SOLANO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SOLANO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Solano Community College District
Fairfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of Solano Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 accompanying 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, 2015, 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, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2015

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, 2015. 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, 2015. 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

2014-15 California Budget Act

With money raised by Proposition 30 and an improving economy, the state is reinvesting in education. However it is clear that it is no longer “business as usual” and that Governor Brown intends to invest state resources where they are most needed, similar to the Governors’ and Legislatures’ changes to K-12 districts through the Local Control Funding Formula (LCFF).

For example, the 2014-15 budget includes $70 million to implement student equity plans. Each college’s plan will analyze the achievement level of different socio-economic groups and if there is an achievement gap, will propose ways to close it. Funds are distributed based on a formula incorporating the number of credit and noncredit Full-time Equivalent Students (FTES) at a district and the number of students served within the district service area.

Community Colleges

Governor Brown signed a very positive budget for community colleges. The budget funded 2.75% enrollment growth, ultimately eliminated cash deferrals, invested in student success, funded instructional equipment or scheduled maintenance, and provided resources to implement student equity plans. It helped California's community colleges increase access to students while at the same time investing in student success.

Additionally the legislature and the Governor agreed to fully fund CalSTRS within 32 years. Colleges, employees, and the state will each pay an increased amount to reduce the current outstanding liability.

While the Budget Act does not regain ground for the lost purchasing power of the recessionary years, for the second consecutive year it does fund the annual COLA described in statute. Districts are also permitted flexibility as to how they choose to allocate their share of $148M in Physical Plant/Instructional Equipment funding, and will not be required to meet a local match. Additionally, the partial funding for prior mandate claims chips away at the state's obligations to community college districts.
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.

Major Details of the Budget Act FY 2014-15:

- 2.75% for increased access
- 0.85% Cost of Living Adjustment (COLA)
- $148M for maintenance and instructional equipment (this is "one-time" funding but includes district flexibility and removes the local match)
- $100M increase for the Student Success and Support Program (SSSP)
- $70M for Student Equity Plans
- $50M increase for Economic and Workforce Development (EWD)
- $49.5M for earlier mandate reimbursement claims
- $37.5M for Proposition 39 energy efficiency projects and workforce development
- $30M increase for Disabled Students Programs & Services (DSPS)
- All but $94.6M of system deferrals will be paid down
- A positive trigger allowing the Director of Finance to increase Proposition 98 funding if, in his determination, the Proposition 98 guarantee is higher than estimated at the time of the Budget Act.

The original budget included a compromise measure to pay $498 million of the community college deferrals, with the remaining $98 million tied to state revenues. As of June, 2015, revenues were sufficient to eliminate the deferral.

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.

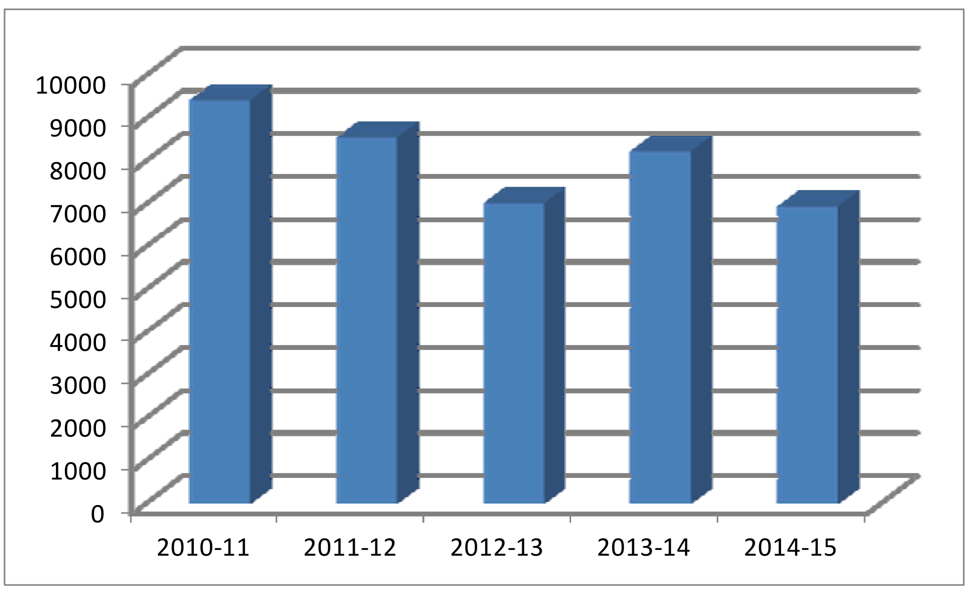
While education advocates hoped an education facilities bond would be approved in conjunction with the budget, there was no movement on the issue as most of the work on the education budget was completed.

ATTENDANCE HIGHLIGHTS

Solano Community College came out of stability funding in FY 2012-13, which protected its apportionment revenue when it did not re-attain the 8,500 FTES base that year. In 2013-14 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. Solano College for FY 2014-15 again went into stability, protecting and maintaining its apportionment revenue at 8,200 FTES or the FY 2013-14 base. Term over term enrollment growth strengthened and the district expects to re-attain the 8,500 FTES base in FY 2015-16. The District continues to engage in various outreach and retention strategies to strengthen FTES.

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

ASSETS	2015	2014 (as restated)	Change
Current Assets			
Cash and investments	$ 13,111,985	$ 7,126,936	$ 5,985,049
Restricted cash and cash equivalents	104,064,571	123,925,410	(19,860,839)
Accounts receivable (net)	5,101,151	9,804,788	(4,703,637)
Prepaid expenses and other current assets	115,666	146,423	(30,757)
Total Current Assets	122,393,373	141,003,557	(18,610,184)
Noncurrent Assets:			
Capital assets (net)	208,144,214	189,252,319	18,891,895
Total Noncurrent Assets	208,144,214	189,252,319	18,891,895
Total Assets	**$ 330,537,587**	**$ 330,255,876**	**$ 281,711**
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension contribution	2,883,333	2,790,916	92,417
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 9,895,337	$ 5,092,646	$ 4,802,691
Unearned revenue	5,065,509	3,495,034	1,570,475
Deferred bond premium	696,867	696,867	-
Long-term liabilities due within one year	9,149,003	8,304,370	844,633
Total Current Liabilities	24,806,716	17,588,917	7,217,799
Long-term liabilities	280,038,290	296,983,943	(16,945,653)
Total Liabilities	**304,845,006**	**314,572,860**	**(9,727,854)**
DEFERRED INFLOWS OF RESOURCES			
Deferred charges on refunding	2,203,388	2,448,209	(244,821)
Difference between actual and expected rate of investment return	10,057,984	-	10,057,984
Total Deferred Inflows	**12,261,372**	**2,448,209**	**9,813,163**
NET POSITION			
Net investment in capital assets	57,809,157	54,096,117	3,713,040
Restricted	14,886,922	12,961,526	1,925,396
Unrestricted	(56,381,537)	(51,031,920)	(5,349,617)
Total Net Position	**$ 16,314,542**	**$ 16,025,723**	**$ 288,819**

Assets

The District's primary assets include receivables, restricted cash from bond proceeds and capital assets.

Cash decreased by approximately $13 million due principally to the expenditure of Measure Q Bond funds for ongoing projects. Restricted cash includes amounts restricted for debt service.

Receivables decreased approximately $4.7 million due to the eliminate of state aid deferrals

Liabilities

The District's primary liabilities include accounts payable, unearned revenue and long-term debt.

Accounts payable and accrued liabilities increased $4.8 million due to additional amounts due to vendors, including amounts related to construction projects, and interest payable on current interest bonds.

Unearned revenue increased approximately $1.5 related to grant fund carryovers to the next fiscal year.

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

General obligation bonds decreased by $5 million due to the annual repayments of principal, net of interest accretions.

The District was required to implement GASB Statement No. 68 related to pension liabilities in the 2014-15 fiscal year. The implementation of this accounting standard required the restatement of the beginning net position in the government wide Statement of Net Position and the recording of the District's share of pension liabilities and related deferred outflows and inflows. This is not an increase in the District's obligations, but a change in how they are being reported. As noted in more detail in Note 13, the District is now required to report over $45 million of net pension liability and related deferred inflows, which along with the unfunded other post employment benefits of $7.5 million, contributes to the negative net position of $56 million.

Operating Results for the Year

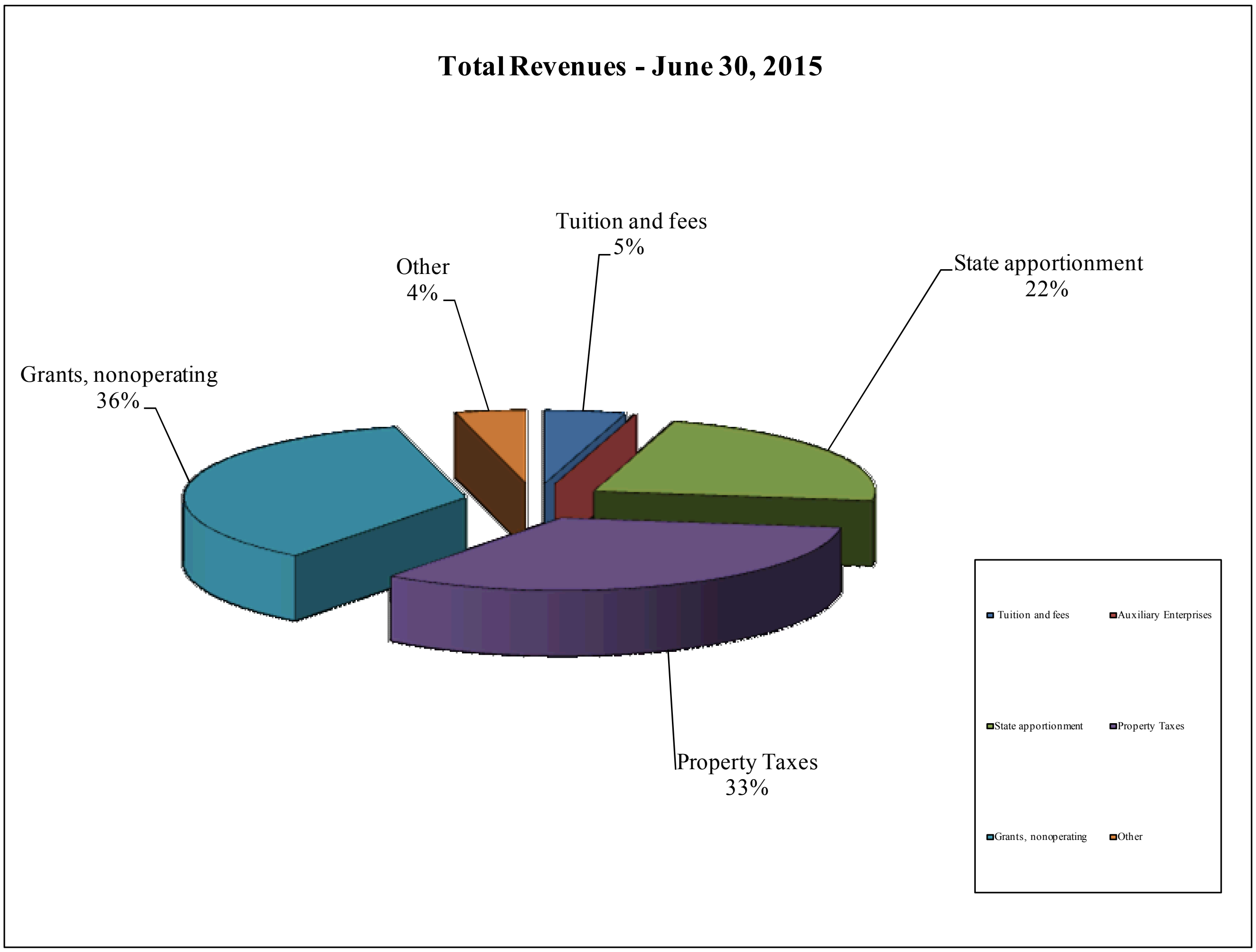
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position* on page 17.

Table 2

Operating Revenues	2015	2014 (as restated)	Change
Tuition and fees	$ 4,193,329	$ 4,328,887	$ (135,558)
Operating Expenses			
Salaries	33,710,655	32,611,929	1,098,726
Employee benefits	15,161,334	13,716,952	1,444,382
Supplies, Materials, Other Operating Expenses and Services	22,685,227	18,724,783	3,960,444
Depreciation	6,148,486	3,915,523	2,232,963
Total Operating Expenses	77,705,702	68,969,187	8,736,515
Loss on Operations	(73,512,373)	(64,640,300)	(8,872,073)
Nonoperating Revenues			
State apportionments, noncapital	20,352,802	28,895,373	(8,542,571)
Local property taxes	30,091,217	26,487,393	3,603,824
Federal grants	13,689,266	13,205,102	484,164
State grants	17,065,302	7,939,596	9,125,706
Local grants and other	1,531,374	1,312,064	219,310
State taxes and other revenues	915,810	1,203,705	(287,895)
Investment income	2,710,291	698,210	2,012,081
Interest Expense on Capital Asset-Related Debt	(10,710,315)	(14,138,414)	3,428,099
Other nonoperating revenues (expenses)	(1,845,388)	119,523	(1,964,911)
Total Nonoperating Revenue	73,800,359	65,722,552	8,077,807
GAIN (LOSS) BEFORE CAPITAL REVENUES	287,986	1,082,252	(794,266)
CAPITAL REVENUES			
State and local capital income	833	-	833
Gain or loss on disposal of equipment	-	35,886	(35,886)
TOTAL CAPITAL REVENUES	833	35,886	(35,053)
INCREASE (DECREASE) IN NET POSITION	288,819	1,118,138	(829,319)
NET POSITION BEGINNING OF YEAR	16,025,723	14,907,585	1,118,138
NET POSITION END OF YEAR	$ 16,314,542	$ 16,025,723	$ 288,819

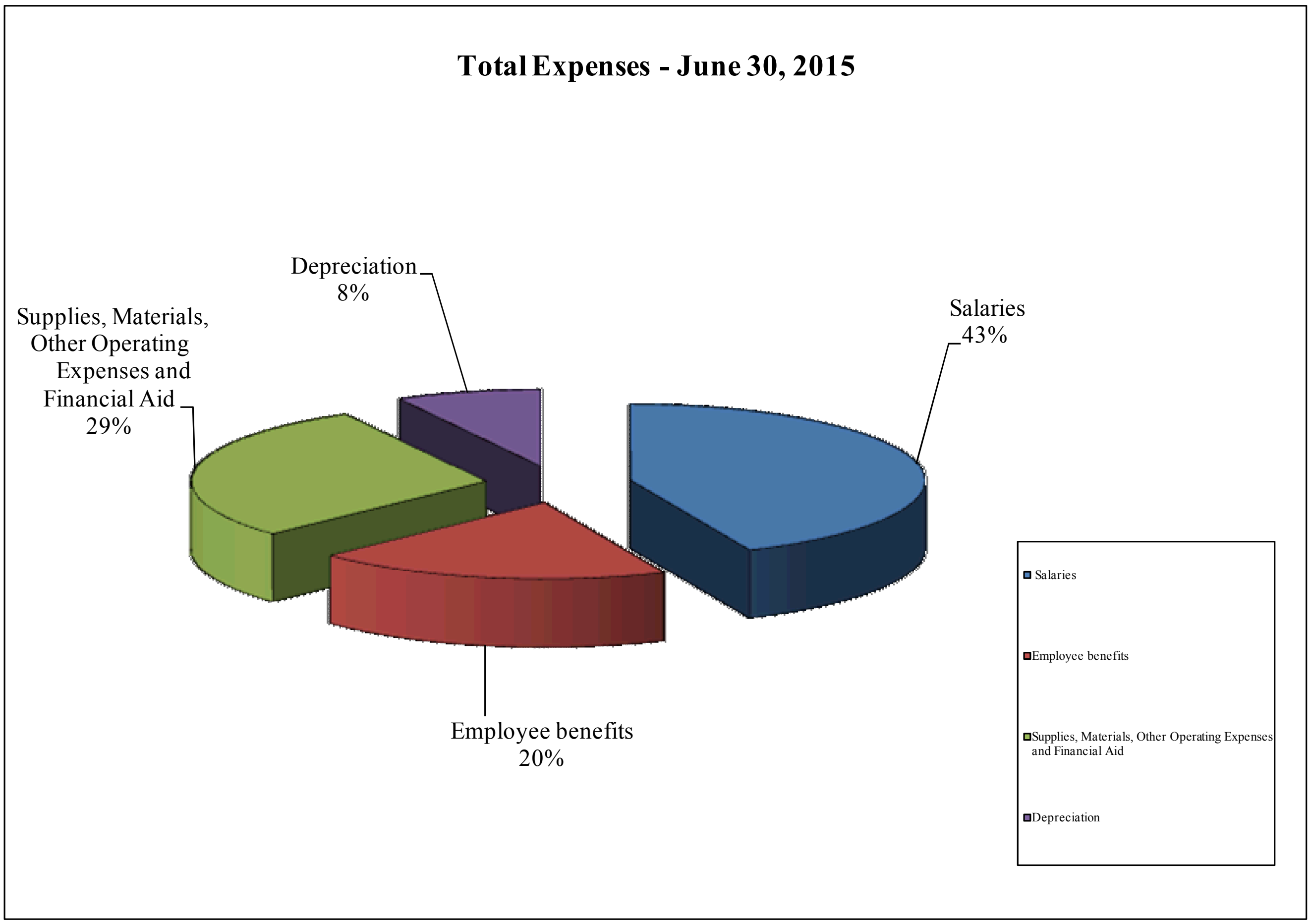
Significant revenue changes between 2014 and 2015 include:

- State apportionment decreased about $8.5 million offsetting increases in property tax receipts of approximately $3.6 million.
- State grant funding increased.
- 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 due to a more robust class offering in fall and spring; we also offered staff a 1% salary increase; step and column movement.
- Employee benefits increased as a result of increases in health costs and increases in retirement costs, consisting mainly of STRS and PERS.
- Supplies, services, and other operating expenditures increased primarily due to improvements under the districts capitalization threshold.



Changes in Cash Position

Table 4

	2015	2014	Change
Cash Provided by (Used in)			
Operating activities	$ (63,736,498)	$ (65,447,696)	$ 1,711,198
Noncapital financing activities	72,959,426	66,149,791	6,809,635
Capital financing activities	(23,860,257)	(28,111,141)	4,250,884
Investing activities	761,539	723,547	37,992
Net Increase (Decrease) in Cash	(13,875,790)	(26,685,499)	12,809,709
Cash, Beginning of Year	131,052,346	157,737,845	(26,685,499)
Cash, End of Year	$ 117,176,556	$ 131,052,346	$ (13,875,790)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets increased approximately $19 million, and includes approximately $21 million in Construction in Progress projects which will be capitalized upon completion.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 36,221,704	$ 36,381,564	$ 30,529,472	$ 42,073,796
Buildings and improvements	184,437,886	11,871,601	-	196,309,487
Equipment and furniture	19,075,877	7,316,688	-	26,392,565
Subtotal	239,735,467	55,569,853	30,529,472	264,775,848
Accumulated depreciation	50,483,148	6,148,486	-	56,631,634
	$ 189,252,319	$ 49,421,367	$ 30,529,472	$ 208,144,214

Obligations

Long-term debt includes general obligation bonds outstanding, revenue bonds, leases payable, employee compensated absences, and retirement obligations. General obligation bonds outstanding decreased $6 million during 2014-15 due to the results of the accretion of interest on capital appreciation bonds and the payment of annual scheduled debt service payments. Pension liabilities changed as a result of the unfunded status of the PERS and STRS pension plans.

Table 6

	Balance Beginning of Year (as restated)	Additions	Deletions	Balance End of Year
General obligation and lease revenue bonds	$ 251,402,099	$ 2,475,997	$ 8,730,167	$ 245,147,929
Compensated absences	1,012,960	157,915	-	1,170,875
Capital leases	96,292	-	96,292	-
Supplemental retirement plan	174,778	-	174,778	-
OPEB liability	7,620,266	-	27,598	7,592,668
Net pension liability	45,678,785		9,706,097	35,972,688
Total Long-Term Debt	$ 305,985,180	$ 2,633,912	$ 18,734,932	$ 289,884,160
Amount due within one year				$ 9,845,870

BUDGETARY HIGHLIGHTS – 2015-16

Here are the major provisions of the enacted 2015-16 State Budget for community colleges:

- 1.02% statutory cost-of-living adjustment applied to base apportionments and the four categorical programs as proposed in the May Revision
- $266.7 million (approximately 4.75%) for the base allocation funding increase
- Funding for enrollment growth of 3%
- $603.7 million (approximately $543 per full-time equivalent student) in one-time discretionary funds
- $148 million for deferred maintenance or instructional equipment, with no matching funds required for deferred maintenance
- $100 million for the Student Success and Support Program
- $85 million for Student Equity Plans
- $62.3 million in funds for hiring full-time faculty
- $49 million for equalizing the Career Development and College Preparation funding rate
- $33.7 million to restore the Extended Opportunity Programs and Services funding
- $29.1 million to restore apprenticeship programs
- $15 million for Institutional Effectiveness Partnership Initiative

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

The planned increase in Career Development and College Preparation (CDCP) rates will more adequately fund this important work and help incentivize the provision of CTE instruction.

In the end, this is clearly a great budget for community colleges, and would only have been better had the higher state revenue estimates by the Legislative Analyst's Office been used. Should actual revenues again come in above the Administration's projections, K-12 and California Community Colleges will likely see additional one-time funding.

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

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 13,111,985
Restricted cash and cash equivalents	104,064,571
Accounts receivable, net	5,101,151
Prepaid expenses	115,666
Total Current Assets	122,393,373
Noncurrent Assets	
Nondepreciable capital assets	42,073,796
Depreciable capital assets, net of depreciation	166,070,418
Total Noncurrent Assets	208,144,214
TOTAL ASSETS	330,537,587
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	2,883,333
Current Liabilities	
Accounts payable	5,773,348
Interest payable	3,801,900
Due to fiduciary funds	320,089
Unearned revenue	5,065,509
Deferred bond premium - current portion	696,867
Revenue bonds payable - current portion	699,003
Bonds payable - current portion	8,450,000
Total Current Liabilities	24,806,716
Noncurrent Liabilities	
Deferred bond premium	5,721,577
Compensated absences payable - noncurrent portion	1,170,875
OPEB liability - noncurrent portion	7,592,668
Revenue bonds payable - noncurrent portion	10,572,509
General obligation bonds payable - noncurrent portion	219,007,973
Aggregate net pension obligation	35,972,688
Total Noncurrent Liabilities	280,038,290
TOTAL LIABILITIES	304,845,006
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on refunding	2,203,388
Difference between projected and actual earning on pension plan investments	10,057,984
TOTAL DEFERRED INFLOWS OF RESOURCES	12,261,372
NET POSITION	
Net investment in capital assets	57,809,157
Restricted for:	
Debt service	13,410,214
Educational programs	1,476,708
Unrestricted	(56,381,537)
TOTAL NET POSITION	$ 16,314,542

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Student Tuition and Fees	$ 9,813,701
Less: Scholarship discount and allowance	(5,620,372)
TOTAL OPERATING REVENUES	4,193,329
OPERATING EXPENSES	
Salaries	33,710,655
Employee benefits	15,161,334
Supplies, materials, and other operating expenses	22,685,227
Depreciation	6,148,486
TOTAL OPERATING EXPENSES	77,705,702
OPERATING LOSS	(73,512,373)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	20,352,802
Local property taxes, levied for general purposes	13,900,253
Taxes levied for other specific purposes	16,190,964
Federal grants	13,689,266
State grants	17,065,302
Local grants and other revenues	1,531,374
State taxes and other revenues	915,810
Investment income	2,710,291
Interest expense on capital related debt	(10,710,315)
Investment income on capital asset-related debt, net	(1,948,752)
Transfer from agency fund	132,492
Transfer to agency fund	(29,128)
TOTAL NONOPERATING REVENUES (EXPENSES)	73,800,359
INCOME BEFORE OTHER REVENUES AND EXPENSES	287,986
OTHER REVENUES AND EXPENSES	
Local revenues, capital	833
CHANGE IN NET POSITION	288,819
NET POSITION, BEGINNING OF YEAR, RESTATED	16,025,723
NET POSITION, END OF YEAR	$ 16,314,542

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,453,637
Payments to vendors for supplies and services	(8,123,765)
Payments to or on behalf of employees	(47,342,250)
Payments to students for scholarships and grants	(12,724,120)
Net Cash Flows From Operating Activities	(63,736,498)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	24,968,336
Grant and contracts	32,120,028
Property taxes - nondebt related	13,900,253
State taxes and other apportionments	915,810
Transfers from fiduciary funds	132,492
Transfers to fiduciary funds	(29,128)
Other nonoperating	951,635
Net Cash Flows From Noncapital Financing Activities	72,959,426
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(25,040,381)
Local revenue, capital projects	833
Property taxes - related to capital debt	16,190,964
Principal paid on capital debt	(8,033,300)
Interest paid on capital debt	(6,978,373)
Net Cash Flows From Capital Financing Activities	(23,860,257)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	761,539
Net Cash Flows From Investing Activities	761,539
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,875,790)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	131,052,346
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 117,176,556

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (73,512,373)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	6,148,486
Changes in Assets and Liabilities:	
Receivables	2,015,601
Prepaid expenses	(262,089)
Accounts payable and accrued liabilities	1,664,179
Unearned revenue	209,698
Total Adjustments	9,775,875
Net Cash Flows From Operating Activities	$ (63,736,498)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,154,178
Cash equivalents, County Cash	115,824,327
Cash equivalents, Local Agency Investment fund	198,051
Total Cash and Cash Equivalents	$ 117,176,556
NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 1,232,900

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

		Trust
ASSETS		
Cash and cash equivalents	$	1,061,250
Investments		2,192,777
Accounts receivable, net		70,665
Receivable from governmental funds		320,089
Total Assets		3,644,781
LIABILITIES		
Accounts payable		10,367
Unearned revenue		53,900
Total Liabilities		64,267
NET POSITION		
Unrestricted		3,580,514
Total Net Position	$	3,580,514

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

ADDITIONS	
Federal revenues	$ 14,085
Tuition and fees	97,349
Local revenues	936,030
Total Additions	1,047,464
DEDUCTIONS	
Classified salaries	176
Books and supplies	82,405
Services and operating expenditures	494,369
Capital outlay	1,015
Total Deductions	577,965
	469,499
OTHER FINANCING SOURCES (USES)	
Operating transfers in	29,128
Operating transfers out	(132,492)
Total Other Financing Sources (Uses)	(103,364)
Change in Net Position	366,135
Net Position - Beginning	3,214,379
Net Position - Ending	$ 3,580,514

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, 2015 and 2014, 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 $1,425,306 and $1,001,739 for the years ended June 30, 2015 and 2014, 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for current year pension contributions.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

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 $14,886,922 of restricted net position.

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 CalSTRS and 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, 2015, was $1,232,900 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 Primary government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

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 nonemployer 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, nonemployer 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 and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. 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 nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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 District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $42,887,869. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

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

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

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

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

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

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, 2015, are classified in the accompanying financial statements as follows:

Business-type activities	$ 117,176,556
Fiduciary funds	3,254,027
Total Deposits and Investments	$ 120,430,583

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 1,685,488
Cash in revolving	60,860
Investments	118,684,235
Total Deposits and Investments	$ 120,430,583

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
Joint Powers Agency Risk Pools Master Trust	$ 2,192,777	Less than one
County Pool	116,293,407	1.33 years
State Investment Pool	198,051	.65 years
Total	$ 118,684,235	

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, 2015.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA	Aa	Unrated
County Pool	$ 116,293,407	$ 116,293,407	$ -	$ -	$ 116,293,407
Joint Powers Agency Risk Pools Master Trust	2,192,777	2,192,777	-	-	2,192,777
State Investment Pool	198,051	198,051	-	-	198,051
Total	$ 118,684,235	$ 118,684,235	$ -	$ -	$ 118,684,235

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, 2015, approximately $1,500,000 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
Federal Government	
Categorical aid	$ 364,275
State Government	
Categorical aid	703,446
Unrestricted lottery	405,551
Local Sources	
Student receivables, net	3,007,528
Other local sources	620,351
Total	$ 5,101,151
Student receivables	$ 4,432,834
Less allowance for bad debt	(1,425,306)
Student receivables, net	$ 3,007,528

Fiduciary Funds

	Fiduciary Funds
Local Sources	
Student receivables, net	$ 70,665

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

The District paid facility rent and workers compensation insurance prior to June 30, 2015.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions / Adjustments	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 11,696,182	$ 8,898,311	$ -	$ 20,594,493
Construction in progress	24,525,522	27,483,253	30,529,472	21,479,303
Total Capital Assets Not Being Depreciated	36,221,704	36,381,564	30,529,472	42,073,796
Capital Assets Being Depreciated				
Land improvements	10,355,196	1,477,631	-	11,832,827
Buildings	152,926,561	9,791,253	-	162,717,814
Building improvements	21,156,129	602,716	-	21,758,845
Furniture and equipment	19,075,877	7,316,689	-	26,392,566
Total Capital Assets Being Depreciated	203,513,763	19,188,289	-	222,702,052
Total Capital Assets	239,735,467	55,569,853	30,529,472	264,775,848
Less Accumulated Depreciation				
Land improvements	4,476,818	473,407	-	4,950,225
Buildings	33,426,472	3,130,425	(3,276,392)	33,280,505
Building improvements	2,672,261	1,147,234	3,276,392	7,095,887
Furniture and equipment	9,907,597	1,397,420	-	11,305,017
Total Accumulated Depreciation	50,483,148	6,148,486	-	56,631,634
Net Capital Assets Being Depreciated	153,030,615	13,039,803	-	166,070,418
Net Capital Assets	$ 189,252,319	$ 49,421,367	$ 30,529,472	$ 208,144,214

Depreciation expense for the year 2015 was $6,148,486.

Interest expense on capital related debt for the year ended June 30, 2015, was $11,505,111. Of this amount, $794,796 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll and related liabilities	$ 1,095,144
Construction projects	3,500,102
Construction retention	21,256
Vendor payables	1,156,846
Total	$ 5,773,348

Fiduciary Funds

	Fiduciary Funds
Vendor Payable	$ 10,367

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 50,941
State categorical aid	1,648,569
State unearned restricted lottery	560,497
Enrollment fees	2,642,223
Other local	163,279
Total	$ 5,065,509

Fiduciary Funds

	Fiduciary Funds
Other local	$ 53,900

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 2015 fiscal year the amount transferred to the primary government from the fiduciary fund amounted to $132,492. The amounts transferred from the fiduciary funds to the primary government amounted to $29,128.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the June 30, 2015 fiscal year consisted of the following:

	Balance Beginning of Year (as restated)	Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 232,326,976	$ 2,475,997	$ 7,345,000	$ 227,457,973	$ 8,450,000
Revenue bonds	11,959,812	-	688,300	11,271,512	699,003
Bond premiums	7,115,311	-	696,867	6,418,444	696,867
Total Bonds and Notes Payable	251,402,099	2,475,997	8,730,167	245,147,929	9,845,870
Other Liabilities					
Compensated absences	1,012,960	157,915	-	1,170,875	-
Capital leases	96,292	-	96,292	-	-
Supplemental retirement plan	174,778	-	174,778	-	-
OPEB Liability	7,620,266	-	27,598	7,592,668	-
Net pension liability	45,678,785		9,706,097	35,972,688	-
Total Other Liabilities	54,583,081	157,915	10,004,765	44,736,231	-
Total Long-Term Debt	$ 305,985,180	$ 2,633,912	$ 18,734,932	$ 289,884,160	$ 9,845,870

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, pension liabilities 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, 2014	Accreted Adjustments	Redeemed	Bonds Outstanding June 30, 2015
Mar-05	8/1/2022	3.0%-5.0%	$ 81,349,812	$ 9,691,723	$ 5,550,580	$ 4,885,000	$ 10,357,303
Sep-06	8/1/2031	4.0%-5.0%	44,495,279	50,742,723	(3,218,662)	415,000	47,109,061
Jun-13	8/1/2047	2.0%-5.49%	89,996,899	90,082,530	144,079	1,430,000	88,796,609
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	-	615,000	40,550,000
				$ 232,326,976	$ 2,475,997	$ 7,345,000	$ 227,457,973

Debt Maturity

Fiscal Year	Principal	Interest	Interest to Maturity	Total
2016	$ 8,450,000	$ 6,846,768	$ -	$ 15,296,768
2017	8,912,169	6,581,702	242,831	15,736,702
2018	9,790,000	6,361,586	-	16,151,586
2019	7,200,000	6,161,180	-	13,361,180
2020	7,890,000	5,990,237	-	13,880,237
2021-2025	32,119,778	28,097,122	15,225,222	75,442,122
2026-2030	22,057,873	28,239,675	31,637,127	81,934,675
2031-2035	22,573,763	25,072,775	10,795,796	58,442,334
2036-2040	18,117,482	21,341,134	6,778,590	46,237,206
2041-2045	37,827,670	13,329,400	4,392,330	55,549,400
2046-2048	36,360,000	2,475,813	-	38,835,813
Total	211,298,735	$ 150,497,392	$ 69,071,896	$ 430,868,023
Accretions to date	16,159,238			
Total	$ 227,457,973			

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
2016	$ 699,003	$ 500,494	$ 1,199,497
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	743,506	370,922	1,114,428
2021-2025	3,894,590	1,339,091	5,233,681
2026-2030	3,771,508	429,611	4,201,119
	$ 11,271,512	$ 3,949,742	$ 15,221,254

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2015, was $1,548,901, and contributions made by the District during the year were $1,576,500, which resulted in a net decrease to the net OPEB obligation of $27,599. As of June 30, 2015, the net OPEB obligation was $7,592,667. 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 2014-2015, the District paid $1,256,411 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	$ 1,548,902
Total contributions	(1,576,500)
Increase (decrease) in net OPEB obligation	(27,598)
Net OPEB obligation, July 1, 2014	7,620,266
Net OPEB obligation, June 30, 2015	$ 7,592,668

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, 2013	$ 1,718,356	$ 1,497,258	87%	$ 7,714,495
June, 2014	1,548,902	1,643,130	106%	7,620,266
June, 2015	1,548,902	1,576,500	102%	7,592,668

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 $2,192,777.

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, 2015, 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 2014-2015, 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 defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 23,649,968	$ 1,508,056	$ 5,823,760	$ 2,041,756
CalPERS	12,322,720	1,375,277	4,234,224	1,095,238
Total	$ 35,972,688	$ 2,883,333	$ 10,057,984	$ 3,136,994

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were $1,508,056.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 23,649,968
State's proportionate share of net pension liability associated with the District	14,280,872
Total	$ 37,930,840

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0405 percent.

For the year ended June 30, 2015, the District recognized pension expense of $2,041,756 and revenue of $1,232,900 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,508,056	$ -
Differences between projected and actual earnings on plan investments	-	5,823,760
Total	$ 1,508,056	$ 5,823,760

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,455,940
2017	1,455,940
2018	1,455,940
2019	1,455,940
Total	$ 5,823,760

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 36,864,115
Current discount rate (7.60%)	$ 23,649,968
1% increase (8.60%)	$ 12,631,771

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were $1,375,271.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $12,322,720. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1085 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,095,238. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,375,277	$ -
Differences between projected and actual earnings on plan investments	-	4,234,224
Total	$ 1,375,277	$ 4,234,224

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,058,556
2017	1,058,556
2018	1,058,556
2019	1,058,556
Total	$ 4,234,224

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.50%)	$ 21,616,863
Current discount rate (7.50%)	$ 12,322,720
1% increase (8.50%)	$ 4,556,526

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, 2015, 2014, and 2013, which amounted to $1,232,900, $1,055,977, and $876,939 respectively. The 2015 contribution rate was 5.679 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, 2015, 2014, and 2013. 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, 2015, the District made payments of approximately $982,752 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, 2015.

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, 2015.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the capital projects:

CAPITAL PROJECT	Construction Funds Committed	Expected Date of Completion
HVAS/EMS	$ 2,578,680	September-15
Performing arts building	675,063	June-17
Science building, phase I	495,000	September-18
Autotechnology building (VJ Campus)	446,949	August-17
Biotechnology and science building	211,310	September-17
Classroom building renovation	146,087	June-17
Aeronautics Vacaville project	21,050	To be determined
Districtwide IT infrastructure improvements project	18,065	Mar-16
	$ 4,592,204	

Operating Lease Commitments

The District leases administrative space under long term operating leases. The future minimum lease payments expected be paid under the agreements is as follows:

Year Ending June 30,	Lease Payment
2016	$ 602,533
2017	166,842
Total	$ 769,375

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year beginning net position has been restated as of June 30, 2015.

Effective fiscal year 2014-2015, the District was required to implement GASB 68 and 71 to record its share of net pension liabilities and related deferred inflows and outflows. This required a change in accounting principle and restatement of beginning net position.

Net Position - Beginning	$ 58,913,592
Restatement - GASB Statement No. 68 and 71	(42,887,869)
Net Position - Beginning, as Restated	$ 16,025,723

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

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%

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability	0.0405%
District's proportionate share of the net pension liability	$ 23,649,968
State's proportionate share of the net pension liability associated with the District	14,280,872
Total	$ 37,930,840
District's covered - employee payroll	$ 16,407,382
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	144.14%
Plan fiduciary net position as a percentage of the total pension liability	76.52%
CalPERS	
District's proportion of the net pension liability	0.1085%
District's proportionate share of the net pension liability	$ 12,322,720
District's covered - employee payroll	11,365,881
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	108.42%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

Note : In the future, as data become available, ten years of information will be presented.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS	2015
Contractually required contribution	$ 1,508,056
Contributions in relation to the contractually required contribution	(1,508,056)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 16,914,388
Contributions as a percentage of covered - employee payroll	8.92%

CalPERS	
Contractually required contribution	$ 1,375,277
Contributions in relation to the contractually required contribution	(1,375,277)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 11,747,308
Contributions as a percentage of covered - employee payroll	11.7%

Note : In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2015

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
A. Marie Young	President	2018
Michael A. Martin	Vice President	2016
Monica Brown	Member	2016
Sarah E. Chapman, Ph.D.	Member	2018
Denis Honeychurch, J.D.	Member	2018
Pam Keith	Member	2018
Rosemary Thurston	Member	2016
Naser J. Baig	Student Trustee	2015

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

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]	$ 146,452
Pell Grant	84.063	[1]	9,656,308
Student Financial Aid Administrative Allowance	84.063	[1]	87,161
Federal Work Study Program	84.033	[1]	189,710
Federal Direct Student Loans	84.268	[1]	1,868,661
Subtotal Student Financial Aid Cluster			11,948,292
Veteran Assistance Title 38	84.111	[1]	5,015
Passed through California State Chancellors Office			
Perkins Title I-C Reserve	84.243	[2]	493,553
Career and Technical Education - Basic Grants to States - CTE Transitions	84.048	11-112-280	43,269
Total U.S. Department of Education			12,490,129
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Post-9/11 Veterans Educational Assistance	64.028	[1]	201,739
U.S DEPARTMENT OF LABOR			
Passed through Los Medanos College			
Trade Adjustment Assistance Community College & Career Training Grants	17.282	[2]	465,700
Passed through Employment Development Department			
Alternative and Renewable Fuel Technology	17.258	[2]	71,004
Total U.S. Department of Labor			536,704
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	03628	63,132
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]	47,267
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps	94.023		14,085
NATIONAL SCIENCE FOUNDATION			
National Science Foundation	47.074	[1]	2,484
SMALL BUSINESS ADMINISTRATION			
Passed through Humboldt State University			
Small Business Development Centers	59.037	F2144, F0305, F0405	179,130
			$ 13,534,670

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

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
AB 86	$ -	$ 253,730	$ 253,730	$ 227,062	$ -	$ 18,654	$ 208,408	$ 208,408
Basic Skills - On Going	99,644	11,336	110,980	110,980	-	-	110,980	110,980
BS Sector Navigator	-	372,500	372,500	149,000	212,898	-	361,898	361,898
Cal Department of Forestry	-	1,183	1,183	-	1,147	-	1,147	1,147
Cal Works	206,723	-	206,723	206,723	-	-	206,723	206,723
Cal Grants	146,552	-	146,552	146,252	-	-	146,252	146,252
CARE	44,775	-	44,775	44,775	-	-	44,775	44,775
CTE: Community Collaborative Project	-	325,266	325,266	325,266	-	-	325,266	325,266
Disabled Students Programs and Services	436,099	-	436,099	436,099	-	-	436,099	436,099
EDD Alt Fuel Prog ARFVTP 12-041-006	-	183,573	183,573	183,573	-	-	183,573	183,573
Extended Opportunity Program and Services	383,029	-	383,029	383,029	-	-	383,029	383,029
FEP: RSCC Dist: DO-11-027		11,270	11,270	11,270	-	11,270	-	-
Foster and Kinship Care	199,281	-	199,281	126,345	70,066	-	196,411	196,411
FYSI Foster Youth Success Initiative	-	2,956	2,956	2,956	-	481	2,475	2,475
Instructional Equipment, on going	-	2,996	2,996	2,996	-	-	2,996	2,996
Instructional Equipment, one time	322,386	-	322,386	322,386	-	-	322,386	322,386
Lottery - Prop. 20	247,294	540,591	787,885	573,666	234,125	560,497	247,294	247,294
Matriculation - Credit	1,180,758	-	1,180,758	1,180,758	-	314,742	866,016	866,016
NCCPA Career Pathway	282,662	-	282,662	282,662	13,834	257,317	39,179	39,179
Nurse Enrollment Growth 10-116-047	209,387	-	209,387	209,387	-	-	209,387	209,387
Prop 39 - Clean Energy	-	239,607	239,607	239,607	-	-	239,607	239,607
Scheduled Maintenance, on going	800,000	95,044	895,044	895,044	-	841,212	53,832	53,832
Sector Navigator Healthcare	303,501	466,347	769,848	177,348	171,376	-	348,724	348,724
Staff Diversity	11,063	-	11,063	11,063	-	-	11,063	11,063
Student Financial Aid Administrative Allowanc	360,469	-	360,469	360,469	-	-	360,469	360,469
Student Equity	413,839		413,839	413,839	-	204,903	208,936	208,936
Transfer Education and Articulation	-	951	951	951	-	-	951	951
TTIP	-	11,557	11,557	11,557	-	(10)	11,567	11,567
YES Youth Empowerment Program	22,500	-	22,500	22,138	-	-	22,138	22,138
Subtotal	$ 5,669,962	$ 2,518,907	$ 8,188,869	$ 7,057,201	$ 703,446	$ 2,209,066	$ 5,551,581	$ 5,551,581

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, 2015

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit **	-	-	-
2. Credit	24.43	-	24.43
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit **	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,489.33	-	5,489.33
(b) Daily Census Contact Hours	219.05	-	219.05
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	0.89	-	0.89
(b) Credit	269.39	-	269.39
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Contact Hours	816.15	-	816.15
(b) Daily Census Contact Hours	96.94	-	96.94
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	6,916.18	-	6,916.18

SUPPLEMENTAL INFORMATION (Subset of Above Information)	Annual Reported Data	Audit Adjustments	Audited Data
E. In Service Training Courses (FTES)			
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	9.48	-	9.48
2. Credit	708.26	-	-
<u>CCFS-320 Addendum</u>			
Centers FTES			
1 Noncredit **	-	-	-
2 Credit	1,736.55	-	1,736.55
	1,736.55	-	1,736.55

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, 2015

		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	$ 9,823,579	$ -	$ 9,823,579	$ 9,823,579	$ -	$ 9,823,579
Other	1300	6,637,095	-	6,637,095	6,640,156	-	6,640,156
Total Instructional Salaries		16,460,674	-	16,460,674	16,463,735	-	16,463,735
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,309,023	-	3,309,023
Other	1400	-	-	-	292,735	-	292,735
Total Noninstructional Salaries		-	-	-	3,601,758	-	3,601,758
Total Academic Salaries		16,460,674	-	16,460,674	20,065,493	-	20,065,493
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,708,758	-	7,708,758
Other	2300	-	-	-	441,439	-	441,439
Total Noninstructional Salaries		-	-	-	8,150,197	-	8,150,197
Instructional Aides							
Regular Status	2200	878,990	-	878,990	878,990	-	878,990
Other	2400	275,343	-	275,343	293,494	-	293,494
Total Instructional Aides		1,154,333	-	1,154,333	1,172,484	-	1,172,484
Total Classified Salaries		1,154,333	-	1,154,333	9,322,681	-	9,322,681
Employee Benefits	3000	5,966,135	-	5,966,135	12,160,722	-	12,160,722
Supplies and Material	4000	-	-	-	495,706	-	495,706
Other Operating Expenses	5000	-	-	-	5,768,845	-	5,768,845
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		23,581,142	-	23,581,142	47,813,447	-	47,813,447

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, 2015

		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	$ 673,411	$ -	$ 673,411	$ 673,411	$ -	$ 673,411
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	927,289	-	927,289
Objects to Exclude							
Rents and Leases	5060	-	-	-	94,794	-	94,794
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	380,164	-	380,164
Classified Salaries	2000	-	-	-	126,581	-	126,581
Employee Benefits	3000	-	-	-	211,028	-	211,028
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	11,570	-	11,570
Total Supplies and Materials		-	-	-	11,570	-	11,570

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, 2015

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 174,579	$ -	$ 174,579
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	11,888	-	11,888
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	11,888	-	11,888
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		673,411	-	673,411	2,611,304	-	2,611,304
Total for ECS 84362, 50 Percent Law		$ 22,907,731	$ -	$ 22,907,731	$ 45,202,143	$ -	$ 45,202,143
Percent of CEE (Instructional Salary Cost/Total CEE)		50.68%		50.68%	100.00%		100.00%
50% of Current Expense of Education					$ 22,601,072		$ 22,601,072

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2015

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	8630				$ 7,587,181
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 7,587,181			$ 7,587,181
					-
Total Expenditures for EPA		$ 7,587,181	-	-	$ 7,587,181
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

None noted.

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:		$ 13,689,266
Federal interest subsidy	Not applicable	(168,681)
Americorps - Reported in trust fund	94.023	14,085
Total Expenditures of Federal Awards		$ 13,534,670

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.

NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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

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, and the aggregate remaining fund information of Solano Community College District (the District) as of and for the year ended June 30, 2015, 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, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, 2015.

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, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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 the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. 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, 2015.

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 in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2015

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 August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

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 August 2014.

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.

Unmodified Opinion

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, 2015.

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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 440	Intersession Extension Programs
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 did not participate in the Intersession Extension Program, therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

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
17.282	Trade Adjustment Assistance, Community College Career Training Initiative

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:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015

None noted.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None noted.

SOLANO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

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.

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.

Status
Implemented.

2015-002 **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.

Current Status

Implemented.