VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

December 31, 2014

Chancellor's Office
California Community Colleges
College Finance and Facilities Planning
1102 Q Street, 4th Floor, Suite 4554
Sacramento, CA 95811-6511

To Whom It May Concern:

Enclosed is one bound copy of the annual financial report and management letter for the Solano Community College District for the year ended June 30, 2014. Electronic copies of this report and management letter have also been submitted to CDAMReports@cccco.edu.

Copies of the report have also been filed with the following agencies:

California Department of Education
Audits Investigation Division
1430 N Street, Room 5319
Sacramento, CA 95814

Department of Finance
Via PDF to OSAEHOTLINE@dof.ca.gov

Solano County Office of Education
Tommy Welch
5100 Business Center Drive
Fairfield, CA 94534
and
Via PDF to twelch@solanocoe.net; sbeatty@solanocoe.net; and lreyes@solanocoe.net

Accrediting Commission for Community and Junior Colleges
Attn: Tom Lane, Admin Support
10 Commercial Blvd., Suite 204
Novato, CA 94949
and
Via PDF to accjc@accjc.org

Department of Social Services
Via PDF to Morgan.Peschko @dss.ca.gov

Federal Audit Clearinghouse
Via http://harvester.census.gov website

Very truly yours,

Terri A Montgomery

Terri A. Montgomery
of VAVRINEK, TRINE, DAY & CO., LLP

TAM/ mcg
Enclosures

SOLANO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

SOLANO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2014

FINANCIAL SECTION

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the accompanying financial statements of the business-type activities of Solano Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statement 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 audits. We conducted our audits 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 audits 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 District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2014 and 2013, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board Statement No. 65 for the year ended June 30, 2014. These changes require a restatement of the beginning net position of the District as discussed in Note 16. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, 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, 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 the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2014

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of Solano Community College District (the District) as of June 30, 2014. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

Solano Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The business-type financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

The 2013 Budget Act reflects California's most stable fiscal footing in well over a decade. With the tough spending cuts enacted over the past two years and new temporary revenues provided by the passage of Proposition 30, the state's budget is projected to remain balanced for the foreseeable future. However, substantial risks, uncertainties, and liabilities remain.

The Budget overhauls the state's system of K-12 education finance — creating a more just allocation of resources and providing expanded flexibility. It also reinvests in the state's universities and increases their affordability. The Budget implements an affordable and sustainable path for the expansion of coverage under federal health care reform.

The Budget also makes targeted investments — dental care, mental health, and middleclass scholarships — while maintaining structural balance into the future. Overall, it also preserves the state's safety net, encourages job growth, and pays down debt.

REINVESTING IN EDUCATION

With the passage of Proposition 30, the Budget reinvests in, rather than cuts, education funding. From 2011-12 through 2016 -17, the Proposition 98 minimum funding guarantee will increase from $47.2 billion to $67.1 billion, an increase of about $20 billion. For K-12 schools, funding levels will increase by $1,045 per student through 2013-14 and by $2,835 per student through 2016-17.

The Budget begins to correct historical inequities in school district funding by adopting a new allocation formula and dedicating $2.1 billion in new funding beginning in 2013-14. By committing new funding to districts serving English language learners, students from Low-income families, and foster youth, the formula ensures that the students most in need of help have an equal opportunity for a quality education.
This new funding will be coupled with strong accountability. It will allow communities to govern their schools locally — but provide authority to county offices of education and the state to assist if districts fail to improve. Districts will be required to improve outcomes for all students, and specifically for English learners, students from low-income families, and foster youth. Independent audits and county and state oversight will make sure this occurs.

As shown in Exhibit 1, the 2013 Budget increases funding for higher education by between $1,649 and $2,491 per student through 2016-17. In addition, a new financial aid program for middle class families will begin next year.

Exhibit 1
Budget Increases Funding Per Student

	2011-12	2016-17	FUNDING INCREASE
K-12 Education	$7,175	$10,010	$2,835
Community Colleges	$4,893	$6,542	$1,649
Calif State University	$5,860	$7,803	$1,943
University of California	$10,630	$13,121	$2,491

EXPANDING HEALTH CARE

Medi-Cal currently serves more than one out of every five Californians. Federal healthcare reform will significantly expand this coverage. The Budget moves forward with a state-based approach to the optional expansion of care allowed under federal law.

This expansion will significantly increase health care coverage, improve access to mental health services, expand substance use disorder treatment, and bring in new federal dollars. The law, however, also comes with costs, risks, and uncertainties. The state currently dedicates about $1.5 billion annually to counties for health care, primarily for services for indigent adults — many of the same people who will move to Medi-Cal under the new law. Over time, as the state takes on more responsibility for health care, funding previously provided to counties for indigent health will be shifted to fund human services programs. To ensure adequate funding remains at the county level for safety net services, dollars will be redirected based on a county-by-county formula.

A BALANCED BUDGET PLAN, BUT RISKS REMAIN

The Budget represents a multi-year plan that is balanced, maintains a $1.1 billion reserve, and pays down budgetary debt. The state's recent budget challenges have been exacerbated by the Wall of Debt — an unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade. The Budget dedicates billions to repay this budgetary borrowing. Moving forward, continuing to pay down the Wall of Debt is key to increasing the state's fiscal capacity. In 2011, the level of outstanding budgetary borrowing totaled $35 billion. The debt will be reduced to less than $27 billion this year. Under the Budget's projections, it will be reduced to below $5 billion by the end of 2016-17.

The budget remains balanced only by a narrow margin. The pace of the economic and revenue recovery is still uncertain, and California needs to address other liabilities that have been created over many decades. Eliminating the liabilities will take many years and constrain the state's capacity to make other investments. Only by continuing to exercise fiscal discipline can the state avoid repeating the boom and bust cycles of the last decade.

2013-14 CALIFORNIA BUDGET ACT HIGHLIGHTS

- AB 110 signed by Governor June 27, 2013
- For third consecutive year passed on time
- Includes budgeted reserve of $1.1 billion
- Governor used more conservative forecast
- No threats of trigger cuts

COMMUNITY COLLEGES

- Access $89.4 million (1.63%)
- Cost Of Living Adjustment (COLA) $87.5 million (1.57%). 1st COLA since 07/08
- Categoricals $88 million
- $50 million for Student Success and Support
- $15 million for DSPS
- $15 million for EOPS
- $ 8 million for CalWorks
- Reduction in Deferrals
- $30 million for deferred maintenance & instructional equipment and library materials
- $150,000 increase for Academic Senate

COMMUNITY COLLEGES – New Initiatives

Adult Education

- $25 million for local planning grants
- Grants to local consortia; must include at least 1 CCD and 1 K12 LEA
- No change to existing non-credit programs or funding

Online Education

- $16.9 million

CCCCO will develop a common LMS

Proposition 39

- Estimated $41million available for energy projects after low interest loans and workforce component

CONCERNS

Thanks to passage of Prop 30 and improving economy. But ... Prop 30 is temporary

- Sales Tax increase terminates end of 2016
- Income Tax increase terminates end of 2018
- Will Prop 30 be extended?

Apportionment is getting more complicated, in 2008/09 about 2/3 of apportionment was General Fund approved in Budget Act. It is now 1/3. 2/3 of apportionment is based on estimates that may or may not hold up.

EPA and RDA

- Statutorily guaranteed backfills, but timing and determination of gaps creates delays and confusion. Lack of continuous appropriation is an increasing problem.

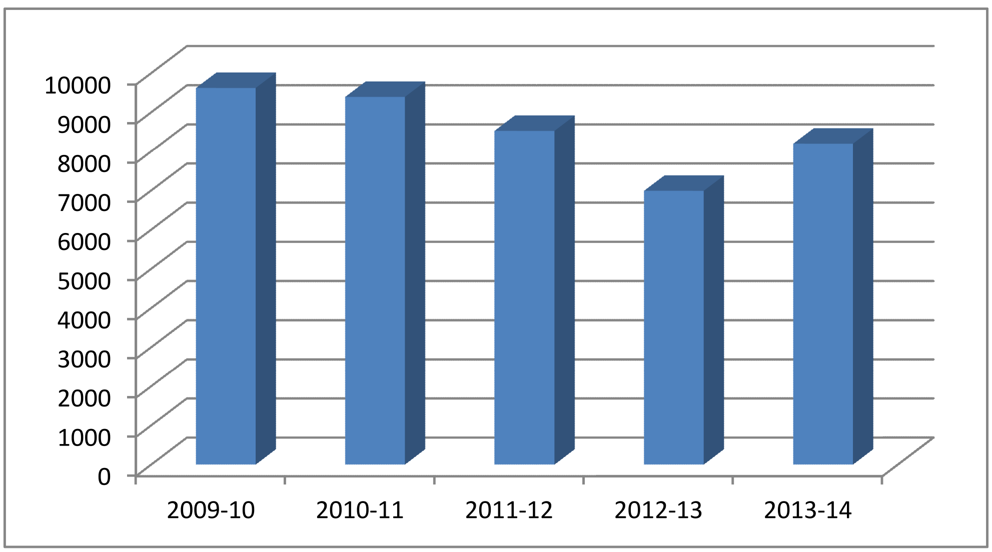
ATTENDANCE HIGHLIGHTS

Solano Community College having come out of stability funding in FY 2012-13, which protected its apportionment revenue, did not re-attain the 8,500 FTES base that year. Term over term enrollment growth, while steady, was not as robust as expected and the college ended achieving 8,200 FTES in FY 2013-14, which lowered its apportionment revenues by about $1.4 million.

The District is engaged in various outreach and retention strategies to strengthen FTES for FY 2014-15.

The chart below shows actual FTES served.

Annual FTES
Credit/Non-Credit Resident Students
(Reported for State Funding)



THE DISTRICT AS A WHOLE

Net Position

Table 1

ASSETS	2014	2013	Change	2012	Change
Current Assets					
Cash and investments	$ 7,126,936	$ 6,393,037	$ 733,899	$ 724,744	$ 5,668,293
Restricted cash and cash equivalents	123,925,410	151,344,808	(27,419,398)	28,292,243	123,052,565
Accounts receivable (net)	9,804,788	12,063,938	(2,259,150)	15,531,337	(3,467,399)
Prepaid expenses and other current assets	146,423	503,010	(356,587)	183,945	319,065
Total Current Assets	141,003,557	170,304,793	(29,301,236)	44,732,269	125,572,524
Noncurrent Assets:					
Capital assets (net)	189,252,319	163,095,828	26,156,491	125,619,915	37,475,913
Total Noncurrent Assets	189,252,319	163,095,828	26,156,491	125,619,915	37,475,913
Total Assets	$ 330,255,876	$ 333,400,621	$ (3,144,745)	$ 170,352,184	$ 163,048,437
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	$ 5,092,646	$ 10,216,633	$ (5,123,987)	$ 7,298,612	$ 2,918,021
Unearned revenue	3,495,034	3,951,984	(456,950)	3,597,514	354,470
Deferred bond premium	696,867	501,206	195,661	479,081	22,125
Long-term liabilities due within one year	8,304,370	5,509,265	2,795,105	4,787,126	722,139
Total Current Liabilities	17,588,917	20,179,088	(2,590,171)	16,162,333	4,016,755
Long-term liabilities	251,305,158	253,755,090	(2,449,932)	124,422,068	129,333,022
Total Liabilities	268,894,075	273,934,178	(5,040,103)	140,584,401	133,349,777
DEFERRED INFLOWS					
Deferred charges on refunding	2,448,209	-	2,448,209		-
NET POSITION					
Net investment in capital assets	54,096,117	56,907,444	(2,811,327)	26,452,053	30,455,391
Restricted	12,961,526	8,642,265	4,319,261	8,697,662	(55,397)
Unrestricted	(8,144,051)	(6,083,266)	(2,060,785)	(5,381,932)	(701,334)
Total Net Position	58,913,592	59,466,443	(552,851)	29,767,783	29,698,660
Total Liabilities, Deferred Outflows and Net Position	$ 330,255,876	$ 333,400,621	$ (3,144,745)	$ 170,352,184	$ 163,048,437

The District's primary assets include receivables, restricted cash from bond proceeds and capital assets. Primary liabilities include long-term debt and investments in capital assets.

Cash decreased by approximately $27 million due principally to the expenditure of Measure Q Bond funds for ongoing projects. Restricted cash includes amounts restricted for debt service.

Receivables include approximately $5.7 million in State aid apportionment, along with student accounts receivable and grants from the State and Federal government

Long-term debt includes general obligation bonds outstanding, revenue bonds, leases payable, employee compensated absences, and retirement obligations.

Operating Results for the Year

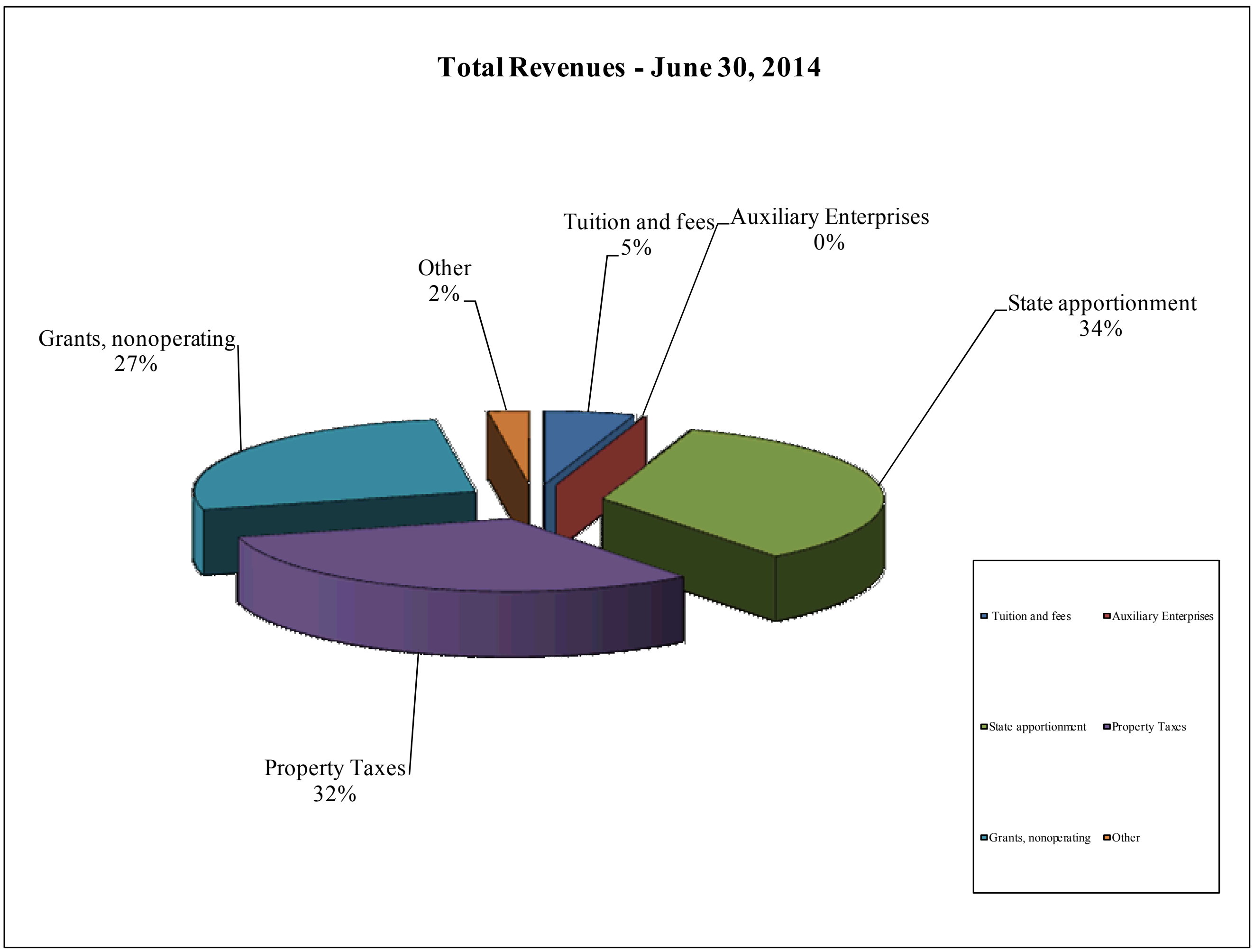
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position* on page 18.

Table 2

Operating Revenues	2014	2013	Change	2012	Change
Tuition and fees	$ 4,328,887	$ 3,478,760	$ 850,127	$ 3,906,774	$ (428,014)
Auxiliary sales and charges	-	-	-	1,322,839	(1,322,839)
Total Operating Revenues	4,328,887	3,478,760	850,127	5,229,613	(1,750,853)
Operating Expenses					
Salaries	32,611,929	29,665,105	2,946,824	29,624,357	40,748
Employee benefits	13,716,952	12,731,663	985,289	14,603,380	(1,871,717)
Supplies, Materials, Other Operating Expenses and Services	18,724,783	21,749,520	(3,024,737)	26,074,301	(4,324,781)
Depreciation	3,915,523	4,618,043	(702,520)	3,635,653	982,390
Total Operating Expenses	68,969,187	68,764,331	204,856	73,937,691	(5,173,360)
Loss on Operations	(64,640,300)	(65,285,571)	645,271	(68,708,078)	3,422,507
Nonoperating Revenues					
State apportionments, noncapital	28,895,373	28,006,801	888,572	31,283,738	(3,276,937)
Local property taxes	26,487,393	19,717,964	6,769,429	16,502,661	3,215,303
Federal grants	13,205,102	14,002,812	(797,710)	15,178,106	(1,175,294)
State grants	7,939,596	5,395,734	2,543,862	5,352,286	43,448
Local grants and other	1,312,064	2,792,729	(1,480,665)	1,461,480	1,331,249
State taxes and other revenues	1,203,705	848,081	355,624	1,383,043	(534,962)
Investment income	698,210	209,987	488,223	227,566	(17,579)
Interest Expense on Capital Asset-Related Debt	(14,138,414)	(1,665,464)	(12,472,950)	(5,125,674)	3,460,210
Other nonoperating revenues (expenses)	119,523	110,150	9,373	(102,513)	212,663
Total Nonoperating Revenue	65,722,552	69,418,794	(3,696,242)	66,160,693	3,258,101
GAIN (LOSS) BEFORE CAPITAL REVENUES	1,082,252	4,133,223	(3,050,971)	(2,547,385)	6,680,608
CAPITAL REVENUES					
State and local capital income	-	54,725	(54,725)	880,673	(825,948)
Gain or loss on disposal of equipment	35,886	19,227	16,659	-	19,227
TOTAL CAPITAL REVENUES	35,886	73,952	(38,066)	880,673	(806,721)
INCREASE (DECREASE) IN NET POSITION	1,118,138	4,207,175	(3,089,037)	(1,666,712)	5,873,887
RESTATEMENT	59,466,443	25,491,485	33,974,958	-	25,491,485
NET POSITION BEGINNING OF YEAR	(1,670,989)	29,767,783	(31,438,772)	31,434,495	(1,666,712)
NET POSITION END OF YEAR	$ 58,913,592	$ 59,466,443	$ (552,851)	$ 29,767,783	$ 29,698,660

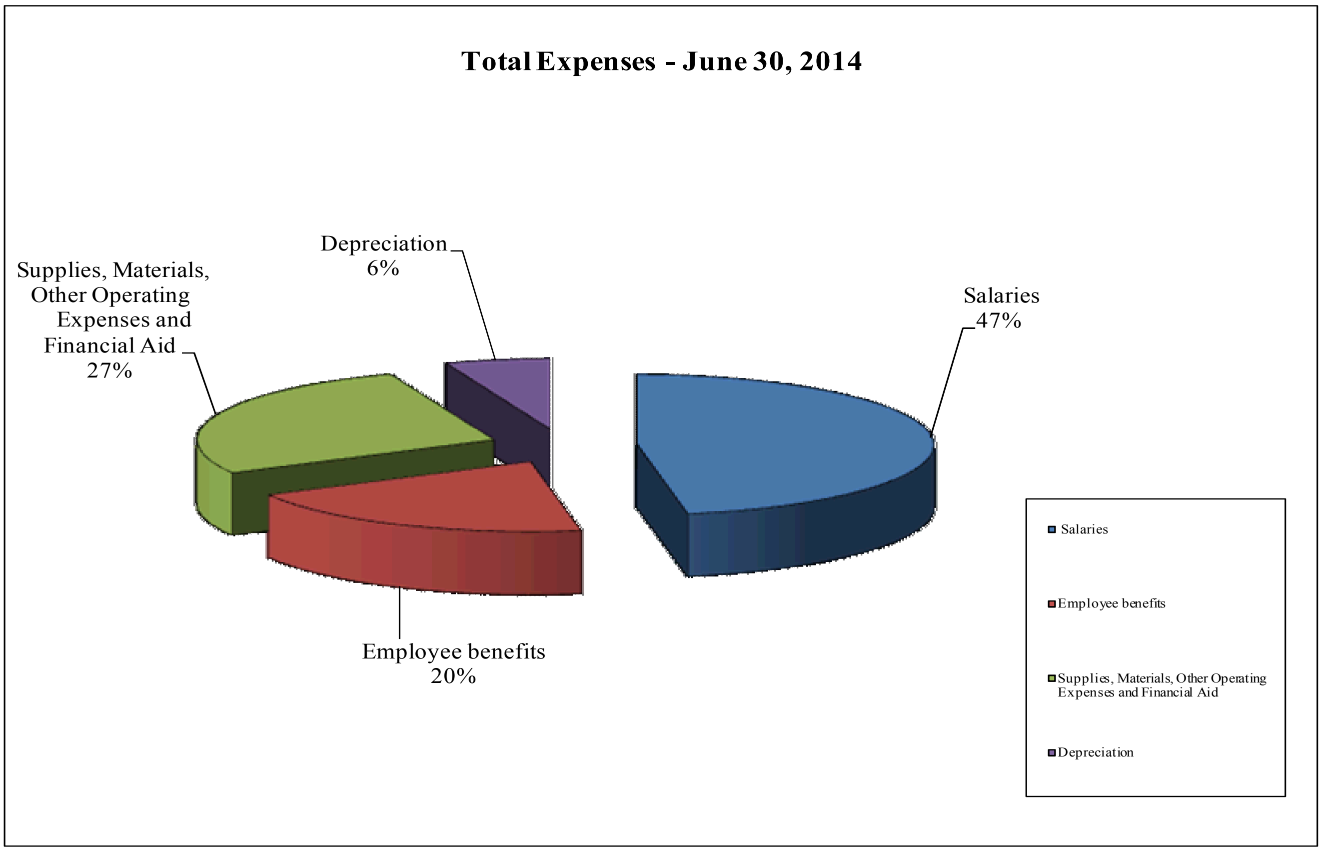
Significant revenue changes between 2013 and 2014 include:

- The increase in student tuition and fees, primarily relate to higher FTES achieved for and reported in 2013/14 of about 8,000 FTES versus approximately 7,000 in 2012/13.
- Auxiliary revenues no longer show on the district's finances as Bookstore operations were assumed by Barnes & Noble in December of 2011. As a result of this arrangement, the district now receives commissions on sales while improving services to students, faculty and staff.
- State apportionment increased about $1 million offsetting reductions in property tax receipts due to nonrecurring distributions of redevelopment agency funds in 2013.
- Federal funding decreased due to lower PELL grants awarded, and decreased direct lending tied directly to the lower FTES achieved this academic year.
- Investment income has increased due to some improvement in investment rates and increases in cash balances due to smaller intraperiod apportionment deferrals.



Significant expenditure variances include:

- Salaries increased as a result of offering summer sessions in June 2013 and a more robust class offering in fall and spring; we also offered staff a 1% salary increase; step and column movement and added a dean of nursing.
- Employee benefits increased as a result of increases in health costs and increases in retirement costs, consisting mainly of PERS.
- Supplies, services, and other operating expenditures decreased primarily due to electric reduction (solar); and reducing supplies, and contracts.



Changes in Cash Position

Table 4

	2014	2013	Change	2012	Change
Cash Provided by (Used in)					
Operating activities	$ (65,447,696)	$ (57,878,467)	$ (7,569,229)	$ (60,866,233)	$ 2,987,766
Noncapital financing activities	66,149,791	65,927,705	222,086	60,689,820	5,237,885
Capital financing activities	(28,111,141)	120,461,633	(148,572,774)	(3,445,136)	123,906,769
Investing activities	723,547	209,987	513,560	227,566	(17,579)
Net Increase (Decrease) in Cash	(26,685,499)	128,720,858	(155,406,357)	(3,393,983)	132,114,841
Cash, Beginning of Year	157,737,845	29,016,987	128,720,858	32,410,970	(3,393,983)
Cash, End of Year	$ 131,052,346	$ 157,737,845	$ (26,685,499)	$ 29,016,987	$ 128,720,858

Major changes in capital financing activities correspond with the issuance of Measure Q bonds in 2013, and the refinancing and defeasance of Measure G bonds in 2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets increased approximately $31 million, and includes approximately $25 million in Construction in Progress projects which will be capitalized upon completion. In addition, the District purchased land for $5.2 million adjacent to the Vallejo facility for future expansion.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 19,420,264	$ 33,907,748	$ 17,106,308	$ 36,221,704
Buildings and improvements	175,211,564	9,239,106	12,784	184,437,886
Equipment and furniture	13,485,892	5,666,185	76,200	19,075,877
Subtotal	208,117,720	48,813,039	17,195,292	239,735,467
Accumulated depreciation	46,642,493	3,915,523	74,868	50,483,148
	$ 161,475,227	$ 44,897,516	$ 17,120,424	$ 189,252,319

Obligations

Long-term debt includes general obligation bonds outstanding, revenue bonds, leases payable, employee compensated absences, and retirement obligations.

All general obligation bonds authorized by the 2002 ballot measure have been issued, so no new long-term debt issuances relative to Measure G occurred during the year. General obligation bonds outstanding increased due to the issuance of $56 million of 2014 Refunding bonds that refinanced portions of the 2002 Measure G, Series Bonds and the 2005 Refunding bonds. Additional changes are the results of the accretion of interest on capital appreciation bonds and the payment of annual scheduled debt service payments.

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation and lease revenue bonds	$ 250,584,441	$ 56,300,290	$ 55,482,632	$ 251,402,099
Compensated absences	926,478	86,482	-	1,012,960
Capital leases	190,591	-	94,299	96,292
Supplemental retirement plan	349,556	-	174,778	174,778
OPEB liability	7,714,495	-	94,229	7,620,266
Total Long-Term Debt	$ 259,765,561	$ 56,386,772	$ 55,845,938	$ 260,306,395
Amount due within one year				$ 9,001,237

BUDGETARY HIGHLIGHTS – 2014-15

- As widely expected, the Legislature agreed to mostly accept the governor's lower revenue calculations, backing off a proposed $246 million in greater community college spending previously approved by budget-writing committees. In the end, there were two major changes to the community college budget proposed in the May Revision--the funds for Student Equity were reduced from $100 million to $70 million and Disabled Students funding was increased by $30 million.

- Instead of completely paying off the community college deferrals, the compromise would repay $498 million in deferrals, with the remaining $98 million tied to state revenues. Under the LAO's revenue projections, the deferral would be completely paid off in fiscal year 2014-15.

- On June 11, 2014 language was inserted into the budget to limit the amount of reserves K-12 districts may hold for bad economic times, should the Rainy Day fund proposal be approved by voters in November. Similar language was not included for community colleges.

- While education advocates hoped an education facilities bond would be approved in conjunction with the budget, there was no movement on the issue as most of the work on the education budget was completed.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

In 2013-14 the district served 8,200 full-time equivalent students. The Solano Community College District Board and Leadership remains committed to assuring access for residents of the college district service area. This has been done in the face of declining resources. The district continues to reallocate and reassign resources in order to fulfill its primary mission and to fund mission critical initiatives and services. As a result of action that has been taken to mitigate the impact of lost revenue and cost increases, services have been impacted and are likely to be in the future.

For FY 2014-15 the District once again will be going into stability to protect it apportionment funding at 8,200 FTES, expecting to report about 7,200 FTES for fall and spring semesters.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Solano Community College District, Yulian Ligioso, Vice President of Finance & Administration; (707) 864-7209; yulian.ligioso@solano.edu.

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 7,126,936	$ 6,393,037
Restricted cash and cash equivalents	123,925,410	151,344,808
Accounts receivable, net	9,804,788	12,063,938
Prepaid expenses	146,423	452,622
Other current assets - current portion	-	50,388
Total Current Assets	141,003,557	170,304,793
Noncurrent Assets		
Deferred charges - noncurrent portion	-	1,620,601
Nondepreciable capital assets	36,221,704	19,420,264
Depreciable capital assets, net of depreciation	153,030,615	142,054,963
Total Noncurrent Assets	189,252,319	163,095,828
TOTAL ASSETS	330,255,876	333,400,621
LIABILITIES		
Current Liabilities		
Accounts payable	3,810,501	8,729,720
Interest payable	1,282,145	1,363,812
Due to fiduciary funds	-	123,101
Unearned revenue	3,495,034	3,951,984
Deferred bond premium - current portion	696,867	501,206
Lease obligations - current portion	96,292	94,299
Supplemental retirement plan - current portion	174,778	174,778
Revenue bonds payable - current portion	688,300	340,188
Bonds payable - current portion	7,345,000	4,900,000
Total Current Liabilities	17,588,917	20,179,088
Noncurrent Liabilities		
Deferred bond premium	6,418,444	5,190,182
Compensated absences payable - noncurrent portion	1,012,960	926,478
OPEB liability - noncurrent portion	7,620,266	7,714,495
Lease obligations - noncurrent portion	-	96,292
Supplemental retirement plan - noncurrent portion	-	174,778
Revenue bonds payable - noncurrent portion	11,271,512	11,959,812
General obligation bonds payable - noncurrent portion	224,981,976	227,693,053
Total Noncurrent Liabilities	251,305,158	253,755,090
TOTAL LIABILITIES	268,894,075	273,934,178
DEFERRED INFLOWS OF RESOURCES		
Deferred charge on refunding	2,448,209	-
NET POSITION		
Net investment in capital assets	54,096,117	56,907,444
Restricted for:		
Debt service	11,241,498	6,815,071
Educational programs	1,720,028	1,827,194
Unrestricted	(8,144,051)	(6,083,266)
TOTAL NET POSITION	$ 58,913,592	$ 59,466,443

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Student Tuition and Fees	$ 9,739,892	$ 8,598,744
Less: Scholarship discount and allowance	(5,411,005)	(5,119,984)
Net tuition and fees	4,328,887	3,478,760
TOTAL OPERATING REVENUES	4,328,887	3,478,760
OPERATING EXPENSES		
Salaries	32,611,929	29,665,105
Employee benefits	13,716,952	12,731,663
Supplies, materials, and other operating expenses	18,724,783	21,749,520
Depreciation	3,915,523	4,618,043
TOTAL OPERATING EXPENSES	68,969,187	68,764,331
OPERATING LOSS	(64,640,300)	(65,285,571)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	28,895,373	28,006,801
Local property taxes, levied for general purposes	11,212,428	11,768,366
Taxes levied for other specific purposes	15,274,965	7,949,598
Federal grants	13,205,102	14,002,812
State grants	7,939,596	5,395,734
Local grants and other revenues	1,312,064	2,792,729
State taxes and other revenues	1,203,705	848,081
Investment income	698,210	209,987
Interest expense on capital related debt	(14,138,414)	(1,665,464)
Investment income on capital asset-related debt, net	25,337	24,118
Transfer from agency fund	157,827	86,032
Transfer to agency fund	(63,641)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	65,722,552	69,418,794
INCOME BEFORE OTHER REVENUES AND EXPENSES	1,082,252	4,133,223
OTHER REVENUES AND EXPENSES		
Local revenues, capital	-	54,725
Gain or loss on sale of equipment and insurance reimbursements	35,886	19,227
TOTAL OTHER REVENUES AND EXPENSES	35,886	73,952
CHANGE IN NET POSITION	1,118,138	4,207,175
NET POSITION, BEGINNING OF YEAR	59,466,443	29,767,783
RESTATEMENT	(1,670,989)	25,491,485
NET POSITION, END OF YEAR	$ 58,913,592	$ 59,466,443

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,843,750	$ 3,258,621
Payments to vendors for supplies and services	(10,573,872)	(6,999,957)
Payments to or on behalf of employees	(46,221,577)	(42,109,236)
Payments to students for scholarships and grants	(12,688,710)	(12,977,961)
Other operating receipts (payments)	192,713	950,066
Net Cash Flows From Operating Activities	(65,447,696)	(57,878,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	31,927,213	31,651,242
Grant and contracts	20,717,729	21,288,653
Property taxes - nondebt related	11,212,428	11,768,366
State taxes and other apportionments	1,203,705	848,081
Transfers from fiduciary funds	157,827	86,032
Transfers to fiduciary funds	(63,641)	-
Other nonoperating	994,530	285,331
Net Cash Flows From Noncapital Financing Activities	66,149,791	65,927,705
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(26,795,902)	(12,106,453)
Proceeds from issuance of debt	53,411,820	132,539,659
Local revenue, capital projects	-	54,725
Property taxes - related to capital debt	15,274,965	7,949,598
Principal paid on capital debt	(58,311,819)	(4,612,348)
Interest paid on capital debt	(11,690,205)	(3,363,548)
Net Cash Flows From Capital Financing Activities	(28,111,141)	120,461,633
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	723,547	209,987
Net Cash Flows From Investing Activities	723,547	209,987
NET CHANGE IN CASH AND CASH EQUIVALENTS	(26,685,499)	128,720,858
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	157,737,845	29,016,987
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 131,052,346	$ 157,737,845

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

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (64,640,300)	$ (65,285,571)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation and amortization expense	3,915,523	4,618,043
Changes in Assets and Liabilities:		
Receivables	168,542	(220,139)
Prepaid expenses	(599,045)	(268,677)
Accounts payable and accrued liabilities	(4,121,505)	2,870,253
Unearned revenue	(170,911)	407,624
Total Adjustments	(807,396)	7,407,104
Net Cash Flows From Operating Activities	$ (65,447,696)	$ (57,878,467)

	2014	2013
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 1,072,344	$ 10,627,169
Cash equivalents, County Cash	129,782,574	146,913,615
Cash equivalents, Local Agency Investment fund	197,428	197,061
Total Cash and Cash Equivalents	$ 131,052,346	$ 157,737,845
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 1,055,977	$ 876,939

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 1,035,444	$ 999,385
Investments	2,150,735	1,394,734
Accounts receivable, net	87,099	78,316
Receivable from governmental funds	-	123,101
Total Assets	3,273,278	2,595,536
LIABILITIES		
Accounts payable	7,560	21,006
Unearned revenue	51,339	54,842
Total Liabilities	58,899	75,848
NET POSITION		
Unrestricted	3,214,379	2,519,688
Total Net Position	$ 3,214,379	$ 2,519,688

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
ADDITIONS		
Federal revenues	$ 41,573	$ 25,171
Other state revenue	17,500	-
Tuition and fees	97,534	79,184
Local revenues	1,137,406	707,378
Total Additions	1,294,013	811,733
DEDUCTIONS		
Classified salaries	2,296	-
Employee benefits	79	-
Books and supplies	95,071	82,203
Services and operating expenditures	407,692	371,442
Total Deductions	505,138	453,645
	788,875	358,088
OTHER FINANCING SOURCES (USES)		
Operating transfers in	63,643	-
Operating transfers out	(157,827)	(86,032)
Total Other Financing Sources (Uses)	(94,184)	(86,032)
Change in Net Position	694,691	272,056
Net Position - Beginning	2,519,688	2,247,632
Net Position - Ending	$ 3,214,379	$ 2,519,688

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

NOTE 1 - ORGANIZATION

Solano Community College District (the District) was established in 1945 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and two education centers located within Solano, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statements No. 14 and 39, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. The District has determined that it does not have any component units meeting all three of these criteria.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Position – Primary Government
  - Statements of Revenues, Expenses, and Changes in Net Position – Primary Government
  - Statements of Cash Flows – Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2014 and 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $1,001,739 and $901,739 for the years ended June 30, 2014 and 2013, respectively.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years, vehicles, 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District agreements include a provision that overload or underload be adjusted within three semester periods.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations and OPEB obligations with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. Net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

Net Investment in Capital Assets Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt had been incurred, but not yet expended for capital assets, such accounts are not included as a component net investment in capital assets.

Restricted - Nonexpendable: Net position is reported as restricted when there are limitation imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government wide financial statements report $58,913,592 of net position, of which $1,720,028 is restricted by enabling legislation.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Solano bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2012 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bonds, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.*

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employers' Retirement System (CalPERS) on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District of the year ended June 30, 2014, was $1,055,977 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Change in Accounting Principles

As the result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by $1,670,989. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

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 that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, 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. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Business-type activities	$ 131,052,346
Fiduciary funds	3,186,179
Total Deposits and Investments	$ 134,238,525

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	$ 1,521,880
Cash in revolving	60,860
Investments	132,655,785
Total Deposits and Investments	$ 134,238,525

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. The District manages its exposure to interest rate risk by investing in the County pool and LAIF.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity in Years
Master Trusts	$ 2,150,735	Less than one
County Pool	130,307,622	1.42
State Investment Pool	197,428	.64 years
Total	$ 132,655,785	

Credit Risk

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 District's investments in the County pool are not required to be rated, nor they been rated as of June 30, 2014.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA	Aa	Unrated
County Pool	$ 130,307,622	$ 130,307,622	$ -	$ -	$ 130,307,622
Joint Powers Agency Risk Pools	2,150,735	2,150,735	-	-	2,150,735
State Investment Pool	197,428	197,428	-	-	197,428
Total	$ 132,655,785	$ 132,655,785	$ -	$ -	$ 132,655,785

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Disclosure of amounts in one issuer that represent five percent or more of total investments is not required for the District's investments in the County pool and LAIF.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, approximately $1,250,000 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	
	2014	2013
Federal Government		
Categorical aid	$ 232,923	$ 605,071
State Government		
Apportionment	4,615,534	7,647,374
Categorical aid	858,991	125,520
Unrestricted lottery	250,846	151,102
Local Sources		
Student receivables, net	2,854,567	2,711,486
Other local sources	991,927	823,385
Total	$ 9,804,788	$ 12,063,938
Student receivables	$ 3,856,306	$ 3,613,225
Less allowance for bad debt	(1,001,739)	(901,739)
Student receivables, net	$ 2,854,567	$ 2,711,486

Fiduciary Funds

	Fiduciary Funds	
	2014	2013
Local Sources		
Student receivables, net	$ 87,099	$ 78,316

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

The District paid facility rent and workers compensation insurance prior to June 30, 2014.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, was as follows:

	Balance Beginning of Year, Restated	Additions / Adjustments	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,524,355	$ 5,171,827	$ -	$ 11,696,182
Construction in progress	12,895,909	28,735,921	17,106,308	24,525,522
Total Capital Assets Not Being Depreciated	19,420,264	33,907,748	17,106,308	36,221,704
Capital Assets Being Depreciated				
Land improvements	8,683,899	1,671,297	-	10,355,196
Buildings	150,445,018	2,494,327	12,784	152,926,561
Building improvements	16,082,647	5,073,482	-	21,156,129
Furniture and equipment	13,485,892	5,666,185	76,200	19,075,877
Total Capital Assets Being Depreciated	188,697,456	14,905,291	88,984	203,513,763
Total Capital Assets	208,117,720	48,813,039	17,195,292	239,735,467
Less Accumulated Depreciation				
Land improvements	4,235,258	241,560	-	4,476,818
Buildings	30,347,142	3,083,165	3,835	33,426,472
Building improvements	2,911,247	(238,986)	-	2,672,261
Furniture and equipment	9,148,846	829,784	71,033	9,907,597
Total Accumulated Depreciation	46,642,493	3,915,523	74,868	50,483,148
Net Capital Assets Being Depreciated	142,054,963	10,989,768	14,116	153,030,615
Net Capital Assets	$ 161,475,227	$ 44,897,516	$ 17,120,424	$ 189,252,319

Depreciation expense for the year 2014 was $3,915,523.

Interest expense on capital related debt for the year ended June 30, 2014, was $14,138,414. Of this amount, $966,986 was capitalized.

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

	Balance Beginning of Year	Additions / Adjustments	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,524,355	$ -	$ -	$ 6,524,355
Construction in progress	3,134,612	9,761,297	-	12,895,909
Total Capital Assets Not Being Depreciated	9,658,967	9,761,297	-	19,420,264
Capital Assets Being Depreciated				
Land improvements	8,683,899	-	-	8,683,899
Buildings	148,366,640	2,078,378	-	150,445,018
Building improvements	14,975,813	1,106,834	-	16,082,647
Furniture and equipment	11,707,912	2,035,360	257,380	13,485,892
Total Capital Assets Being Depreciated	183,734,264	5,220,572	257,380	188,697,456
Total Capital Assets	193,393,231	14,981,869	257,380	208,117,720
Less Accumulated Depreciation				
Land improvements	3,981,425	253,833	-	4,235,258
Buildings	27,351,347	2,995,795	-	30,347,142
Building improvements	2,155,872	755,375	-	2,911,247
Furniture and equipment	8,793,187	613,039	257,380	9,148,846
Total Accumulated Depreciation	42,281,831	4,618,042	257,380	46,642,493
Net Capital Assets Being Depreciated	141,452,433	602,530	-	142,054,963
Net Capital Assets	$ 151,111,400	$ 10,363,827	$ -	$ 161,475,227

Depreciation expense for the year 2013 was $4,618,042.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2014	2013
Accrued payroll and related liabilities	$ 1,096,427	$ 1,171,648
Construction projects	1,697,472	2,685,136
Construction retention	163,745	447,851
Vendor payables	852,857	4,425,085
Total	$ 3,810,501	$ 8,729,720

Fiduciary Funds

	Fiduciary Funds	
	2014	2013
Vendor Payable	$ 7,560	$ 21,006

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	
	2014	2013
Federal financial assistance	$ 33,551	$ 65,049
State categorical aid	488,367	722,057
State unearned restricted lottery	540,591	561,442
Enrollment fees	2,228,954	2,571,010
Other local	203,571	32,426
Total	$ 3,495,034	$ 3,951,984

Fiduciary Funds

	Fiduciary Funds	
	2014	2013
Other local	$ 51,339	$ 54,842

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively, in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2014 fiscal year the amount transferred to the primary government from the fiduciary fund amounted to $157,827. The amounts transferred from the fiduciary funds to the primary government amounted to $63,641.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 232,593,053	$ 54,312,049	$ 54,578,126	$ 232,326,976	$ 7,345,000
Revenue bonds	12,300,000	-	340,188	11,959,812	688,300
Bond premiums	5,691,388	1,988,241	564,318	7,115,311	696,867
Total Bonds and Notes Payable	250,584,441	56,300,290	55,482,632	251,402,099	8,730,167
Other Liabilities					
Compensated absences	926,478	86,482	-	1,012,960	-
Capital leases	190,591	-	94,299	96,292	96,292
Supplemental retirement plan	349,556	-	174,778	174,778	174,778
OPEB Liability	7,714,495	-	94,229	7,620,266	-
Total Other Liabilities	9,181,120	86,482	363,306	8,904,296	271,070
Total Long-Term Debt	$ 259,765,561	$ 56,386,772	$ 55,845,938	$ 260,306,395	$ 9,001,237

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 114,936,362	$ 122,176,691	$ 4,520,000	$ 232,593,053	$ 4,900,000
Bond premiums	5,506,720	663,749	479,081	5,691,388	501,206
Total Bonds and Notes Payable	120,443,082	135,140,440	4,999,081	250,584,441	5,741,394
Compensated absences	944,523	-	18,045	926,478	-
Capital leases	282,939	-	92,348	190,591	94,299
Supplemental retirement plan	524,334	-	174,778	349,556	174,778
OPEB Liability	7,493,397	221,098	-	7,714,495	-
Total Other Liabilities	9,245,193	221,098	285,171	9,181,120	269,077
Total Long-Term Debt	$ 129,688,275	$ 135,361,538	$ 5,284,252	$ 259,765,561	$ 6,010,471

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Payments on the lease revenue bonds are made by the capital outlay fund with Measure G or Measure Q funds. The capital leases are paid by the general fund. The compensated absences, supplemental retirement plan, and OPEB liability will be paid by the fund for which the employee worked.

General Obligations Bonds

Measure G

General obligation bonds were approved by a local election in 2002. The total amount approved by the voters was $124,500,000. In May 2003, the District issued 2002 General Obligation Bonds, Series A in the amount of $80,000,000 for the purpose of construction and repairing college education facilities.

In March 2005, the District issued $81,349,812 of General Obligation Refunding Bonds with interest rates ranging from 3 percent to 5 percent to advance refund the 2003 issued and outstanding term bonds with remaining obligation of $77,045,000. The final maturity date of the bonds is August 1, 2022. After payment of issuance and related costs of $1,002,244 the net proceeds of the bond sale were $88,845,928. $80,406,861 of the net proceeds was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid in full. The advanced refunding met the requirements of a legal debt defeasance and the prior bond issuance is removed from the District's government wide financial statements. The premium from the bond issuance of $8,498,361 and gain on defeasance of $702,367 are capitalized and being amortized over the life of the bond.

In May 2005, the District issued 2002 General Obligation Bonds, Series B in the amount of $44,495,279 for the purpose of construction and repairing college education facilities. The final maturity date of the bonds is August 1, 2031.

In March 2014, the District issued $10,645,000 and $41,165,000 of General Obligation Refunding Bonds with interest rates ranging from .0462 percent to 5 percent to advance refund a portion of the 2002 Series B and 2005 Refunding outstanding term bonds with remaining obligation of $49,722,963. The redemption date of the bonds is August 1, 2015 and 2016. After payment of issuance and related costs of $386,423 the net proceeds of the bond sale were $53,411,819, which was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid in full. The advanced refunding met the requirements of a legal debt defeasance and the prior bond issuance is removed from the District's government wide financial statements. The premium from the bond issuance of $1,988,241 and gain on defeasance of $2,448,209 are capitalized and being amortized over the life of the bond.

Measure Q

General obligation bonds were approved by a local election in 2012. The total amount approved by the voters was $348,000,000.

In June 2013, the District issued 2012 General Obligation Bonds, Series A in the amount of $89,996,899 and Series B for $30,000,000 for the purpose of construction and repairing college education facilities. The final maturity date of the bonds is August 1, 2047.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2014
Mar-05	8/1/2022	3.0%-5.0%	$ 81,349,812	$ 60,878,155	$ -	$ 491,694	$ 51,678,126	$ 9,691,723
Sep-06	8/1/2031	4.0%-5.0%	44,495,279	51,717,999	-	1,924,724	2,900,000	50,742,723
Jun-13	8/1/2047	2.0%-5.49%	89,996,899	89,996,899	-	85,631	-	90,082,530
Jun-13	8/1/2040	2.8%-5.5%	30,000,000	30,000,000	-	-	-	30,000,000
Mar-14	8/1/2023	4.0%-5.0%	10,645,000	-	10,645,000	-	-	10,645,000
Mar-14	8/1/2022	0.462%-3.504%	41,165,000	-	41,165,000	-	-	41,165,000
				$ 232,593,053	$ 51,810,000	$ 2,502,049	$ 54,578,126	$ 232,326,976

Debt Maturity

Fiscal Year	Principal	Interest	Interest to Maturity	Total
2015	$ 7,345,000	$ 9,062,106	$ -	$ 16,407,106
2016	8,450,000	7,954,649	-	16,404,649
2017	8,912,169	6,392,446	242,831	15,547,446
2018	9,790,000	5,873,336	-	15,663,336
2019	7,200,000	5,672,930	-	12,872,930
2020-2024	34,179,940	26,147,090	14,121,933	74,448,963
2025-2029	21,924,858	28,420,667	30,370,368	80,715,893
2030-2034	24,643,248	25,935,849	16,967,056	67,546,153
2035-2039	15,600,243	22,224,997	6,751,989	44,577,229
2040-2044	32,578,405	15,331,395	4,989,462	52,899,262
2045-2048	46,530,000	4,289,029	-	50,819,029
Total	217,153,863	$ 157,304,494	$ 73,443,639	$ 447,901,996
Accretions to date	15,173,113			
Total	$ 232,326,976			

Lease Revenue Bonds

In May 2013, the District issued Lease Revenue Bonds in the amount of $12,300,000 for the purpose of solar projects.

Year Ending June 30,	Lease Principal	Interest	Total
2015	$ 688,300	$ 531,657	$ 1,219,957
2016	699,003	500,494	1,199,498
2017	709,873	468,847	1,178,720
2018	720,911	436,708	1,157,619
2019	732,121	404,069	1,136,190
2020-2024	3,834,956	1,512,717	5,347,673
2025-2029	4,142,542	617,164	4,759,706
2030	432,106	9,744	441,850
	$ 11,959,812	$ 4,481,400	$ 16,441,213

Capital Lease Obligations

The District has entered into various lease-purchase agreements for equipment originally valued at $1,200,000 under agreements which provide for title to pass upon expiration of the lease period. Interest charged on certain lease-purchase agreements is calculated at 65 percent to 72 percent of prime rates. The capitalized lease obligations are generally collateralized by the leased property. The annual debt service for these leases is paid from the operating revenues of the District.

Capital improvements	$ 1,200,000
Less: Estimated accumulated depreciation	720,000
Total	$ 480,000

Year Ending June 30,	Lease Payment
2015	$ 98,327
Total	98,327
Less: Amount Representing Interest	2,035
Present Value of Minimum Lease Payments	$ 96,292

Supplemental Retirement Plan

The district by board resolution offered a Supplementary Retirement Plan through PARS (Public Agency Retirement Services) effective April 21, 2010. Seventeen faculty, staff, and administrators participated in the program and have retired. The district will fund the annuity premiums as follows:

Year Ending June 30,	Retirement Payment
2015	$ 174,778
Total	$ 174,778

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2014, was $1,548,901, and contributions made by the District during the year were $1,643,130, which resulted in a net decrease to the net OPEB obligation of $94,229. As of June 30, 2014, the net OPEB obligation was $7,620,266. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

	Faculty	Classified	Management	Operating Engineers
Benefit types provided	Medical, dental and vision *	Medical, dental and vision *	Medical, dental and vision *	Medical, dental and vision *
Duration of Benefits	10 years **	5, 8, or 10 years **	5, 8, or 10 years **	5, 8, or 10 years **
Required Service	15 years ***	10 years	10 years	10 years
Minimum Age	55	50	50	50
Dependent Coverage	Spouse	Spouse	Spouse	Spouse
District Contribution %	100%	100%	100%	100%
District Cap	None	None	None	None

* Some retirees do not receive all three benefit types.

**Retirees electing coverage for less than 10 years receive cash payments depending on the duration elected. Retirees may waive retiree health benefits in exchange for cash payments. Faculty and management may waive dental benefits in exchange for cash payments.
***Faculty hired before July 1, 2004 only need 10 years of service

Plan Description

The District Plan provides medical and dental, and vision insurance benefits to eligible retirees and their spouses. Membership in the Plan consists of 115 retirees and beneficiaries currently receiving benefits, and 327 active employee plan members. The District is a member of the California Community College League Retiree Health Benefit Program, which is an investment program used to set aside funds for future retiree benefits. Separate financial statements for the Investment Trust can be obtained by contacting the California Community College League Retiree Health Benefit Program at 2017 O Street, Sacramento CA 95811.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2013-2014, the District paid $1,323,041 in pay as you go health premiums and $320,089 in additional contributions to the JPA Investment Trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed through payment of pay as you go amounts and contributions to the Investment Trust, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,548,901
Total contributions	(1,643,130)
Increase (decrease) in net OPEB obligation	(94,229)
Net OPEB obligation, July 1, 2013	7,714,495
Net OPEB obligation, June 30, 2014	$ 7,620,266

The annual OPEB cost, the percentage of annual OPEB cost contributed through pay as you go amounts and to the Investment Trust, and the net OPEB obligation for the past three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
June, 2012	$ 1,802,451	$ 1,986,533	110%	$ 7,493,397
June, 2013	1,718,356	1,497,258	87%	7,714,495
June, 2014	1,548,901	1,643,130	106%	7,620,266

Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Investment Trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 6.25 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates 4 percent. The UAAL is being amortized using the level percent of payroll method over a 30 year amortization period. The actuarial value of assets was $1,366,499 as of this actuarial valuation and the market value of the investment account was $2,150,735.

NOTE 12 - RISK MANAGEMENT

Insurance Coverage

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 natural disasters.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2014, the District contracted with the Northern Community Colleges Self Insurance Authority, a Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013-2014, the District participated in the Northern Community Colleges Self Insurance Authority Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

The District has contracted with Kaiser, Blue Shield, and Healthnet to provide employee medical benefits. Rates are set through an annual calculation process. The District pays a monthly premium based on plan membership.

Insurance Program / Company Name	Type of Coverage	Limits
Northern Community Colleges Self Insurance Authority	Workers' Compensation	Statutory Limits
Northern Community Colleges Self Insurance Authority	Liability	$ 25,000,000
SAFER	Excess Liability	$25,000,000 - $50,000,000
Northern Community Colleges Self Insurance Authority	Property	$ 250,000,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $1,368,527, $1,269,088 and $1,301,476, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District’s contributions to CalPERS for fiscal years ending June 30, 2014, 2013, and 2012, were $1,300,484, $1,175,242 and $1,076,649 respectively, and equaled 100 percent of the required contributions for each year.

Tax Deferred Annuity

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use STRS cash balance program as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 4 percent of an employee's gross earnings. An employee is required to contribute 4 percent of his or her gross earnings to the pension plan.

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, which amounted to $1,055,977, $876,939, and $886,274, respectively. The 2014 contribution rate was 5.541 percent of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contributions rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2014, 2013, and 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenses. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Northern California Community Colleges Self Insurance Authority and the California Community College League Retiree Health Benefit Program, Joint Powers Authorities. The District pays annual premiums for its property and liability coverage and a fee to use the retirement plan investment trust. The relationship between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPA and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2014, the District made payments of approximately $1,010,660 to the Northern California Community Colleges Self Insurance Authority.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Building 600	$ 5,228,858	December-14
Fairfield Sunpower	69,501	December-14
Vacaville Sunpower	145	December-15
HVAS/EMS	5,478,911	August-14
Lighting projects	30,830	August-14
Vacaville parking lot	71,679	August-14
	$ 10,879,924	

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year beginning net position has been restated as of June 30, 2014.

Effective fiscal year 2013-2014, the District was required to expense deferred issuance costs associated with general obligation bonds. This required a change in accounting principle and restatement of beginning net position. In addition, a restatement of prior year construction overhead allocation was recorded.

Net Position - Beginning	$ 59,466,443
Restatement of deferred issueance costs for implementation of GASB Statement No. 65	(1,670,989)
Net Position - Beginning, as Restated	$ 57,795,454

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2008	$ 937,234	$ 14,444,447	$ 13,507,213	6.5%	$ 34,304,656	39.4%
October 1, 2010	1,016,238	17,015,810	15,999,572	6.0%	$ 35,333,796	45.3%
September 1, 2013	1,366,499	13,052,815	11,686,316	10.5%	$ 32,614,225	35.8%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2014

Solano Community College District was established in 1945, and is comprised of one 192 acre campus and two education centers located in Vacaville, and Vallejo in Solano County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Pam Keith	President	2014
A. Marie Young	Vice President	2014
Sarah E. Chapman, Ph.D	Member	2014
Monica Brown	Member	2016
Denis Honeychurch, J.D.	Member	2014
Michael A. Martin	Member	2016
Rosemary Thurston	Member	2016
Naser Baig	Student Trustee	2014

ADMINISTRATION

Jowel C. Laguerre, PhD	Superintendent- President / Board Secretary
Yulian Ligioso	Vice President, Finance and Administration
Patrick Killingsworth	Director of Fiscal Services

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL AID CLUSTER			
Supplemental Educational Opportunity Grant (SEOG)	84.007	[1]	$ 123,725
Pell Grant	84.063	[1]	9,234,870
Student Financial Aid Administrative Allowance	84.063	[1]	6,659
Federal Work Study Program	84.033	[1]	153,545
Federal Direct Student Loans	84.268	[1]	2,310,467
Subtotal Student Financial Aid Cluster			11,829,266
Veteran Assistance Title 38	84.111	[1]	5,212
Passed through California State Chancellors Office			
Career and Technical Education - Basic Grants to States	84.048	11-C01-060	566,797
Career and Technical Education - Basic Grants to States - CTE Transitions	84.048	11-112-280	44,025
Total U.S. Department of Education			12,445,300
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Post-9/11 Veterans Educational Assistance	64.028	[1]	259,686
U.S DEPARTMENT OF LABOR			
Passed through Los Medanos College			
Trade Adjustment Assistance Community College & Career Training Grants	17.282	[2]	212,352
Passed through Napa Valley Community College			
WIA Nurse Expansion	17.261	[2]	72,000
Total U.S. Department of Labor			284,352
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	03628	50,306
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			
Passed through California State Chancellors Office			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	50,916
Total U.S. Department of Health and Human Services			50,916
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps	94.006	[1]	41,573
SMALL BUSINESS ADMINISTRATION			
Passed through Humboldt State University			
Small Business Development Centers	59.037	F2144, F0305, F0405	98,032
			$ 13,230,165

[1] Pass through number not applicable.
[2] Pass through number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
AB 86	$ 266,684	$ -	$ 266,684	$ 133,342	$ -	$ 120,389	12,953	$ 12,953
Basic Skills - On Going	106,393	69,341	175,734	183,232	-	11,336	171,896	171,896
BS Sector Navigator	372,500	-	372,500	149,000	166,032	-	315,032	315,032
Cal Depot Forestry	9,500	-	9,500		8,317	-	8,317	8,317
Cal Works	160,090	-	160,090	160,090	-	-	160,090	160,090
Cal Grants	460,326	-	460,326	456,159	-	-	456,159	456,159
CARE	47,479	-	47,479	42,569	-	-	42,569	42,569
Chafee Grant	-	-	-	-	-	-	-	-
CTE: Community Collaborative Project	41,135	290,974	332,109	332,109	-	-	332,109	332,109
CTE SB1070 Community Collaborative 12-TBI	-	290,267	290,267	290,267	21,224	249,734	61,757	61,757
Disabled Students Programs and Services	449,875	-	449,875	450,090	-	-	450,090	450,090
EDD Alt Fuel Prog ARFVTP 12-041-006	-	624,212	624,212	222,597	382,170	-	604,767	604,767
Extended Opportunity Program and Services	380,637	-	380,637	-	-	-	-	0
EOPS Financial Aid Grants	-	-	-	380,566	-	-	380,566	380,566
Foster and Kinship Care	199,281	-	199,281	175,540	22,495	-	198,035	198,035
FYSI Foster Youth Success Initiative	26,364	-	26,364	26,364	-	-	26,364	26,364
Instructional Equipment, on going	109,713	-	109,713	109,713	-	-	109,713	109,713
Instructional Equipment, one time	-	9,912	9,912	9,912	-	5,194	4,718	4,718
Lottery - Prop. 20	197,540	535,738	733,278	651,990	149,361	540,591	260,760	260,760
Matriculation - Credit	509,621	-	509,621	509,621	-	-	509,621	509,621
Mesa	-	136	136	136	-	-	136	136
Nurse Enrollment Growth 10-116-047	278,000	-	278,000	233,520	44,480	-	278,000	278,000
Prop 39 - Clean Energy	254,971	-	254,971	254,971	-	-	254,971	254,971
Scheduled Maintenance, on going	109,705	-	109,705	109,704	-	95,044	14,660	14,660
Sector Navigator Healthcare	300,000	-	300,000	141,240	64,912	-	206,152	206,152
Staff Development	-	43,690	43,690	43,690	-	-	43,690	43,690
Staff Diversity	11,450	-	11,450	11,450	-	5,720	5,730	5,730
Student Financial Aid Administrative Allowanc	369,330	-	369,330	369,330	-	-	369,330	369,330
Transfer Education and Articulation	-	951	951	951	-	951	-	-
TTIP	-	5,365	5,365	5,365	-	-	5,365	5,365
YESS Program	21,135	-	21,135	21,135	-	-	21,135	21,135
Subtotal	$ 4,681,729	$ 1,870,586	$ 6,552,315	$ 5,474,653	$ 858,991	$ 1,028,959	$ 5,304,685	$ 5,304,685

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit **	-	-	-
2. Credit	725.09	-	725.09
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit **	-	-	-
2. Credit	762.51	-	762.51
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,223.85	(3.77)	5,220.08
(b) Daily Census Contact Hours	256.00	-	256.00
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	0.59	-	0.59
(b) Credit	296.36	-	296.36
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Contact Hours	855.74	-	855.74
(b) Daily Census Contact Hours	78.67	-	78.67
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	8,198.81	(3.77)	8,195.04

SUPPLEMENTAL INFORMATION (Subset of Above Information)

E. In Service Training Courses (FTES)			
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	-	-	-
2. Credit	631.51	-	631.51

CCFS-320 Addendum

Centers FTES			
1 Noncredit **	-	-	-
2 Credit	2,158.39	-	2,158.39
	2,158.39	-	2,158.39

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 9,653,919	$ -	$ 9,653,919	$ 9,653,919	$ -	$ 9,653,919
Other	1300	6,255,362	-	6,255,362	6,256,537	-	6,256,537
Total Instructional Salaries		15,909,281	-	15,909,281	15,910,456	-	15,910,456
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,266,556	-	3,266,556
Other	1400	-	-	-	446,396	-	446,396
Total Noninstructional Salaries		-	-	-	3,712,952	-	3,712,952
Total Academic Salaries		15,909,281	-	15,909,281	19,623,408	-	19,623,408
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,517,714	-	7,517,714
Other	2300	-	-	-	485,203	-	485,203
Total Noninstructional Salaries		-	-	-	8,002,917	-	8,002,917
Instructional Aides							
Regular Status	2200	934,391	-	934,391	934,391	-	934,391
Other	2400	248,505	-	248,505	253,699	-	253,699
Total Instructional Aides		1,182,896	-	1,182,896	1,188,090	-	1,188,090
Total Classified Salaries		1,182,896	-	1,182,896	9,191,007	-	9,191,007
Employee Benefits	3000	5,572,491	-	5,572,491	11,628,913	-	11,628,913
Supplies and Material	4000	-	-	-	594,802	-	594,802
Other Operating Expenses	5000	-	-	-	5,441,983	-	5,441,983
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		22,664,668	-	22,664,668	46,480,113	-	46,480,113

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 703,759	$ -	$ 703,759	$ 703,759	$ -	$ 703,759
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	962,103	-	962,103
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	416,723	-	416,723
Classified Salaries	2000	-	-	-	110,046	-	110,046
Employee Benefits	3000	-	-	-	198,920	-	198,920
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	145,491	-	145,491
Total Supplies and Materials		-	-	-	145,491	-	145,491

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2014

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 71,450	$ -	$ 71,450
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	5,167	-	5,167
Total Equipment		-	-	-	5,167	-	5,167
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		703,759	-	703,759	2,613,659	-	2,613,659
Total for ECS 84362, 50 Percent Law		$ 21,960,909	$ -	$ 21,960,909	$ 43,866,454	$ -	$ 43,866,454
Percent of CEE (Instructional Salary Cost/Total CEE)		50.06%		50.06%	100.00%		100.00%
50% of Current Expense of Education					$ 21,933,227		$ 21,933,227

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2014

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 6,715,811
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 6,715,811			$ 6,715,811
					-
Total Expenditures for EPA		$ 6,715,811	-	-	$ 6,715,811
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

There following is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	General Unrestricted Fund	General Restricted Fund	Capital Outlay Fund	Financial Aid Fund
June 30, **2014**, Annual Financial and Budget Report (CCFS-311)				
Reported Fund Balance	$ 4,319,857	$ 1,762,865	$ 3,760,722	$ 620
Post closing entries	(123,286)	(42,837)	(197,893)	181,720
Audited Fund Balance	$ 4,196,571	$ 1,720,028	$ 3,562,829	$ 182,340

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 13,205,102
Federal Payment in Lieu of Taxes (PILT)		(16,510)
Americorps	94.006	41,573
Total Expenditures of Federal Awards		$ 13,230,165

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor’s Office. This schedule provides a reconciliation of the amount reported to the State Chancellor’s Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Solano Community College District
Fairfield, California

We have audited, 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, the basic financial statements of the business-type activities of Solano Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has elected to change its method of account for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audits 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 opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

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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 audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 audits 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2014.

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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2014

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Solano Community College District
Fairfield, California

Report on Compliance for Each Major Federal Program

We have audited Solano Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2014

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Solano Community College District
Fairfield, California

Report on State Compliance

We have audited Solano Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) 2014-001, and Section 479 To Be Arranged (TBA) Hours 2014-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

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Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2014.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOLANO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major Federal progr	

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.063, 84.033, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Qualified

Unmodified for all State programs except for the following State programs which were qualified:

Name of State Program
Section 474 EOPS/CARE
Section 479 To Be Arranged (TBA)

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

None noted.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

None noted.

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2014-001 Finding - Cooperative Agencies Resources for Education (CARE) – Advisory Committee Meeting Requirements

Criteria or Specific Requirement
Education Code Sections 79150-79155 (CARE) provides for administrative oversight of the program by the California Chancellors Office. The CARE program guidelines include a requirement for the CARE advisory committee to meet at least two times per year.

Condition
The CARE advisory committee did not hold a second advisory committee meeting in fiscal year 2013-14

Questioned Costs
None

Context
The college did not schedule a second CARE advisory committee meeting.

Effect
The College is not in compliance with program requirements to have at least two CARE advisory committee meetings each year.

Cause
A second CARE advisory committee meeting was not scheduled.

Recommendation
The District should ensure that each site's CARE advisory committees meet at least twice per year.

Management's Response and Corrective Action Plan
The District agrees and will work with the Chief Student Services Officer to ensure that each site CARE Advisory Committee meets at least twice a year.

2014-002 Finding – To Be Arranged Hours / Hours by Arrangement

Criteria or Specific Requirement
Pursuant to Title 5, Sections 58003.1(b) and (c), the TBA portion of a course uses an alternative method for regularly scheduling a credit course. In addition, Legal Advisory 08-02 To Be Arranged (TBA) Hours Compliance Advice indicates that documentation is required to substantiate that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures.

Title 5, Section 55002(a)(3), 55002(b)(2), 58050(5), and 58051(a)(1) require that specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5 Section 58102 and 58108 require that a clear description of the course, including the number of TBA hours required be published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

Condition

We noted 16 weekly census courses where TBA hours were reported without having supporting attendance records for those hours and We noted 2 courses where the course syllabi did not indicate the TBA expectations.

Questioned Costs

16 weekly census courses with 3.77 of unsupported FTES were noted. The error rate for weekly census course TBA hours was 13.61%, extrapolated to TBA hours for weekly courses would be 19.90 FTES.

Context

We discovered the exceptions noted above during our testing of 25 To-Be-Arranged courses.

Effect

FTES reported on the Annual Form 320 were overstated. In addition, course syllabi didn't concisely and consistently describe the TBA expectations.

Cause

The District did not adjust the Annual Form 320 Report of Attendance for those students who did not participate for a minimum amount of To-Be-Arranged Hours. In addition, course syllabi weren't updated to include the expectations under To-Be-Arranged Hours.

Recommendation

Prior to preparing the Annual 320 Report the District should consider performing an internal audit on all TBA courses to verify course syllabi include required disclosures and attendance documents support the amount being reported.

Management's Response and Corrective Action Plan

The District will also work with the Curriculum Office and the college's Academic Senate to develop guidelines to be in compliance with Title 5 regulations.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2013-1 Finding – To Be Arranged Hours (TBA)

Significant Deficiency

Criteria or Specific Requirement

Pursuant to Title 5, Sections 58003.1(b) and (c), the TBA portion of a course uses an alternative method for regularly scheduling a credit course. In addition, Legal Advisory 08-02 To Be Arranged (TBA) Hours Compliance Advice indicates that documentation is required to substantiate that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures.

Title 5, Section 55002(a)(3), 55002(b)(2), 58050(5), and 58051(a)(1) require that specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5 Section 58102 and 58108 require that a clear description of the course, including the number of TBA hours required be published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

Condition

- We noted 11 courses where instructional activities to be conducted during the TBA hours were not described in the official course outlines.
- Nine course syllabi did not indicate the TBA instructional activities or expectations.
- We noted 12 courses where TBA hours were reported without having supporting attendance records for those hours.

Questioned Costs

12 Weekly Census Courses with 2.77 of unsupported FTES were noted. The error rate for Weekly Census Course TBA hours was 15.84%, extrapolated to TBA hours for weekly courses would be 27 FTES.

Context

We discovered the exceptions noted above during our testing of 25 To-Be-Arranged courses.

Effect

FTES reported on the Annual Form 320 were overstated. In addition, course materials did not concisely and consistently describe the TBA expectations, activities and hours.

Cause

The District did not adjust the Annual Form 320 Report of Attendance for those students who did not participate for a minimum amount of To-Be-Arranged Hours. In addition, course information had not been updated to consistently reflect the TBA requirements.

Recommendation

We recommend the District review those courses that have a To-Be-Arranged component to verify the outline and syllabus adequately describe the instructional activities that will occur during the TBA portion of the course. In addition, internal reviews of TBA attendance documents should be performed to verify only students who have completed the minimum TBA requirements are claimed for apportionment.

Management's Response and Corrective Action Plan

The District agrees and has removed the contact hours for those courses with TBAs where there were no supporting attendance records on the Form 320 Recalculation report. The District will also work with the Curriculum Office and the college's Academic Senate to develop guidelines to be in compliance with Title 5 regulations.

Status
Not implemented, See Finding 2014-002.

2013-2 Finding – Calworks
Significant Deficiency

Criteria or Specific Requirement

Education Code Sections 79200-79203 & 84759 provide that Calworks funds are allocated to provide assistance to welfare recipient students and those in transition off of welfare to achieve long-term self-sufficiency through coordinated student services offered at community colleges. Districts are required to verify eligibility of Calworks for each term.

Condition

During our testing of student eligibility documents verification of eligibility was not available for some students selected for testing.

Questioned Costs

$210 for the counseling sessions for the three students where eligibility documents were not provided. The error rate of 21.4% extrapolated to the entire population of Calworks students would be $2,160.

Context

We tested 14 eligibility documents for fourteen students and noted in three cases that the documents were not updated for the current term.

Effect

Ineligible students may be charged to the program.

Cause

The Calworks office was unable to locate current eligibility documents for three of the students selected for review.

Recommendation

The Calworks office should review its procedures to ensure that eligibility verification is received for all students for each term and determine that once obtained, records are filed in such a manner as to allow for easy location and retrieval when needed.

Management's Response and Corrective Action Plan

The lack of staff support in the college's CalWorks Program has impacted the student eligibility tracking process. The CalWorks Coordinator is working on strengthening work-study tracking and eligibility and the District will be hiring additional support staff.

Status
Implemented

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To the Audit Committee
Of Solano Community College District

In planning and performing our audit of the financial statements of Solano Community College District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Solano Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated December 31, 2014. This letter does not affect our report dated December 31, 2014, on the financial statements of Solano Community College District.

Capital Assets

We noted that the District has implemented procedures required for inventorying equipment purchased with Federal funds. However, due to limitations of time and resources the inventory has been limited just to those items charged to Federal funds.

Recommendation

We recommend that the District follow a policy of periodically inventorying all equipment not just that purchased with federal funds in order to update the financial records supporting amounts reported on the entity-wide statement of net assets and to determine if any updates to insurance coverage limits are needed.

District Response

It is intent of staff to eventually develop a policy and procedures on management of fixed assets.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2014

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