,923
Compensated absences - current	10,555	13,940	-	24,495
Total Current Liabilities	130,879	2,435,220	(1,676,753)	889,346
Noncurrent Liabilities				
Compensated absences - long-term	59,812	78,993	-	138,805
Net pension liability	685,434	967,333	-	1,652,767
Total Noncurrent Liabilities	745,246	1,046,326	-	1,791,572
TOTAL LIABILITIES	876,125	3,481,546	(1,676,753)	2,680,918
DEFERRED INFLOWS OF RESOURCES	144,148	203,431	-	347,579
NET POSITION				
Investment in capital assets	-	9,669,238	-	9,669,238
Restricted	-	561,974	-	561,974
Unrestricted	2,805,119	81,891,675	-	84,696,794
TOTAL NET POSITION	$ 2,805,119	$ 92,122,887	$ -	$ 94,928,006

Sonoma County Community Development Commission
Proprietary (Enterprise) Fund Type
Santa Rosa, CA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2015

	Housing Choice Vouchers	Other Programs	Inter-Program Eliminating Entries	Totals
REVENUES				
Operating Revenues				
Intergovernmental revenue	$ 26,485,320	$ 13,454,909	$ -	$ 39,940,229
Service charges	-	126,085	-	126,085
Rent and concession (net)	-	370,664	-	370,664
Licenses and permits	-	78,037	-	78,037
Program revenue	-	1,099,360	-	1,099,360
Other revenues	100,791	34,601	-	135,392
Total Operating Revenues	26,586,111	15,163,656	-	41,749,767
EXPENSES				
Operating Expenses				
Salary and benefits	1,868,508	2,557,505	-	4,426,013
Administration - services and supplies	395,692	465,290	-	860,982
Rents and leases	74,347	100,968	-	175,315
Insurance	6,758	18,489	-	25,247
Support and care of persons	24,022,896	3,592,594	-	27,615,490
Maintenance and operations	23,820	669,265	-	693,085
Utilities	-	18,919	-	18,919
Intergovernmental expenses - county charges	81,159	171,052	-	252,211
Taxes and assessments	-	23,498	-	23,498
Depreciation	-	154,339	-	154,339
Other expenses	-	51,431	-	51,431
Total Operating Expenses	26,473,180	7,823,350	-	34,296,530
Operating Income (Loss)	112,931	7,340,306	-	7,453,237
Nonoperating Revenues (Expenses)				
Investment income	4,800	1,583,687	-	1,588,487
Interest expense	-	(20,789)	-	(20,789)
Gain (loss) on sale of capital assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	4,800	1,562,898	-	1,567,698
Income (loss) Before Capital Contributions and Transfers	117,731	8,903,204	-	9,020,935
Capital Contributions and Transfers				
Government grants - capital	-	-	-	-
Transfers in (out)	-	-	-	-
Total Capital Contributions and Transfers	-	-	-	-
Change in Net Position	117,731	8,903,204	-	9,020,935
Net position - beginning	3,219,403	84,058,215	-	87,277,618
Prior period adjustments	(532,015)	(838,532)	-	(1,370,547)
Net Position - ending	$ 2,805,119	$ 92,122,887	$ -	$ 94,928,006

See auditors' report on supplementary financial information