

SOLANO COMMUNITY COLLEGE
DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SOLANO COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements - Primary Government	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds	
Statement of Net Position	20
Statement of Changes in Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Liability and Related Ratios	62
Schedule of District Contributions for OPEB	63
Schedule of Investment Returns	64
Schedule of the District' Proportionate Share of the Net OPEB Liability-MPP Program	65
Schedule of the District's Proportionate Share of the Net Pension Liability	66
Schedule of District Contributions for pension	67
Note to Required Supplementary Information	68

SUPPLEMENTARY INFORMATION

District Organization	71
Schedule of Expenditures of Federal Awards	72
Schedule of Expenditures of State Awards	73
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	74
Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation	75
Proposition 30 Education Protection Act (EPA) Expenditures Report	78
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements	79
Reconciliation of Government Funds to the Statement of Net Position	80
Notes to Supplementary Information	81

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	86
Report on State Compliance	89

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	93
Financial Statement Findings and Recommendations	94
Federal Awards Findings and Questioned Costs	98
State Awards Findings and Questioned Costs	100
District Responses and Corrective Action Plans	103
Summary Schedule of Prior Audit Findings	104

FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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, 2018, 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, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, Schedule of Changes in District's Net OPEB Liability and Related Ratios, Schedule of District Contributions for OPEB, Schedule of Investment Returns, the Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions for Pension 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 29, 2019, 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, Time Day & Co., LLP

Pleasanton, California

March 29, 2019

SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

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, 2018. 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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

The major provisions of the enacted 2017-18 State Budget for community colleges include:

- Apportionments — An increase of \$382 million Proposition 98 General Fund, which includes the following:
 - An increase of \$183.6 million Proposition 98 General Fund to support increased community college operating expenses in areas such as employee benefits, facilities, professional development, converting faculty from part-time to full-time, and other general expenses.
 - An increase of \$97.6 million Proposition 98 General Fund for a 1.56-percent cost-of-living adjustment.
 - An increase of \$76 million Proposition 98 General Fund to reflect the amounts earned back by community college districts that declined in enrollment during the previous three years.
 - An increase of \$57.8 million Proposition 98 General Fund for enrollment growth of 1- percent.

SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

- A decrease of \$33 million Proposition 98 General Fund to reflect unused growth provided in 2015-16.
- Guided Pathways Grant Program— An increase of \$150 million one-time Proposition 98 General Fund and settle-up for grants to community colleges to develop an integrated, institution-wide approach to student success.
- Chancellor's Office State Operations —\$618,000 General Fund and \$458,000 in reimbursement authority, for six new positions and funding for a second Deputy Chancellor, to support the Chancellor's priorities to provide greater leadership and technical assistance to community colleges and improve student outcomes.
 - Financial Aid — An increase of \$50 million Proposition 98 General Fund to provide financial aid to community college students, which includes the following:
 - An increase of \$25 million Proposition 98 General Fund for the Community College Completion Grant to provide grants of up to \$2,000, to students who meet specified criteria.
 - An increase of \$25 million Proposition 98 General Fund to the Full-Time Student Success Grant.
- Innovation Awards — An increase of \$20 million one-time Proposition 98 General Fund to provide funding for the development and implementation of innovative practices.
- Services for Veterans — An increase of \$10 million Proposition 98 General Fund (of which \$5 million is one-time) to develop and enhance veterans' resource centers. Additionally, a one-time increase of \$2 million for allocation to Norco College to expand the capacity of its student veterans' service center and establish articulation agreements, policies, and processes related to awarding course credit for prior military service.
- Online Education Initiative — An increase of \$10 million Proposition 98 General Fund to provide system-wide access to the Initiative's learning management system.
- Integrated Library System— An increase of \$6 million one-time Proposition 98 General Fund to facilitate the development of an integrated library system that, once operational, will allow California community college students access to a cloud-based library system.
- Deferred Maintenance — An increase of \$76.9 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects.
- Community College Facilities — A total of \$16.9 million Proposition 51 bond funds for initial design activities for 15 community college facilities projects.

SOLANO COMMUNITY COLLEGE DISTRICT

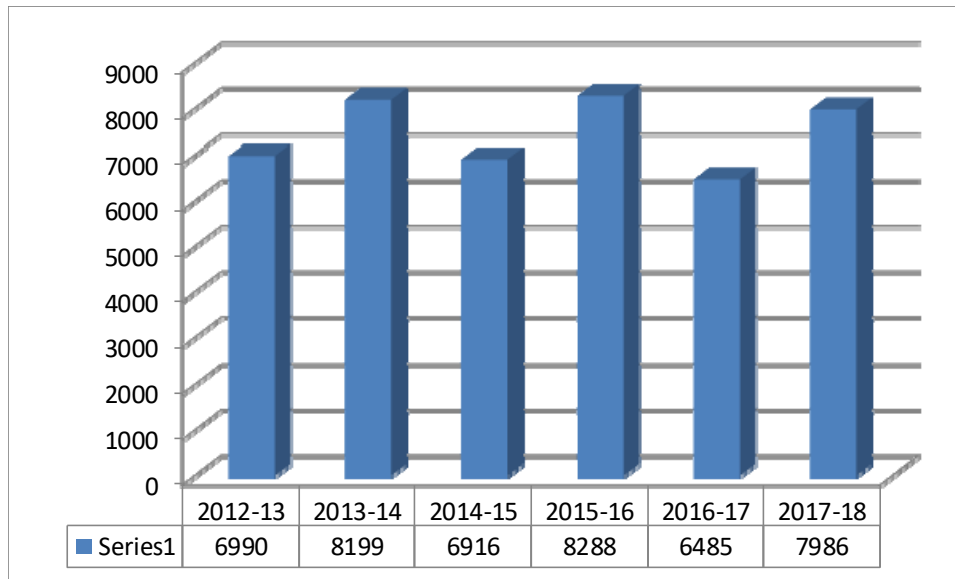
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

ATTENDANCE HIGHLIGHTS

Due to declining enrollments, Solano Community College has utilized stability funding to maintain roughly level funding. Stability funding provides the district with predictable funding in a year of declining enrollment. The District continues to engage in various outreach, retention, and student success strategies to increase enrollments. The following chart demonstrates the history of credit and non-credit FTES from 2011-13 through 2017-18:

The chart below shows actual FTES served.

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



SOLANO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2018**

THE DISTRICT AS A WHOLE

Net Position

ASSETS	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current Assets			
Cash and investments	\$ 28,333,160	\$ 27,535,779	\$ 797,381
Restricted cash and cash equivalents	100,141,462	139,628,073	(39,486,611)
Accounts receivable (net)	6,097,295	4,650,618	1,446,677
Prepaid expenses and other current assets	99,817	649,158	(549,341)
Total Current Assets	<u>134,671,734</u>	<u>172,463,628</u>	<u>(37,791,894)</u>
Noncurrent Assets:			
Capital assets (net)	289,118,300	282,870,165	6,248,135
Total Noncurrent Assets	<u>289,118,300</u>	<u>282,870,165</u>	<u>6,248,135</u>
Total Assets	<u>\$423,790,034</u>	<u>\$455,333,793</u>	<u>\$ (31,543,759)</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 16,007,621</u>	 <u>\$ 15,244,517</u>	 <u>\$ 763,104</u>
 LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 16,559,000	\$ 15,621,609	\$ 937,391
Unearned revenue	4,729,717	7,512,925	(2,783,208)
Deferred bond premium	1,305,936	1,335,539	(29,603)
Long-term liabilities due within one year	12,250,777	10,510,911	1,739,866
Total Current Liabilities	<u>34,845,430</u>	<u>34,980,984</u>	<u>(135,554)</u>
Long-term liabilities	369,068,920	379,872,436	(10,803,516)
Total Liabilities	<u>\$403,914,350</u>	<u>\$414,853,420</u>	<u>\$ (10,939,070)</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>\$ 10,065,873</u>	 <u>\$ 11,485,647</u>	 <u>\$ (1,419,774)</u>
 NET POSITION			
Net investment in capital assets	53,655,597	80,319,062	(26,663,465)
Restricted	24,477,176	27,490,633	(3,013,457)
Unrestricted	(52,315,341)	(63,570,452)	11,255,111
Total Net Position	<u>\$ 25,817,432</u>	<u>\$ 44,239,243</u>	<u>\$ (18,421,811)</u>

SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

Assets

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

Cash decreased by approximately \$39 million due principally to the spending down of the bond program. Restricted cash includes amounts restricted for debt service.

Receivables and prepaid expenses increased approximately \$897 thousand primarily due to the timing of the payments.

Capital assets increased by approximately \$6.2 million due principally to the expenditure of Measure Q Bond funds for ongoing projects.

Liabilities

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

Accounts payable and accrued liabilities increased by approximately \$900 thousand primarily due to timing in construction activities and therefore payments due to vendors at year end.

Unearned revenue decreased by approximately \$2.8 million primarily due to spending of grant funds.

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

General obligation bonds decreased by \$9.4 million primarily due to paying down the principles during the year.

The aggregate net pension liability increased \$1.8 million, which along with deferred inflows and outflows related to pensions, and the unfunded other post employment benefits of \$9.8 million, contributes to the negative unrestricted net position of \$52.3 million.

SOLANO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2018**

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*.

Table 2

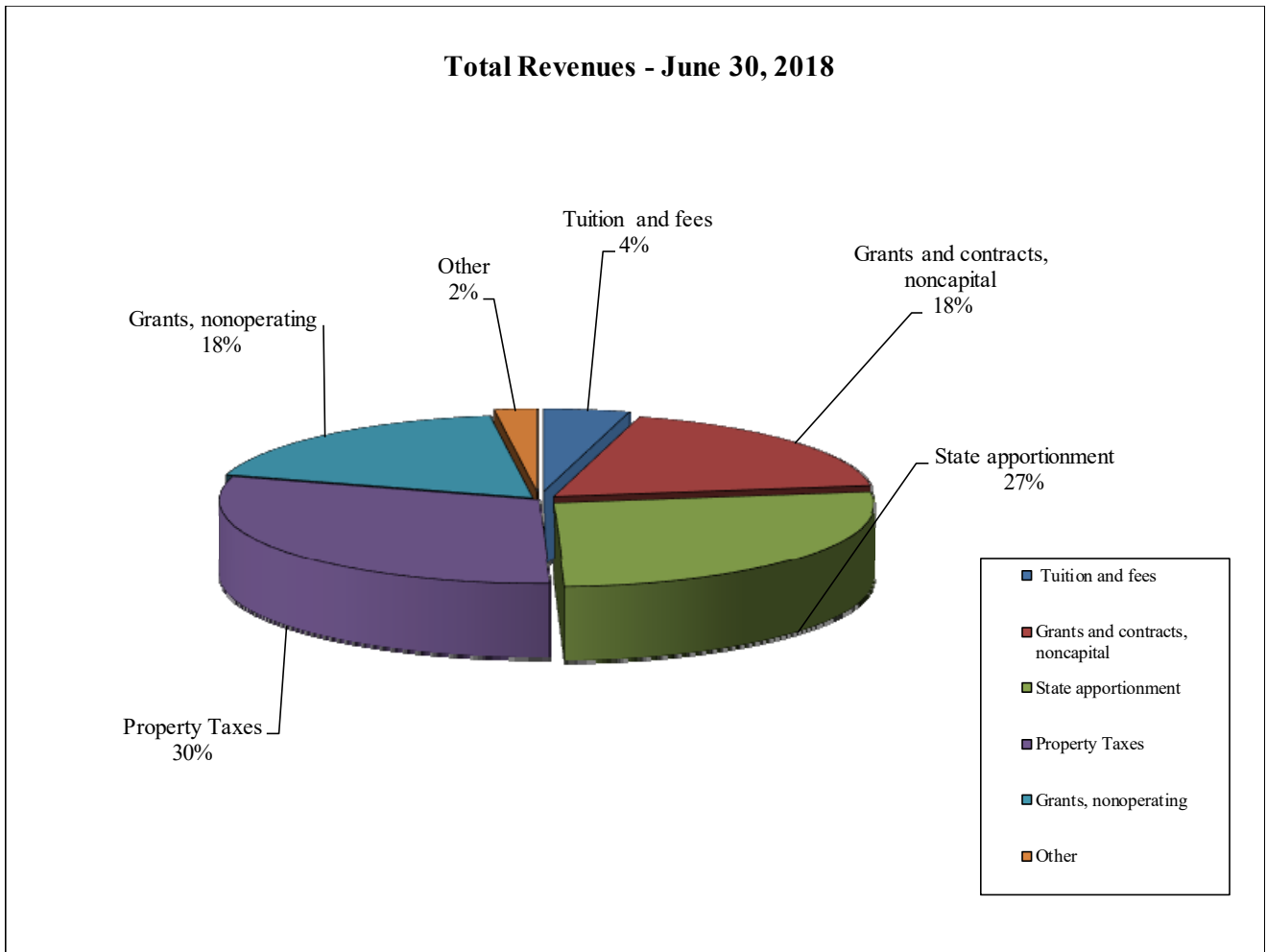
	2018	2017	Change
Operating Revenues			
Tuition and fees	\$ 4,165,725	\$ 4,239,012	\$ (73,287)
Grants and contracts, noncapital	17,815,886	13,251,385	4,564,501
Total Operating Revenues	<u>21,981,611</u>	<u>17,490,397</u>	<u>4,491,214</u>
Operating Expenses			
Salaries	37,744,011	32,367,078	5,376,933
Employee benefits	13,963,752	13,618,694	345,058
Supplies, Materials, Other Operating Expenses and Services	41,576,346	31,729,162	9,847,184
Depreciation	8,681,550	7,032,755	1,648,795
Total Operating Expenses	<u>101,965,659</u>	<u>84,747,689</u>	<u>17,217,970</u>
Loss on Operations	<u>(79,984,048)</u>	<u>(67,257,292)</u>	<u>(12,726,756)</u>
Nonoperating Revenues			
State apportionments, noncapital	25,623,974	26,822,986	(1,199,012)
Local property taxes	28,924,505	30,801,899	(1,877,394)
Federal grants	8,471,313	9,015,260	(543,947)
State grants	2,996,788	7,827,313	(4,830,525)
Local grants and other	6,149,518	5,357,867	791,651
State taxes and other revenues	1,555,988	1,205,210	350,778
Investment income	334,922	9,941,487	(9,606,565)
Interest Expense on Capital Asset-Related Debt	(12,668,676)	(6,720,715)	(5,947,961)
Other nonoperating revenues (expenses)	173,905	228,415	(54,510)
Total Nonoperating Revenue	<u>61,562,237</u>	<u>84,479,722</u>	<u>(22,917,485)</u>
INCREASE (DECREASE) IN NET POSITION	(18,421,811)	17,222,430	(35,644,241)
NET POSITION BEGINNING OF YEAR, restated	<u>44,239,243</u>	<u>27,016,813</u>	<u>17,222,430</u>
NET POSITION END OF YEAR	<u>\$ 25,817,432</u>	<u>\$ 44,239,243</u>	<u>\$ (18,421,811)</u>

SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

Significant revenue changes between 2017 and 2018 include:

- State apportionment increased approximately \$1 million and a decrease in property taxes of approximately \$1.9 million.

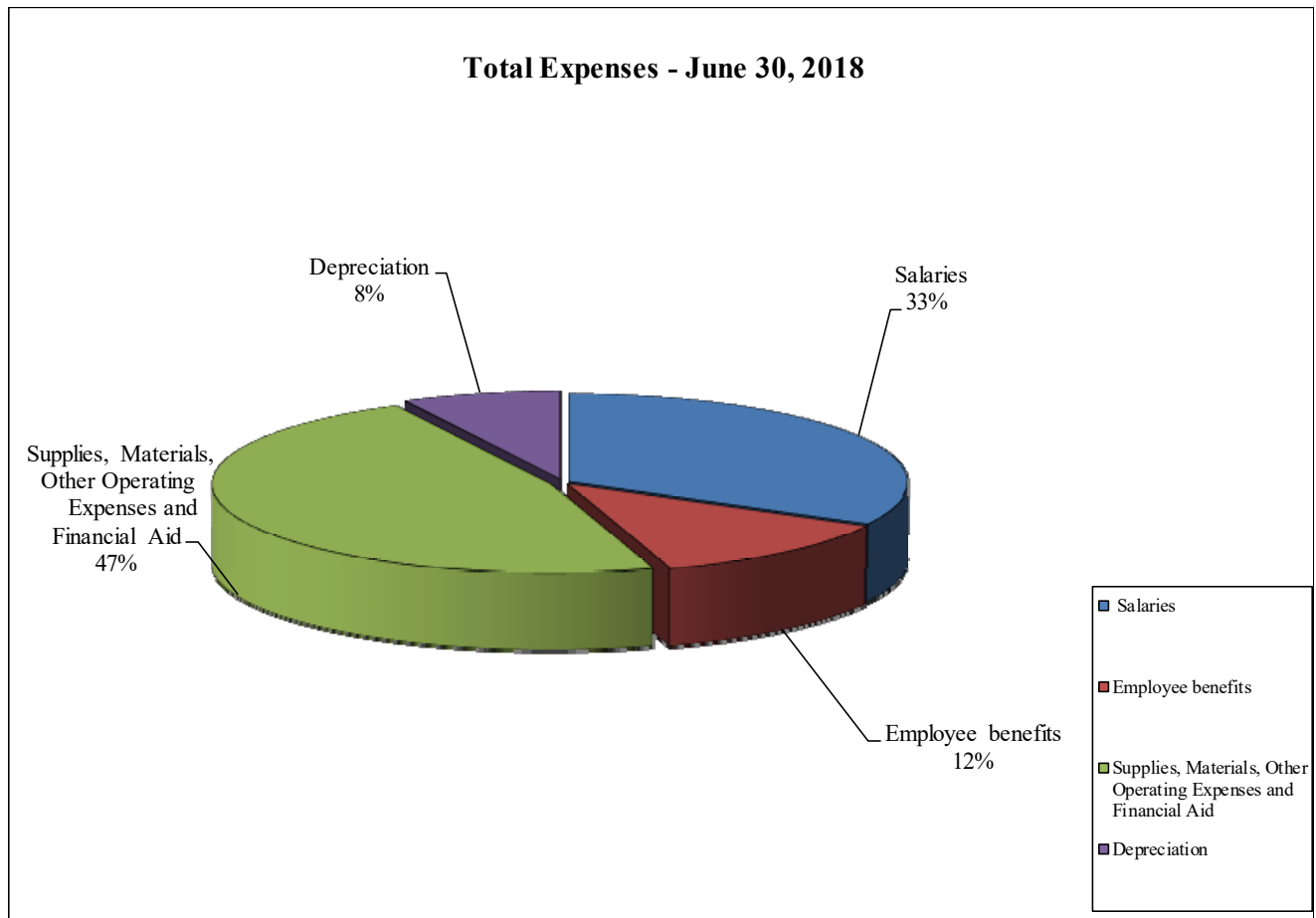


SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

Significant expenditure variances include:

- Supplies, services, and other operating expenditures increased primarily due to more improvements under the districts capitalization threshold.



SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

Changes in Cash Position

Table 4

	2018	2017	Change
Cash Provided by (Used in)			
Operating activities	\$ (75,661,542)	\$ (59,726,775)	\$ (15,934,767)
Noncapital financing activities	57,096,606	83,148,257	(26,051,651)
Capital financing activities	(22,127,544)	32,311,124	(54,438,668)
Investing activities	2,003,250	10,169,902	(8,166,652)
Net Increase (Decrease) in Cash	(38,689,230)	65,902,508	(104,591,738)
Cash, Beginning of Year	167,163,852	101,261,344	65,902,508
Cash, End of Year	<u>\$ 128,474,622</u>	<u>\$ 167,163,852</u>	<u>\$ (38,689,230)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets increased approximately \$6.2 million, and includes approximately \$60 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	\$ 116,760,869	\$ 12,185,771	\$ 68,935,407	\$ 60,011,233
Buildings and improvements	205,152,174	69,021,499	-	274,173,673
Equipment and furniture	31,350,673	2,657,822	-	34,008,495
Subtotal	<u>353,263,716</u>	<u>83,865,092</u>	<u>68,935,407</u>	<u>368,193,401</u>
Accumulated depreciation	70,393,551	8,681,550	-	79,075,101
	<u>\$ 282,870,165</u>	<u>\$ 75,183,542</u>	<u>\$ 68,935,407</u>	<u>\$ 289,118,300</u>

Obligations

Long-term debt includes general obligation bonds outstanding, revenue bonds, employee compensated absences, pension and retirement obligations. General obligation bonds outstanding decreased \$9.4 million during 2017-18 primarily due to bond payments during the year. Pension liabilities changed as a result of the unfunded status of the PERS and STRS pension plans. Retirement plan liabilities decreased approximately \$1.8 million.

SOLANO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2018**

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation and lease revenue bonds	\$ 330,903,656	\$ 2,436,909	\$ 11,816,847	\$ 321,523,718
Compensated absences	1,223,713	215,944	-	1,439,657
OPEB liability	11,573,554	87,532	1,839,810	9,821,276
Net pension liability	48,017,963	1,823,019	-	49,840,982
Total Long-Term Debt	<u>\$ 391,718,886</u>	<u>\$ 4,563,404</u>	<u>\$ 13,656,657</u>	<u>\$ 382,625,633</u>
Amount due within one year				<u>\$ 13,556,713</u>

BUDGETARY HIGHLIGHTS, 2018-19 CALIFORNIA ADOPTED BUDGET

Budget Overview

The unrestricted General Fund provides for a 2.71% increase in revenues to \$55,993,660 and a 4% increase in expenditures to \$55,799,401, with a resulting surplus of \$194,259. The surplus will be used to increase the stability reserve, as discussed later under the “five-year transition plan.” Significant factors affecting this year’s budget include:

- Declining enrollments at the Fairfield campus, partially offset by enrollment increases at the Vacaville and Vallejo Centers
- The STRS employer contribution increases to 16.28% of payroll from 14.43%
- The PERS employer contribution increases to 18.062% of payroll from 15.531%
- Banner 9 ERP information system upgrade cost of \$700,000

New Funding Formula

The 2018-19 California Budget Act substantially changed how community colleges are funded. For many years, community college general apportionments have been based only on the number of Full Time Equivalent Students (FTES) served. The new funding formula includes three components:

- **Base Allocation** – The Base Allocation continues the tradition of funding based on FTES, but this component will now provide only partial funding. The base allocation will provide 70% of total funding in 2018-19, 65% of funding in 2019-20, and will then stabilize at 60% of funding for 20-21 and beyond.
- **Supplemental Allocation** – The Supplemental Allocation is based on student economic need as measured by the number of students receiving California College Promise Grants (formerly known as BOG fee waivers), Pell Grants, and AB 540 “Dreamer” students. The supplemental allocation will provide 20% of overall funding in 2018-19 and beyond.
- **Student Success Allocation** – The Student Success Allocation will be based on various measures of student success including

SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2018

- AA, ADT, and Baccalaureate degrees awarded
- Credit certificates of 16 or more units
- Completion of transfer-level Math and English courses completed in the first academic year
- Transfer to a four-year university
- Completion of nine or more units in Career Technical Education
- Attainment of the regional living wage

The Student Success Allocation will provide 10% of total funding in 2018-19, 15% of funding in 2019-20, and will then stabilize at 20% of funding for 20-21 and beyond.

Cost of Living Adjustment (COLA) and Hold Harmless

To allow Districts a smooth transition to the new funding formula, the budget act provides a three-year hold harmless period where each district will receive the same amount as the prior year, with an added cost of living adjustment (COLA). In 2018-19, the COLA is 2.71%. The final year of the hold harmless provision is 20-21. In 2021-22, districts will be guaranteed only the amount received in 2017-18. Any revenues in excess of the 2017-18 guarantee will be based on the workload measures from the base, supplemental, and student success allocations.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

Solano County and the State of California are experiencing a strong economy with low unemployment and rising tax revenues. Community college enrollments tend to be counter-cyclical, with enrollment growing during weak economic periods and flat or declining during a strong economic cycle. Solano Community College has experienced declining enrollments and has therefore not been able to benefit from growth funds provided in recent state budgets.

The Public Employees Retirement System (PERS) and State Teacher's Retirement System (STRS) are requiring annual rate increases in order to strengthen their long-term financial positions. These rate increases affect both the District and its employees and will result in increased financial pressure on the District budget.

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, Rob Diamond, Vice President of Finance & Administration; (707) 864-7209; robert.diamond@solano.edu.

SOLANO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2018**

ASSETS

Current Assets

Cash and cash equivalents	\$ 28,333,160
Restricted cash and cash equivalents	100,141,462
Accounts receivable, net	6,097,295
Prepaid expenses and other	99,817
Total Current Assets	<u>134,671,734</u>

Noncurrent Assets

Nondepreciable capital assets	60,011,233
Depreciable capital assets, net of depreciation	229,107,067
Total Noncurrent Assets	<u>289,118,300</u>
TOTAL ASSETS	<u>423,790,034</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	1,001,161
Deferred outflows of resources related to pensions	14,561,732
Deferred outflows of resources related to OPEB	444,728
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>16,007,621</u>

Current Liabilities

Accounts payable	11,312,593
Interest payable	4,226,826
Due to fiduciary funds	1,019,581
Unearned revenue	4,729,717
Deferred bond premium - current portion	1,305,936
Compensated absences payable - current portion	393,656
Revenue bonds payable - current portion	732,121
Bonds payable - current portion	11,125,000
Total Current Liabilities	<u>34,845,430</u>

Noncurrent Liabilities

Deferred bond premium	13,874,782
Compensated absences payable - noncurrent portion	1,046,001
OPEB liability - noncurrent portion	9,821,276
Revenue bonds payable - noncurrent portion	8,409,604
General obligation bonds payable - noncurrent portion	286,076,275
Aggregate net pension obligation	49,840,982
Total Noncurrent Liabilities	<u>369,068,920</u>
TOTAL LIABILITIES	<u>403,914,350</u>

DEFERRED INFLOWS OF RESOURCES

Deferred charges on bond refunding	1,468,925
Deferred inflows of resources related to pensions	8,596,948
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,065,873</u>

NET POSITION

Net investment in capital assets	53,655,597
Restricted for:	
Debt service	18,970,437
Educational programs	5,412,190
Other activities	94,549
Unrestricted	<u>(52,315,341)</u>
TOTAL NET POSITION	<u>\$ 25,817,432</u>

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, 2018

OPERATING REVENUES	
Student Tuition and Fees	\$ 8,675,755
Less: Scholarship discount and allowance	(4,510,030)
Net tuition and fees	<u>4,165,725</u>
Grants and Contracts, Noncapital	
Federal	1,530,248
State	16,285,638
Net grants and contracts, noncapital	<u>17,815,886</u>
TOTAL OPERATING REVENUES	<u>21,981,611</u>
OPERATING EXPENSES	
Salaries	37,744,011
Employee benefits	13,963,752
Supplies, materials, and other operating expenses	22,508,804
Equipment, maintenance, and repairs	19,067,542
Depreciation	8,681,550
TOTAL OPERATING EXPENSES	<u>101,965,659</u>
OPERATING LOSS	<u>(79,984,048)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	25,623,974
Local property taxes, levied for general purposes	15,921,271
Taxes levied for other specific purposes	13,003,234
Federal financial aid grants, noncapital	8,471,313
State financial aid grants, noncapital	532,535
Local grants and other revenues	4,828,861
State taxes and other revenues	1,555,988
Investment income	334,922
Interest expense on capital related debt	(12,668,676)
Investment income on capital asset-related debt, net	170,450
Other nonoperating revenue	3,455
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>57,777,327</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>(22,206,721)</u>
OTHER REVENUES AND EXPENSES	
State revenues, capital	2,464,253
Local revenues, capital	1,320,657
TOTAL OTHER REVENUES AND EXPENSES	<u>3,784,910</u>
CHANGE IN NET POSITION	(18,421,811)
NET POSITION, BEGINNING OF YEAR	<u>44,239,243</u>
NET POSITION, END OF YEAR	<u>\$ 25,817,432</u>

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 3,796,243
Grants and contracts	14,276,298
Payments to vendors for supplies and services	(41,008,515)
Payments to or on behalf of employees	(52,725,568)
Net Cash Flows From Operating Activities	<u>(75,661,542)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	27,486,068
Federal and State financial aid grants	9,004,050
Property taxes - nondebt related	15,921,271
State taxes and other apportionments	138,971
Other nonoperating	4,546,246
Net Cash Flows From Noncapital Financing Activities	<u>57,096,606</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(18,957,865)
State revenue, capital projects	2,464,253
Local revenue, capital projects	1,320,657
Property taxes - related to capital debt	13,003,234
Principal paid on capital debt	(10,510,911)
Interest paid on capital debt	(9,446,912)
Net Cash Flows From Capital Financing Activities	<u>(22,127,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>2,003,250</u>
Net Cash Flows From Investing Activities	<u>2,003,250</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(38,689,230)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>167,163,852</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 128,474,622</u></u>

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>\$ (79,984,048)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	8,681,550
Changes in Assets and Liabilities:	
Receivables	(1,697,988)
Prepaid expenses	549,341
Accounts payable and accrued liabilities	980,308
Unearned revenue	(2,211,082)
Change in deferred Inflows	(1,419,774)
Change in deferred outflows	(846,534)
OPEB obligation	(1,752,278)
Compensated absences	215,944
Pension obligation	1,823,019
Total Adjustments	<u>4,322,506</u>
Net Cash Flows From Operating Activities	<u><u>\$ (75,661,542)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,897,181
Cash equivalents, County Cash	126,577,441
Total Cash and Cash Equivalents	<u><u>\$ 128,474,622</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 1,397,435</u></u>
---------------------------------	----------------------------

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

SOLANO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Retiree OPEB Trust	Other Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,791,321	\$ 204,348
Investments	3,285,599	-	-
Accounts receivable, net	-	68,781	7,454
Total Assets	<u>3,285,599</u>	<u>1,860,102</u>	<u>\$ 211,802</u>
LIABILITIES			
Accounts payable	-	(5,310)	\$ 144
Unearned revenue	-	95,561	-
Due to student groups	-	-	211,658
Total Liabilities	<u>-</u>	<u>90,251</u>	<u>\$ 211,802</u>
NET POSITION			
Restricted for postemployment benefits	3,285,599	-	
Unrestricted	-	1,769,851	
Total Net Position	<u>\$ 3,285,599</u>	<u>\$ 1,769,851</u>	

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, 2018**

	Retiree OPEB Trust	Other Trust
ADDITIONS		
Federal revenues	\$ -	\$ 14,195
Local revenues	229,836	423,085
Total Additions	<u>229,836</u>	<u>437,280</u>
DEDUCTIONS		
Academic salaries	-	2,855
Classified salaries	-	29,010
Employee benefits	-	17,151
Books and supplies	-	76,801
Services and operating expenditures	500	223,263
Total Deductions	<u>500</u>	<u>349,080</u>
Change in Net Position	229,336	88,200
Net Position - Beginning	3,056,263	1,681,651
Net Position - Ending	<u>\$ 3,285,599</u>	<u>\$ 1,769,851</u>

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

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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, *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, No. 38, and No. 39. 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. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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, auxiliary activities through the bookstore and cafeteria, and certain noncapital grants and contracts.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, No. 38, and No. 39. 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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2018 and 2017, 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 \$2,545,853 for the years ended June 30, 2018 and 2017.

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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 Net 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 deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net 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 deferred changes on refunding of debt and for pension related items.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. 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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$24,477,176 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, 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. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Change in Accounting Principles

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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

SOLANO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Business-type activities	\$ 128,474,622
Fiduciary funds	4,588,085
Total Deposits and Investments	<u>\$ 133,062,707</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 2,817,516
Cash in revolving	62,062
Investments	130,183,129
Total Deposits and Investments	<u>\$ 133,062,707</u>

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.

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
County Investment Pool	\$ 126,577,441	395 days
Retirement Plan Master Trust	3,605,688	Less than one year
Total	<u>\$ 130,183,129</u>	

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 investment pool are not required to be rated, nor they been rated as of June 30, 2018.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End		
			AAA	Aa	Unrated
County Investment Pool	\$ 126,577,441	\$ 126,577,441	\$ -	\$ -	\$ 126,577,441
Retirement Plan Master Trust	3,605,688	3,605,688	-	-	3,605,688
Total	\$ 130,183,129	\$ 130,183,129	\$ -	\$ -	\$ 130,183,129

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.

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, 2018, approximately \$2.2 million 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 – FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Solano County Treasury Investment Pool or Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Investment Pool	\$ 126,577,441	\$ -	\$ -	\$ -	\$ 126,577,441
Retirement Plan Master Trust	3,605,688	-	-	3,605,688	-
Total	<u>\$ 130,183,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,605,688</u>	<u>\$ 126,577,441</u>

	Level 3
Beginning of year	\$ 3,056,263
Purchases	650,865
Earnings (loss)	(101,440)
End of Year	<u>\$ 3,605,688</u>

All assets have been valued using a market approach, with quoted market prices.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 275,783
State Government	
Categorical aid	1,512,877
Other State sources	1,619,497
Local Sources	
Student receivables, net	2,689,138
Total	<u>\$ 6,097,295</u>
Student receivables	\$ 5,234,991
Less allowance for bad debt	<u>(2,545,853)</u>
Student receivables, net	<u>\$ 2,689,138</u>

Fiduciary Funds

	<u>Fiduciary Funds</u>
Local Sources	
Student receivables, net	<u>\$ 76,235</u>

SOLANO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - PREPAID EXPENSES AND OTHER ASSETS

The District paid facility rent and workers compensation insurance prior to June 30, 2018.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance Beginning of Year	Additions / Adjustments	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 21,663,979	\$ -	\$ -	\$ 21,663,979
Construction in progress	95,096,890	12,185,771	68,935,407	38,347,254
Total Capital Assets Not Being Depreciated	<u>116,760,869</u>	<u>12,185,771</u>	<u>68,935,407</u>	<u>60,011,233</u>
Capital Assets Being Depreciated				
Land improvements	11,832,827	-	-	11,832,827
Buildings	162,717,814	68,935,407	-	231,653,221
Building improvements	30,601,533	86,092	-	30,687,625
Furniture and equipment	31,350,673	2,657,822	-	34,008,495
Total Capital Assets Being Depreciated	<u>236,502,847</u>	<u>71,679,321</u>	<u>-</u>	<u>308,182,168</u>
Total Capital Assets	<u>353,263,716</u>	<u>83,865,092</u>	<u>68,935,407</u>	<u>368,193,401</u>
Less Accumulated Depreciation				
Land improvements	5,739,149	394,241	-	6,133,390
Buildings	40,793,598	5,135,255	-	45,928,853
Building improvements	9,810,107	1,453,809	-	11,263,916
Furniture and equipment	14,050,697	1,698,245	-	15,748,942
Total Accumulated Depreciation	<u>70,393,551</u>	<u>8,681,550</u>	<u>-</u>	<u>79,075,101</u>
Net Capital Assets Being Depreciated	<u>166,109,296</u>	<u>62,997,771</u>	<u>-</u>	<u>229,107,067</u>
Net Capital Assets	<u>\$ 282,870,165</u>	<u>\$ 75,183,542</u>	<u>\$ 68,935,407</u>	<u>\$ 289,118,300</u>

Depreciation expense for the year 2018 was \$8,681,550.

SOLANO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>
Accrued payroll and related liabilities	\$ 2,019,607
State apportionment	2,194,093
Construction projects	6,494,049
Categorical aid	196,221
Vendor payables	408,623
Total	<u>\$ 11,312,593</u>

Fiduciary Funds

	<u>Fiduciary Funds</u>
Scholarship (unapplied)	\$ (5,166)

NOTE 9 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	<u>Primary Government</u>
Federal financial assistance	\$ 184,329
State categorical aid	1,787,411
Other State	126,963
Enrollment fees	2,614,614
Other local	16,400
Total	<u>\$ 4,729,717</u>

Fiduciary Funds

	<u>Fiduciary Funds</u>
Other local	\$ 95,561

NOTE 10 - 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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the June 30, 2018 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretion	Deductions	Balance End of Year	Due in One Year
General obligation bonds	\$ 304,554,366	\$ 2,436,909	\$ 9,790,000	\$ 297,201,275	\$ 11,125,000
Revenue bonds	9,862,636	-	720,911	9,141,725	732,121
Bond premiums	16,486,654	-	1,305,936	15,180,718	1,305,936
Total Bonds and Notes Payable	<u>330,903,656</u>	<u>2,436,909</u>	<u>11,816,847</u>	<u>321,523,718</u>	<u>13,163,057</u>
Other Liabilities					
Compensated absences	1,223,713	215,944	-	1,439,657	393,656
Other post employment benefits (OPEB)	11,573,554	87,532	1,839,810	9,821,276	-
Aggregate net pension obligation	48,017,963	1,823,019	-	49,840,982	-
Total Other Liabilities	<u>60,815,230</u>	<u>2,126,495</u>	<u>1,839,810</u>	<u>61,101,915</u>	<u>393,656</u>
Total Long-Term Debt	<u>\$ 391,718,886</u>	<u>\$ 4,563,404</u>	<u>\$ 13,656,657</u>	<u>\$ 382,625,633</u>	<u>\$ 13,556,713</u>

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, 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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 shorter of the life of the old bond or the new bond.

In September 2015, The District issued \$47,677,452 of General Obligation Refunding Bonds with interest rates ranging from 2 percent to 5 percent to advance refund a portion of the 2002 Series B outstanding term bonds with a remaining obligation of \$46,426,002. The redemption date of the bonds is August 1, 2016. After payment of issuance and related costs of \$409,257, the net proceeds of the bond sale were \$49,529,801, 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 was \$2,221,605, and deferred charge on the defeasance of \$1,251,451 are capitalized and amortized over the shorter of the life of the old bond or the new 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, Series B for \$30,000,000. In April 2017, the District issued 2012 General Obligation Bonds, Series C in the amount of \$90,000,000 for the purpose of construction and repairing college education facilities. The final maturity date of the bonds is August 1, 2047.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued / Accreted	Redeemed	Bonds Outstanding June 30, 2018
2002 Election							
Mar-05	8/1/2022	3.0%-5.0%	\$81,349,812	\$ 6,340,549	\$ 783,705	\$ -	\$ 7,124,254
Mar-14	8/1/2023	4.0%-5.0%	10,645,000	10,505,000	-	480,000	10,025,000
Mar-14	8/1/2022	0.462%-3.504%	41,165,000	34,080,000	-	6,390,000	27,690,000
Sep-15	8/1/2031	2.0%-5.0%	47,677,452	49,441,222	1,485,454	-	50,926,676
Subtotal				100,366,771	2,269,159	6,870,000	95,765,930
2012 Election							
Jun-13	8/1/2047	2.0%-5.49%	89,996,899	84,187,595	167,750	2,920,000	81,435,345
Jun-13	8/1/2040	2.8%-5.5%	30,000,000	30,000,000	-	-	30,000,000
Apr-17	8/1/2038	2.0%-5.25%	90,000,000	90,000,000	-	-	90,000,000
Subtotal				204,187,595	167,750	2,920,000	201,435,345
				<u>\$ 304,554,366</u>	<u>\$ 2,436,909</u>	<u>\$ 9,790,000</u>	<u>\$ 297,201,275</u>

Debt Maturity

Fiscal Year	Principal	Interest	Total
2019	\$ 11,125,000	\$ 10,149,292	\$ 21,274,292
2020	12,090,000	9,899,849	21,989,849
2021	9,645,000	9,548,108	19,193,108
2022	4,474,560	9,315,938	13,790,498
2023	4,995,252	9,185,309	14,180,561
2024-2028	34,588,077	43,156,795	77,744,872
2029-2033	40,973,725	40,238,369	81,212,094
2034-2038	27,702,452	34,052,906	61,755,358
2039-2043	50,241,847	25,734,925	75,976,772
2044-2048	91,753,251	9,817,644	101,570,895
Total	287,589,164	<u>\$ 201,099,135</u>	<u>\$ 488,688,299</u>
Accretions to date	9,612,111		
Total	<u>\$ 297,201,275</u>		

SOLANO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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
2019	\$ 732,121	\$ 404,069	\$ 1,136,190
2020	743,506	370,922	1,114,428
2021	755,067	337,260	1,092,327
2022	766,809	303,075	1,069,884
2023	778,733	268,358	1,047,091
2024-2028	4,079,112	801,844	4,880,956
2029-2030	1,286,377	58,165	1,344,542
	\$ 9,141,725	\$ 2,543,693	\$ 11,685,418

Compensated Absences

At June 30, 2018, the liability for compensated absences was \$1,439,657.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 9,733,744	\$ 444,728	\$ -	\$ 1,839,810
Medicare Premium Payment (MPP) Program	87,532	-	-	3,334
Total	\$ 9,821,276	\$ 444,728	\$ -	\$ 1,843,144

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Management of the Plan is vested in the Solano Community College District Governing Board, which consists of seven locally elected Plan members.

Plan membership. At June 30, 2018, Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefit payments	\$ 127
Inactive Plan members entitled to, but not yet receiving, benefit payments	-
Active Plan members	331
Total Number of participants	<u>\$ 458</u>

Benefits provided. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. 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. The Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the 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 the agreements between the District and the bargaining units. For fiscal year 2017-2018, the District paid \$1,086,439 in pay-as-you-go health premiums and no additional contributions to the JPA Investment Trust.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Governing Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Governing Board's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap	60%
US Small Cap	15%
Long-Term Corporate Bonds	20%
Short-Term Government Fixed	5%
Total	<u>100%</u>

Rate of return. For the year ended June 30, 2018, the rate of return on investments, net of investment expense, was 6.0 percent.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net OPEB Liability of the District

The component of the net OPEB liability of the District as of June 30, 2018, was as follows:

Total OPEB liability	\$ 13,339,432
Plan fiduciary net position	(3,605,688)
District's net OPEB liability	<u>\$ 9,733,744</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>27%</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00 percent for 2017

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period of July 1, 2016- June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined based on assumed long-term return on employer assets and plan assets assuming 30% funding through CCLC. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	7.8%
US Small Cap	7.5%
Long-Term Corporate Bonds	5.3%
Short-Term Government Fixed	3.3%

Discount rate. The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SOLANO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$ 14,629,817	\$ 3,056,263	\$ 11,573,554
Service cost	988,664	-	988,664
Interest	874,856	-	874,856
Contributions-employer	-	1,406,528	(1,406,528)
Net investment income	-	-	-
Changes of assumptions or other inputs	(2,067,466)	-	(2,067,466)
Expected investment income	-	192,795	(192,795)
Investment Gains/Losses	-	42,668	(42,668)
Benefit payments	(1,086,439)	(1,086,439)	-
Administrative expense	-	(6,127)	6,127
Net change in total OPEB liability	<u>(1,290,385)</u>	<u>549,425</u>	<u>(1,839,810)</u>
Balance at June 30, 2018	<u>\$ 13,339,432</u>	<u>\$ 3,605,688</u>	<u>\$ 9,733,744</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.2 percent in 2016 to 6.0 percent in 2017.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current discount rate:

Discount Rate	Net OPEB Liability
1% decrease (5%)	\$ 10,624,910
Current discount rate (6%)	9,733,744
1% increase (7%)	8,731,212

Sensitivity of the net OPEB liability to changes in the health care cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5 percent) than the current health care cost trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3%)	\$ 8,602,791
Current healthcare cost trend rate (4%)	9,733,744
1% increase (5%)	10,758,880

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,839,810. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$444,728.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$87,532 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0208 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,334.

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB 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 OPEB Liability
1% decrease (2.58%)	\$ 78,416
Current discount rate (3.58%)	87,532
1% increase (4.58%)	96,904

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 79,099
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	87,532
1% increase (4.7% Part A and 5.1% Part B)	95,881

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13 - RISK MANAGEMENT

Property Liability 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, 2018, 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 2017-2018, 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.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Northern Community Colleges Self Insurance Authority	Workers' Compensation	\$ 1,000,000
Northern Community Colleges Self Insurance Authority	Liability	\$ 5,000,000
SAFER	Excess Liability	\$5,000,000 - \$50,000,000
Northern Community Colleges Self Insurance Authority	Property	\$ 250,250,000

SOLANO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 - 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.

For the fiscal year ended June 30, 2018, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 29,295,937	\$ 8,342,444	\$ 6,352,739	\$ 2,010,735
CalPERS	20,545,045	6,219,288	2,244,209	2,813,815
Total	<u>\$ 49,840,982</u>	<u>\$ 14,561,732</u>	<u>\$ 8,596,948</u>	<u>\$ 4,824,550</u>

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, 2016, 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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
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	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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, 2018, are presented above, and the District's total contributions were \$2,806,691.

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

At June 30, 2018, 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	\$ 29,295,937
State's proportionate share of the net pension liability associated with the District	17,331,229
Total	<u>\$ 46,627,166</u>

The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016 was 0.0317 percent and 0.0332 percent, respectively, resulting in a net decrease in the proportionate share of 0.0015 percent.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$2,010,735. In addition, the District recognized pension expense and revenue of \$1,397,435 for support provided by the State. At June 30, 2018, 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	\$ 2,806,691	\$ -
Net change in proportionate share of net pension liability	-	(5,061,564)
Difference between projected and actual earnings on pension plan investments	-	(780,233)
Differences between expected and actual experience in the measurement of the total pension liability	108,339	(510,942)
Changes of assumptions	5,427,414	-
Total	<u>\$ 8,342,444</u>	<u>\$ (6,352,739)</u>

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 subsequent year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (648,736)
2020	490,885
2021	70,792
2022	(693,174)
Total	<u>\$ (780,233)</u>

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 833,397
2020	833,397
2021	646,245
2022	(1,038,123)
2023	(865,229)
Thereafter	(446,440)
Total	<u>\$ (36,753)</u>

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 43,015,736
Current discount rate (7.10%)	29,295,937
1% increase (8.10%)	18,161,390

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, are presented above, and the total District contributions were \$1,771,599.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,545,045. The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0861 percent and 0.0960 percent, respectively, resulting in a net decrease in the proportionate share of 0.0099 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$2,813,815. At June 30, 2018, 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	\$ 1,771,599	\$ -
Net change in proportionate share of net pension liability	-	(2,002,316)
Difference between projected and actual earnings on pension plan investments	710,718	-
Differences between expected and actual experience in the measurement of the total pension liability	736,044	-
Changes of assumptions	3,000,927	(241,893)
Total	<u>\$ 6,219,288</u>	<u>\$ (2,244,209)</u>

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 subsequent year.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (19,258)
2020	820,015
2021	299,150
2022	(389,189)
Total	<u>\$ 710,718</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 328,535
2020	502,274
2021	661,953
Total	<u>\$ 1,492,762</u>

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 25,359,785
Current discount rate (7.15%)	\$ 20,545,045
1% increase (8.15%)	\$ 10,033,540

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, which amounted to \$1,397,435 (9.325 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, 2018, 2017, and 2016. 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 15 - 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, 2018, the District made payments of approximately \$1,096,922 to the Northern California Community Colleges Self Insurance Authority.

SOLANO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 - 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, 2018.

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, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the capital projects:

	Construction Funds Committed	Expected Date of Completion
CAPITAL PROJECT		
Science building (Phase 1)	\$ 30,097,703	To Be Determined
Vacaville Center Intersection Improvements	927,313	To Be Determined
FF Campus Entry Sidewalk Improvements (ADA Improvements)	354,210	To Be Determined
VV Classroom Building Renovation	2,391,638	To Be Determined
Horticulture Modular Restroom Building	215,885	To Be Determined
Horticulture Modular Restroom Building	149,399	To Be Determined
Vacaville Center HVAC Upgrade	2,016,756	To Be Determined
Building 100 Makers Lab Renovation	26,200	To Be Determined
Building 1800B Existing Corridor (Small Capital Project)	96,739	To Be Determined
Building 1800B Robotics lab Renovation (Small Capital Project)	335,216	To Be Determined
	<u>\$ 36,611,059</u>	

Accreditation

On January 26, 2018, the District received an accreditation report from the Accrediting Commission for Community and Junior Colleges (ACCJC). The report reaffirmed the District’s accreditation for seven years without any findings or sanctions.

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 988,664	\$ 962,203
Interest	874,856	590,814
Changes of assumptions	(2,067,466)	-
Benefit payments	(1,086,439)	(1,044,653)
Net changes in total OPEB liability	<u>(1,290,385)</u>	<u>508,364</u>
Total OPEB Liability - beginning, restated	<u>14,629,817</u>	<u>14,121,453</u>
Total OPEB Liability - ending (a)	<u>\$ 13,339,432</u>	<u>\$ 14,629,817</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,406,528	\$ 1,044,653
Net investment income	229,336	263,321
Benefit payments	(1,086,439)	(1,044,653)
Administrative expense	-	(5,029)
Net change in plan fiduciary net position	<u>549,425</u>	<u>258,292</u>
Plan fiduciary net position - beginning	<u>3,056,263</u>	<u>2,797,971</u>
Plan fiduciary net position - ending (b)	<u>3,605,688</u>	<u>3,056,263</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 9,733,744</u>	<u>\$ 11,573,554</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>27.03%</u>	<u>20.89%</u>
Covered-employee payroll	<u>\$ 28,120,651</u>	<u>\$ 24,660,729</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>35%</u>	<u>47%</u>

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	Not Available	Not Available
Contributions in relations to the actuarially determined contribution	\$ 1,406,528	\$ 1,044,653
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 28,120,651	\$ 24,660,729
Contribution as a percentage of covered-employee payroll	5.00%	4.24%

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	Not Determined	Not Determined

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30, ¹	Measurement Date June 30, 2017
District's proportion of the net OPEB liability	0.0208%
District's proportionate share of the net OPEB liability	\$ 87,532
District's Covered-Employee Payroll	N/A ²
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ²
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

¹ In the future, as data becomes available, ten years of information will be presented.

² As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

Measurement Date	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
CalSTRS				
District's proportion of the net pension liability	<u>0.0317%</u>	<u>0.0332%</u>	<u>0.0394%</u>	<u>0.0405%</u>
District's proportionate share of the net pension liability	\$ 29,295,937	\$ 29,062,671	\$ 26,512,169	\$ 23,649,968
State's proportionate share of the net pension liability associated with the District	<u>17,331,229</u>	<u>16,544,860</u>	<u>14,022,015</u>	<u>14,280,872</u>
Total	<u>\$ 46,627,166</u>	<u>\$ 45,607,531</u>	<u>\$ 40,534,184</u>	<u>\$ 37,930,840</u>
District's covered - employee payroll	<u>\$ 16,730,462</u>	<u>\$ 17,309,532</u>	<u>\$ 16,914,388</u>	<u>\$ 16,407,382</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>175.11%</u>	<u>167.90%</u>	<u>156.74%</u>	<u>144.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS				
District's proportion of the net pension liability	<u>0.0861%</u>	<u>0.0960%</u>	<u>0.1048%</u>	<u>0.1085%</u>
District's proportionate share of the net pension liability	<u>\$ 20,545,045</u>	<u>\$ 18,955,292</u>	<u>\$ 15,451,644</u>	<u>\$ 12,322,720</u>
District's covered - employee payroll	<u>11,406,864</u>	<u>11,535,397</u>	<u>11,747,308</u>	<u>11,365,881</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>180.11%</u>	<u>164.32%</u>	<u>131.53%</u>	<u>108.42%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

CalSTRS	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,806,691	\$ 2,111,185	\$ 1,846,655	\$ 1,508,056
Contributions in relation to the contractually required contribution	<u>2,806,691</u>	<u>2,111,185</u>	<u>1,846,655</u>	<u>1,508,056</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 19,389,388</u>	<u>\$ 16,730,462</u>	<u>\$ 17,309,532</u>	<u>\$ 16,914,388</u>
Contributions as a percentage of covered - employee payroll	<u>14.48%</u>	<u>12.62%</u>	<u>10.67%</u>	<u>8.92%</u>
CalPERS				
Contractually required contribution	\$ 1,771,599	\$ 1,524,484	\$ 1,367,714	\$ 1,375,277
Contributions in relation to the contractually required contribution	<u>1,771,599</u>	<u>1,524,484</u>	<u>1,367,714</u>	<u>1,375,277</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 11,406,864</u>	<u>\$ 10,977,418</u>	<u>\$ 11,535,397</u>	<u>\$ 11,747,308</u>
Contributions as a percentage of covered - employee payroll	<u>15.53%</u>	<u>13.89%</u>	<u>11.86%</u>	<u>11.71%</u>

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes of benefit terms that impact the valuation.

Change of assumptions – Discount rate was changed from 4.2 percent to 6.0 percent.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, 2017, two years prior to the end of the fiscal year in which contributions are reported.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plan's fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefits terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

Changes of Assumptions – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2018

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Sarah E. Chapman, Ph.D.	President	2018
A. Marie Young	Vice President	2018
Denis Honeychurch, J.D.	Member	2018
Pam Keith	Member	2018
Michael A. Martin	Member	2020
Quinten R. Voyce	Member	2020
Rosemary Thurston	Member	2020
Jacob Hinkle	Student Trustee	2018

ADMINISTRATION

Celia Esposito-Noy, Ed.D	Superintendent- President / Board Secretary
Robert Diamond	Vice President, Finance and Administration
Gregory Brown	Vice President of Student Services
David Williams	Vice President of Academic Affairs

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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]	\$ 256,291
Pell Grant	84.063	[1]	7,018,502
Federal Work Study Program	84.033	[1]	151,272
Federal Direct Student Loans	84.268	[1]	1,087,525
Subtotal Student Financial Aid Cluster			8,513,590
TRIO CLUSTER			
TRIO Student Support Services	84.042	[1]	274,676
Veteran Assistance Title 38	84.111	[1]	7,183
Passed through California State Chancellors Office			
Perkins Title I-C Reserve	84.048	[2]	541,631
Total U.S. Department of Education			9,337,080
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Post-9/11 Veterans Educational Assistance	64.028	[1]	171,794
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	[2]	63,650
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			
Passed through California State Chancellors Office			
TANF CLUSTER			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	45,472
Total U.S. Department of Health and Human Services			45,472
NATIONAL SCIENCE FOUNDATION			
National Science Foundation	47.074	[1]	194,810
SMALL BUSINESS ADMINISTRATION			
Passed through Humboldt State University			
Small Business Development Centers	59.037	[2]	45
Total			\$ 9,812,851

[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, 2018

Program	Program Entitlements			Program Revenues					Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
AB104 Adult Education Block Grant	\$ 38,010	\$ 33,929	\$ 71,939	\$ 71,939	\$ -	\$ -	\$ (17,917)	\$ 54,022	\$ 54,022
Baccalaureat Pilot Degree Program	-	340,692	340,692	340,692	-	-	-	340,692	332,841
Basic Skill - On Going	304,042	-	304,042	304,042	-	-	-	304,042	106,821
Basic Skills Transformation	106,670	221,238	327,908	327,908	-	-	(32,086)	295,822	295,822
BFAP-SFAA	349,697	-	349,697	349,697	-	-	-	349,697	247,733
CA CPT Diablo Gateway Funding - Year 2	-	15,902	15,902	15,902	-	-	(15,583)	319	319
CA CPT Diablo Gateway Funding - Year 3	-	19,050	19,050	19,050	-	-	(19,050)	-	-
Cal Grants	592,791	5,220	598,011	598,011	-	-	(83,570)	514,441	514,441
Cal Works	234,895	-	234,895	234,895	-	-	-	234,895	234,895
Campus Safe (1718 FY)	17,581	-	17,581	17,581	-	-	-	17,581	-
CARE	72,792	-	72,792	72,792	-	-	-	72,792	72,792
CASCADE Grant	12,177	-	12,177	12,177	-	-	(1,052)	11,125	11,125
CCTR	310,946	-	310,946	392,571	-	-	(91,689)	300,882	300,882
Child Development Training Consortium	16,700	-	16,700	16,700	-	-	(1,542)	15,158	15,158
CSEC Foster & Kinship Care	8,000	-	8,000	4,800	2,991	-	-	7,791	7,791
CSPP	493,610	-	493,610	536,559	-	-	-	536,559	536,559
CTE Data Unblock	-	13,872	13,872	13,872	-	-	-	13,872	13,872
Disabled Students Programs and Services	563,406	-	563,406	563,406	-	-	-	563,406	563,406
Extended Opportunity Program and Services	479,577	-	479,577	479,577	-	-	-	479,577	471,063
First 5 Solano	2,500	-	2,500	2,500	-	-	(2,500)	-	-
Foster & Kindship Care	190,164	-	190,164	155,402	27,954	-	-	183,356	188,464
Full Time Student Success Grant	187,500	-	187,500	187,500	-	-	-	187,500	221,200
Guided Pathways Program (1718 FY)	224,302	-	224,302	224,302	-	-	-	224,302	-
Industry Driven Regional Career Pathways Alliance	-	6,907	6,907	4,791	2,192	-	-	6,983	6,983
Innovation & Effectiveness	-	52,985	52,985	52,985	-	-	-	52,985	52,985
Instruction Equipment (one time)	445,219	152,080	597,299	597,299	-	-	-	597,299	466,940
Lottery Prop 20	394,659	(92,106)	302,553	132,774	175,278	-	-	308,052	308,052
NCCPA Career Pathway - Year 1	-	121,049	121,049	121,049	-	-	-	121,049	106,203
NCCPA Career Pathway - Year 2	-	28,517	28,517	28,517	-	-	(2,188)	26,329	26,329
Non Resident Dreamer Emergency Aid	4,585	-	4,585	4,585	-	-	-	4,585	4,585
Nursing Education	114,000	-	114,000	102,290	2,241	-	-	104,531	104,531
Nursing Enroll Growth	108,400	-	108,400	61,696	-	(2,239)	-	59,457	59,457
P/T Faculty Allocation (1718 FY)	179,274	-	179,274	179,274	-	-	-	179,274	-
Prop 39 Clean Energy	552,010	-	552,010	552,010	-	-	-	552,010	-
Rancho Santiago Community College D	-	47,732	47,732	47,732	-	-	(46,704)	1,028	1,028
Scheduled Maintenance On Going	1,030,758	182,549	1,213,307	1,213,307	-	-	-	1,213,307	856,582
Self Employment GiG Economy Pilot	275,000	-	275,000	249,767	-	-	-	249,767	249,767
Sector Navigator Healthcare	372,500	-	372,500	372,500	-	-	-	372,500	372,500
Student Support Service Program (SSSP)	1,643,149	315,626	1,958,775	1,958,775	-	(29)	(4,083)	1,954,663	1,954,663
Staff Diversity	50,000	-	50,000	50,000	-	-	(30,945)	19,055	19,055
Strong Workforce Program	1,637,821	1,057,484	2,695,305	2,695,305	-	-	(1,401,453)	1,293,852	1,293,852
Strong Workforce Regional Venture	900,793	401,428	1,302,221	401,428	1,302,221	(193,953)	-	1,509,696	207,475
Student Equity	1,004,624	510,813	1,515,437	1,515,437	-	-	-	1,515,437	646,294
Student Hunger Community College	17,732	-	17,732	17,732	-	-	-	17,732	10,424
Vallejo Career Pathway Trust VCUSD	185,559	-	185,559	108,069	-	-	(37,049)	71,020	71,020
Subtotal	\$ 13,121,443	\$ 3,434,967	\$ 16,556,410	\$ 15,409,197	\$ 1,512,877	\$ (196,221)	\$ (1,787,411)	\$ 14,938,443	\$ 11,007,932

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT
 FOR THE YEAR ENDED JUNE 30, 2018**

CATEGORIES	*(Revised) Reported Data	Audit Adjustments	Audited Data
A. Summer Intercession (Summer 2017 only)			
1. Noncredit **	3.59	-	3.59
2. Credit	755.91	-	755.91
B. Summer Intercession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit **	-	-	-
2. Credit	815.23	-	815.23
C. Primary Terms (Exclusive of Summer Intercession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,977.35	-	4,977.35
(b) Daily Census Contact Hours	209.35	-	209.35
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	76.05	-	76.05
(b) Credit	173.46	-	173.46
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	871.51	-	871.51
(b) Daily Census Contact Hours	104.46	-	104.46
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>7,986.91</u>	<u>-</u>	<u>7,986.91</u>

SUPPLEMENTAL INFORMATION (Subset of Above Information)

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

* Annual report revised as of November 2, 2018.

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, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 11,620,396	\$ -	\$ 11,620,396	\$ 11,640,218	\$ -	\$ 11,640,218
Other	1300	7,507,079	-	7,507,079	7,526,528	-	7,526,528
Total Instructional Salaries		19,127,475	-	19,127,475	19,166,746	-	19,166,746
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,463,401	-	3,463,401
Other	1400	-	-	-	166,234	-	166,234
Total Noninstructional Salaries		-	-	-	3,629,635	-	3,629,635
Total Academic Salaries		19,127,475	-	19,127,475	22,796,381	-	22,796,381
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,350,156	-	8,350,156
Other	2300	-	-	-	664,982	-	664,982
Total Noninstructional Salaries		-	-	-	9,015,138	-	9,015,138
Instructional Aides							
Regular Status	2200	1,004,221	-	1,004,221	1,004,221	-	1,004,221
Other	2400	213,952	-	213,952	213,291	-	213,291
Total Instructional Aides		1,218,173	-	1,218,173	1,217,512	-	1,217,512
Total Classified Salaries		1,218,173	-	1,218,173	10,232,650	-	10,232,650
Employee Benefits	3000	6,323,819	-	6,323,819	12,610,303	-	12,610,303
Supplies and Material	4000	-	-	-	693,333	-	693,333
Other Operating Expenses	5000	-	-	-	6,833,216	-	6,833,216
Equipment Replacement	6420	-	-	-	42,185	-	42,185
Total Expenditures Prior to Exclusions		26,669,467	-	26,669,467	53,208,068	-	53,208,068

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, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 566,468	\$ -	\$ 566,468	\$ 566,468	\$ -	\$ 566,468
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	675,657	-	675,657
Objects to Exclude							
Rents and Leases	5060	-	-	-	158,797	-	158,797
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	5,578	-	5,578
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	382,114	-	382,114
Total Supplies and Materials		-	-	-	387,692	-	387,692

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, 2018**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	39,830	-	39,830
Total Exclusions		566,468	-	566,468	1,828,444	-	1,828,444
Total for ECS 84362, 50 Percent Law		\$ 26,102,999	\$ -	\$ 26,102,999	\$ 51,379,624	\$ -	\$ 51,379,624
Percent of CEE (Instructional Salary Cost/Total CEE)		50.80%		50.80%	100.00%		100.00%
50% of Current Expense of Education					\$ 25,689,812		\$ 25,689,812

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2018**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 6,542,212
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 6,542,212			\$ 6,542,212
					-
Total Expenditures for EPA		\$ 6,542,212	-	-	\$ 6,542,212
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, 2018**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report (CCFS-311) and the audited financial statements.

	General Fund Unrestricted	General Fund Restricted	Child Development Fund	Revenue Bond Construction Fund	Bond Interest and Redemption Fund	Capital Outlay Fund
June 30, 2018, Annual Financial and Budget Report (CCFS-311)						
Reported Fund Balance	\$ 15,233,671	\$ 4,932,012	\$ (918,650)	\$ 106,443,318	\$ 21,050,995	\$ 4,467,996
Adjustments to Increase (Decrease) Fund Balance						
Increase in:						
Cash	-	-	-	1,157,620	(1,157,620)	-
Accounts receivable	-	428,912	-	-	-	1,363,388
Accounts payable and other accrued liabilities	(2,194,093)	-	167	-	-	-
Unearned revenue	-	(1,393,533)	-	-	-	-
Revenues	-	1,425,936	1,027,420	-	1,136,055	-
Expenditures	(1,572,895)	(925,193)	-	(32,527,271)	(21,470,674)	-
Other	381,930	-	-	-	21,778,088	-
Decrease in:						
Accounts receivable	-	-	(15,374)	-	-	-
Accounts payable and other accrued liabilities	-	702,972	-	-	-	-
Revenues	(1,070,270)	-	-	-	-	-
Expenditures	-	-	(15,090)	-	-	-
Other	-	(20,565)	-	-	(6,172,383)	-
Net Adjustments	<u>(4,455,328)</u>	<u>218,529</u>	<u>997,123</u>	<u>(31,369,651)</u>	<u>(5,886,534)</u>	<u>1,363,388</u>
Balance, June 30, 2018, Audited.	<u>\$ 10,778,343</u>	<u>\$ 5,150,541</u>	<u>\$ 78,473</u>	<u>\$ 75,073,667</u>	<u>\$ 15,164,461</u>	<u>\$ 5,831,384</u>

	Revenue Bond Interest and Redemption Fund	Student Financial Aid Fund	Retiree OPEB Trust Fund	Other Trust Fund	Agency Fund
June 30, 2018, Annual Financial and Budget Report (CCFS-311)					
Reported Fund Balance	\$ 15,729,310	\$ 76,092	\$ 3,055,977	\$ 1,769,052	\$ 213,732
Adjustments to Increase (Decrease) Fund Balance					
Increase in:					
Accounts receivable	-	67,137	-	-	-
Unearned revenue	-	(101,571)	-	-	-
Other	-	-	-	799	-
Revenues	-	-	229,836	-	-
Decrease in:					
Accounts payable and other accrued liabilities	-	107,808	-	-	-
Revenues	-	(2,507)	-	-	-
Expenditures	-	-	(125)	-	-
Other	(15,398,880)	-	(89)	-	(2,074)
Net Adjustments	<u>(15,398,880)</u>	<u>70,867</u>	<u>229,622</u>	<u>799</u>	<u>(2,074)</u>
Balance, June 30, 2018, Audited.	<u>\$ 330,430</u>	<u>\$ 146,959</u>	<u>\$ 3,285,599</u>	<u>\$ 1,769,851</u>	<u>\$ 211,658</u>

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance:

General Funds	\$ 15,928,884	
Special Revenue Funds	78,473	
Capital Project Funds	80,905,051	
Debt Service Funds	15,494,891	
Enterprise Funds	970,954	
Proprietary Funds	609,085	
Student Financial Aid and Scholarship Fund	<u>146,959</u>	
Total Fund Balance - All District Funds		\$ 114,134,297

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 368,193,401	
Accumulated depreciation is	<u>(79,075,101)</u>	289,118,300

Deferred outflows related to bonds: Deferred charges on debt refundings are recognized on the modified accrual basis but on the accrual basis are amortized over the shorter of the life of the old bond or the new bond. 1,001,161

Deferred outflows related to pensions: Pension contributions subsequent to the measurement date and the difference between projected and actual earnings on pension plan investments, and expected and actual experience are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense or the remaining service life of members receiving benefits. 14,561,732

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (751,280)

Deferred inflows related to bonds: Deferred charges on debt refundings are recognized on the modified accrual basis but on the accrual basis are amortized over the shorter of the life of the old bond or the new bond. (1,468,925)

Deferred outflows related to OPEB: OPEB contributions subsequent to the measurement date. 444,728

Deferred inflows related to pensions: The difference between projected and actual earnings on pension plan investments, expected and actual experience, net change in assumptions, and net change in proportionate share are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense or the remaining service life of members receiving benefits. (8,596,948)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds payable	297,201,275	
Revenue bonds payable	9,141,725	
Bond premiums	15,180,718	
Compensated absences	1,439,657	
OPEB liability	9,821,276	
Aggregate net pension liability	<u>49,840,982</u>	<u>(382,625,633)</u>
Total Net Position		<u>\$ 25,817,432</u>

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position – Primary Government, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent, or funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2018.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance:		\$ 10,001,561
Unreconciled		(107,747)
Pell Grant - Use of Fund Balance	84.063	(80,963)
Total Expenditures of Federal Awards		<u>\$ 9,812,851</u>

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.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

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

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

Reconciliation of Governmental Funds to the Statement of Net Position

The schedules provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

Board of Trustees
Solano Community College District
Fairfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Solano Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying the Schedule of Financial Statement Findings and Recommendations 2018-001 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Financial Statement Findings and Recommendations 2018-002 through 2018-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-005 and 2018-010.

Solano Community College District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying District Corrective Action Plans. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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, Time Day & Co., LLP

Pleasanton, California
March 29, 2019



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 THE UNIFORM GUIDANCE**

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, 2018. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items, 2018-005 and 2018-006. Our opinion on each major Federal program is not modified with respect to these matters.

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

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-005 and 2018-006, that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying District Corrective Action Plans. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Time Day & Co., LLP

Pleasanton, California

March 29, 2019



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

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 2017-2018 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion on Residency Determination for Credit Courses, Dual Enrollment, Gann Limit Calculation, and Open Enrollment

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Residency Determination for Credit Courses (Section 425), Dual Enrollment (Section 427), Gann Limit Calculation (Section 431), and Open Enrollment (Section 435). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on Residency Determination for Credit Courses, Dual Enrollment, Gann Limit Calculation, and Open Enrollment

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding and To Be Arranged Hours (TBA); therefore, the compliance tests within these sections were not applicable. The District did not participate in the Intersession Extension Program and Apprenticeship Related and Supplemental Instruction (RSI) Funds, therefore, the compliance tests within these sections were not applicable.

The District's responses to the findings identified in our audit are described in the accompanying District Corrective Action Plans. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Vavinek, Time, Day & Co., LLP

Pleasanton, California

March 29, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOLANO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>
Identification of major Federal programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	
Unmodified for all State programs except for the following State programs which were qualified:	
Name of State Programs:	
<u>Section 424 Residency Determination for Credit Courses</u>	
<u>Section 427 Dual Enrollment</u>	
<u>Section 431 Gann Limit Calculation</u>	
<u>Section 435 Open Enrollment</u>	

SOLANO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2018-001 Financial Reporting

Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definition, instructions, and procedures published in the California Community Colleges *Budget and Accounting Manual* (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition – Material Weakness

Errors were made within the closing process of the District’s financial records as of June 30, 2018. Material adjustments and reconciliations were required to conform to the BAM and GAPP. We noted:

- Certain accounts receivable and payable accrued in the prior fiscal year were not properly cleared in the 17-18 fiscal year.
- Audit differences were noted in various account balances and transactions resulted in audit adjustments noted on page 79.
- Bank reconciliation were prepared for all the months of the year, however, all of the reconciliations were completed several months after the fiscal year ended June 30, 2018
- A liability account (Other Deductions) has a significant debit balance which cannot be substantiated.
- The District’s financial records for the fiscal year ended June 30, 2016 and 2017 were not properly closed which allowed journal entries to be posted after books “closed”.

Questioned Costs – Material adjustments to the financial statements were reviewed with management and accepted for posting. No questioned costs were associated with this finding.

Context

The District maintains individual funds accounts and balances subject to the reconciliation process. The net impact to the individual funds is included on page 79 of this report.

Effect

Material adjustments were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented fairly.

Cause

The oversight and monitoring controls over the individual accounts and the closing process appear not to have adhere to.

Recommendation

The District should develop a closing procedure calendar at year end to ensure all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. All inter-fund activity accounts should be examined and investigated to determine the purpose to ensure the balance is accurate. A regular and timely reconciliation of the asset and liability accounts should be performed with any inconsistencies reconciled and adjusted prior to year-end.

SOLANO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2018

2018-002 Schedule of Expenditures of Federal Awards (SEFA)/Schedule of Expenditures of State Awards (SESA)

Criteria or Specific Requirement

Uniform Guidance requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by Federal Agency
- Include, for Federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity
- Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition – Significant Deficiency

A complete SEFA/SESA was prepared by the District for both the Federal and State categorical programs; however, we noted several errors in the initial reporting. There were some errors noted within the recordings of the total revenue, expenditures, accounts receivable, and unearned revenues. All errors noted required post closing audit adjustments.

Questioned Costs – No questioned costs associated with this finding.

Context

Per review of the SEFA and SESA for the 2017-18 fiscal year.

Effect

Without proper control in place over the reporting of Federal and State awards, the District is at risk of losing future funding for those programs and/or may have to repay funds back to the grantor that were already received.

Cause

SEFA and SESA were not accurately prepared.

Recommendation

The District should review its procedures over the collection of data to be included in the SEFA and SESA to ensure revenue and expenditures, and related account balance are properly reported.

2018-003 Capital Asset Reporting

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America and best accounting practices require a system of internal control over capital assets that will provide for both the safekeeping of District owned assets and the proper recordkeeping of the assets' net book values.

SOLANO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2018

Condition – Significant Deficiency

The accounting for capital assets and the related valuations has not been completed as of the fiscal year-end. The review and analysis of purchases, disposals, and other changes in the capital asset accounts has a significant impact on the financial statements as a whole and has not been reconciled during the year. Depreciation schedule of the capitalized assets has not been maintained.

In addition, a physical inventory of the equipment actually owned by the District has not been conducted in the past several years to determine whether all items purchased and capitalized are still in use as intended in the operations of the District.

Questioned Costs – No questioned costs associated with this finding.

Context

Per review of the capital asset for the fiscal year.

Effect

The District is not consistent with GAAP for capital asset accounting.

Cause

Capital asset schedule was not updated and annual depreciation was not prepared for the fiscal year.

Recommendation

The District should establish a procedure to identify capital expenditures throughout the year as they occur and update the capital asset listing quarterly. This update should include a reconciliation of all construction accounts and equipment expense accounts to ensure all items meeting the threshold for capitalization are met.

2018-004 Compensated Absences

Criteria or Specific Requirement

Effective internal controls over compensation require the accumulation, review, and recording of compensated absences. In addition, the District's procedures over compensated absence reporting requires employee to submit request for time off before they went on vacation, and submit the approved time off to HR upon their return.

Condition – Significant Deficiency

It was noted that the District has no procedures in place to ensure that all employees returning from vacation submit the approved time off request to HR to ensure that the District's financial system is properly updated for the use of employee vacation time.

Questioned Costs – No questioned costs associated with this finding.

Context

Per review of compensated absences process during the fiscal year.

Effect

The balance for the compensated absences may be overstated.

SOLANO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2018

Cause

No monitoring procedures in place to ensure that all employees submit approved time off requests.

Recommendation

The District should establish monitoring procedures to ensure that all compensated absences are properly tracked and recorded.

SOLANO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent significant deficiencies and instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2018-005 Finding: Returned to Title IV

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

OMB Compliance Supplement, 34 CFR Section 668.173(b): Timing of Return of Title IV Funds

Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education (ED) or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

Condition – Significant Deficiency

The District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

Questioned Costs

There were no questioned costs associated to the noncompliance. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

All of the 40 students tested at Solano College where the District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

Effect

Without proper monitoring of Title IV returns, the District risks noncompliance with the above referenced criteria.

Cause

The District has not implemented policies and procedures to monitor the Return to Title IV funds.

Repeat Funding: No.

Recommendation

The District should implement procedures to ensure that the Return to Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes.

SOLANO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

2018-006 Finding: Common Origination and Disbursement System

Program Name: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.033, 84.063, and 84.268

Federal Agency: U.S. Department of Education

Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

Common Origination and Disbursement (COD) System (OMB No. 1845-0039) – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 15 calendar days after the school makes a payment, or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition – Significant Deficiency

The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. One student of the 40 students tested at Solano College had transactions processed in excess of 15 days.

Questioned Costs

\$279.

Context

The District processed and reported approximately \$7,031,840 in Pell grants during the year.

Effect

The District is not in compliance with the Federal requirements described in the OMB Compliance Supplement.

Cause

The District did not report student files to COD on a timely basis.

Repeat Funding: No.

Recommendation

The District should implement review procedures to verify that all information is properly reported and in compliance with Federal guidelines.

SOLANO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

2018-007 Finding – Non CCAP Dual Enrollment

Criteria or Specific Requirement

Per Ed Codes 48800(a), 48800.5, and 76001(d) the College must obtain verification from the K-12 District that the student can benefit from advanced scholastic or vocational work. Additionally, Education Code 76300 provides that special part-time students may be exempted, as a group, from paying enrollment fees.

Condition – Significant Deficiency

A student's documentation from the K-12 District that the students could benefit from advanced scholastic or vocational work was unable to be located.

Questioned Costs

Enrollment fees associated with the one student.

Context

One out of the 25 students, did not have the documentation from the K-12 District that the students could benefit from advanced scholastic or vocational work.

Effect

Students who may not be entitled to the special admit or part time student classification were listed as such, and thereby exempted from payment of enrollment fees.

Cause

Documentation was not properly filed in a secure location.

Recommendation

The District should review the concurrent student process to verify all have a special admit form on file, and/or college enrollment fees from any students not qualifying as concurrent.

2018-008 Finding – Residency Determination for Credit Courses

Criteria or Specific Requirement

ED Code 68041, CCR Title 5 Regulations and the Student Attendance Accounting Manual (SAAM), each student enrolled or applying for admission to an institution shall provide the information and evidence of residence as deemed necessary by the governing board or district governing board, as appropriate, to determine his or her classification. An oath or affirmation may be required in connection with taking testimony necessary to ascertain a student's classification. The determination of a student's classification shall be made in accordance with this part and the residence determination date for the semester, quarter, or term for which the student proposes to attend an institution.

SOLANO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Condition – Significant Deficiency

Of the 25 students tested, 9 were shown as residence status, however there were no evidence that show showing these students' residency status was determined.

Questioned Costs

The nonresident student fees per unit for the nine students that were charged as residents.

Context

Of the 25 students tested, nine appeared to not have the appropriate documentation to show that they were residents of California.

Effect

The Residential FTES and the Nonresidential FTES may not be properly claimed.

Cause

District classified 9 students as residents even though there was no supporting documentation provided.

Recommendation

The District should review the residential student documentation process to verify all students have provided the information and evidence of residence as deemed necessary by the governing board or district governing board, as appropriate, to determine the students' classification.

2018-009 Finding – Open Enrollment

Criteria or Specific Requirement

Per CCR Title 5 Regulations, Section 51006(b), The statement of policy adopted by the board pursuant to subdivision (a) shall be published in the official catalog, schedule of classes, and addenda to the schedule of classes for which full-time equivalent student (FTES) is reported for state apportionment.

Condition – Significant Deficiency

The District does not have the open enrollment policy stated in the schedule for classes.

Questioned Costs

There were no questioned costs associated to this noncompliance.

Context

Per review of the schedule of classes for the 2017-18 fiscal year end.

Effect

The District is out of compliance with CCR Title 5 Regulations, Section 51006(b).

Cause

The District did not review the schedule of classes to verify that the Board approved Open Enrollment policy was posted in the information.

SOLANO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Recommendation

The District should review the schedule of classes in order to verify that the open enrollment policy approved by the Board is included.

2018-010 Finding – Gann Limit

Criteria or Specific Requirement

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit. Each limit is adjusted annually for changes in price index, population and, if applicable, other factors. Title 5 section 58303 indicates the district's adopted budget shall also include the appropriations limit and the total annual appropriations subject to limitations. Government Code, section 7908(c) requires each community college district to report to the Chancellor of the California Community Colleges and to the Director of the Department of Finance at least annually its appropriation limit, appropriations subject to limit, state aid apportionments, subventions included within property tax proceeds and amounts excluded from the appropriations subject to limit. Report this information in the Annual Financial and Budget Report (CCFS-311), Part 2 General Fund Supplemental Data.

Condition – Significant Deficiency

P2 for prior year and current year actual amounts reported on the GANN do not agree to the referenced reports. Prior year P2 reported on GANN was 223.83 FTES more than what was reported on the 16-17 P2. The GANN showed 579.69 FTES less than what was reported on the 17-18 P2.

Questioned Costs

There were no questioned costs associated to this noncompliance.

Context

Per review of the Gann Limit calculation for the 2017-18 fiscal year.

Effect

Gann limit amount reported was not accurate.

Cause

There was no review procedures in place to ensure Gann limit calculation was completed properly.

Recommendation

The District should review the process for Gann limit calculation and establish a review process to ensure the Gann limit is properly calculated.

SOLANO COMMUNITY COLLEGE DISTRICT

**DISTRICT CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2018**



CORRECTIVE ACTION PLANS
YEAR ENDED JUNE 30, 2018

Compiled by: Robert Diamond, Vice President, Finance and Administration

SOLANO COMMUNITY COLLEGE DISTRICT

District Responses and Corrective Action Plans

Year ended June 30, 2018

I. FINANCIAL STATEMENT FINDINGS

Finding 2018-001

The District agrees with this audit finding and is improving processes and internal controls. Some essential processes, such as reconciliations and account analyses, have not been performed for up to ten years. New processes have been implemented, and reconciliations have been brought current, and there are continuing efforts to identify and address any other internal control weaknesses.

Finding 2018-002

The District agrees that the SEFA portion of this report was prepared incorrectly on the District's first attempt. The SEFA has been prepared with the auditor's assistance in prior years and this the first attempt for staff to prepare the SEFA. The auditors assisted the completion of the current SEFA based on information provided by the District and educated staff on the elements of the report. Staff intend to complete next year's SEFA better trained. As a result, we expect next year's preparation by staff to be more accurate.

Finding 2018-003

The District acknowledges that capital assets have not been inventoried for several years and that fixed asset records need review. By June 30, 2019, the District intends to complete a full inventory of all equipment and convert fixed asset accounting to the Banner ERP system. This should result in more timely and accurate accounting and reporting for fixed assets.

Finding 2018-004

The District agrees that internal control over absence reporting was inadequate. The District discovered that six employees had willfully failed to report the absences over a period of 18 months or more. As a result of this discovery, the following have occurred:

- The six employees were disciplined.
- The failure of employees to report and the weakness in internal control, were reported to the auditors. The auditors then expanded their testing of absence reporting.
- In Fall, 2018, management implemented a new absence reporting process and form, requiring every employee to report monthly, even when no absences have occurred.

We believe the new reporting process has substantially improved internal control and the accuracy of absence reporting.

SOLANO COMMUNITY COLLEGE DISTRICT

District Responses and Corrective Action Plans

Year ended June 30, 2018

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2018-005

Program: Student Financial Assistance Cluster

CFDA No.: 84.007, 84.033, 84.063, and 84.268

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Award Year: 2017-2018

Compliance Requirement: Special Test and Provisions

The District agrees that several “return to title IV” (R2T4) repayments to the federal government were paid after the 45-day time limit. This compliance task has been assigned to a different employee who has been accomplishing all R@T4 repayments within the 45-day requirement.

Finding 2018-006

Program: Student Financial Assistance Cluster

CFDA No.: 84.007, 84.033, 84.063, and 84.268

Federal Agency: U.S. Department of Education

Pass-Through Entity: N/A

Award Year: 2017-2018

Compliance Requirement: Reporting

The District acknowledges that the student identified in this finding was processed more than 15 days after the disbursement date. The underlying cause of the delay has been addressed and the financial aid department is reporting significant improvements in the process.

SOLANO COMMUNITY COLLEGE DISTRICT

District Responses and Corrective Action Plans

Year ended June 30, 2018

III. STATE AWARDS FINDING AND QUESTIONED COSTS

Finding 2018-007

The District agrees that this missing documentation is an indication of a control weakness and compliance exception. The Dean of Enrollment Services is reviewing process improvement alternatives.

Finding 2018-008

The District agrees that the missing residency documentation is an indication of a control weakness and compliance exception. The Dean of Enrollment Services is reviewing process improvement alternatives.

Finding 2018-009

The District acknowledges that the open enrollment policy was described in our catalog, but not in the course schedule. Immediately on being informed, the District incorporated appropriate language into subsequent class schedules.

Finding 2018-0010

The District acknowledges the error on the Gann limit calculation. This was a clerical error followed by a review oversight. No procedural changes are required, but both the creator and reviewer have been counseled to be more careful in the preparation and review.

SOLANO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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 financial statement findings.

Financial Statement Findings

2017-001 Accounts Payable Accruals

Finding – Material Weakness

The District did not accrue approximately \$4.6 million for the cost of services provided during the 2016-17 fiscal year for construction projects that were in progress over the fiscal year-end.

Recommendation

The District should ensure that part of fiscal year end close process is to verify that invoices have been received for all ongoing projects or amounts have been estimated where applicable. There are several methods that can be implemented if amounts need to be estimated, including estimates based on a prior month billing, estimating based on a percentage of completion, or estimating based on purchase order prices or contract rates.

Current Status

Implemented.

State Award Findings

2017-002 Finding – Student Equity

Finding – Significant Deficiency

The District had five unallowable expenditures noted in the Student Equity Program out of the 25 transactions tested.

Recommendation

We recommend the District provide additional training to individuals providing information for the reporting of student equity services. We also recommend that management review in detail the transactions in the program to verify compliance with the State requirements for allowable expenditures.

Current Status

Implemented.