ANNUAL FINANCIAL REPORT
JUNE 30, 2019

SOLANO COMMUNITY COLLEGE DISTRICT

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SOLANO COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019

FINANCIAL SECTION

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, 2019, 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 2018-2019 *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 as of June 30, 2019, 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 December 27, 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.

Eide Bailly LLP

San Ramon, California
December 27, 2019

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, 2019. 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, 2019. 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.

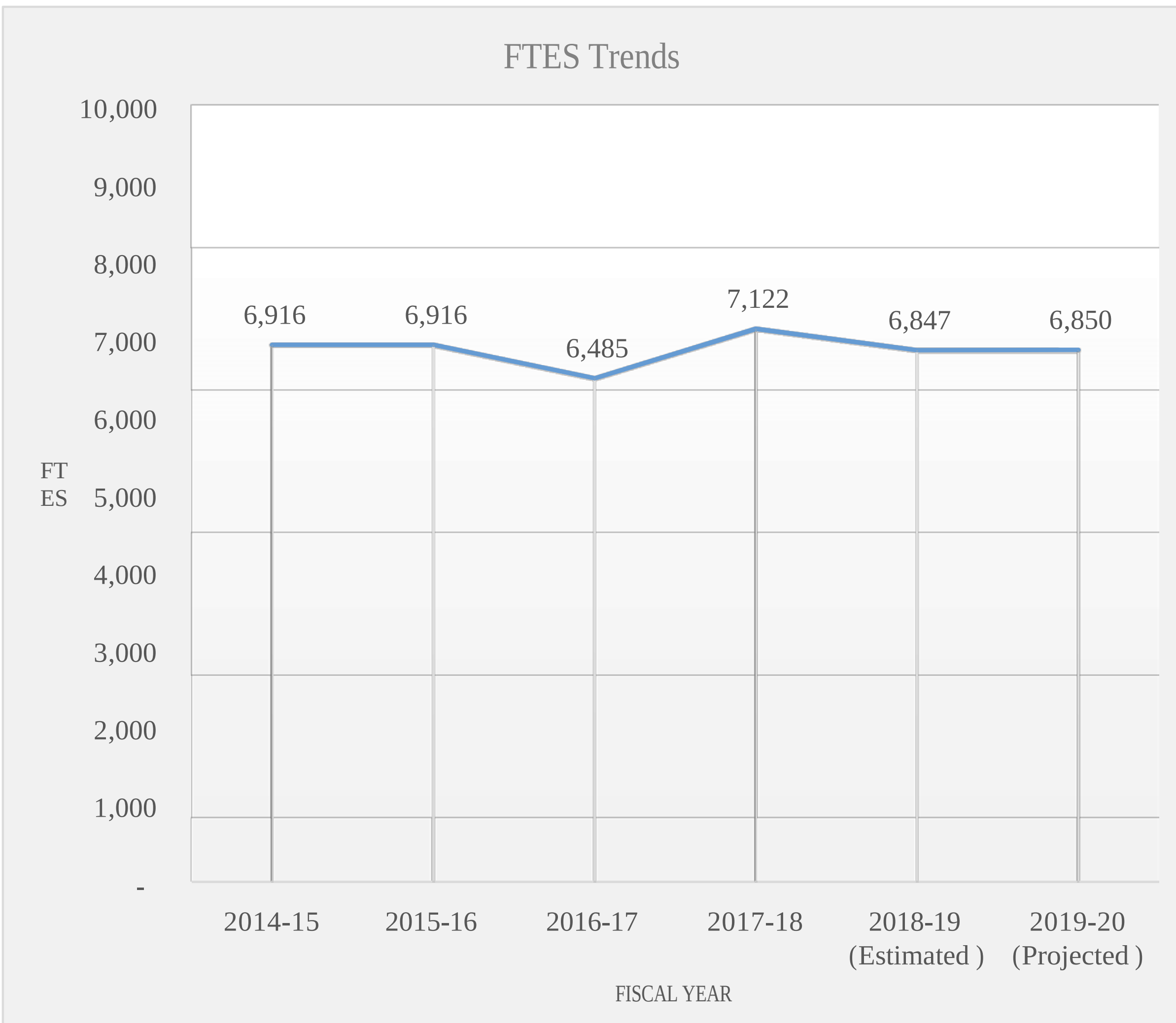
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

ATTENDANCE HIGHLIGHTS

As mentioned in the section on “Temporary Hold Harmless”, during the three-year hold-harmless period, District revenues are protected from declines in the SCFF. Assuming no change in SCFF metrics, beginning in 2021-22, District revenues will be affected by changes in enrollments. The District has experienced several years of declining enrollments, but Summer 2019 enrollments indicate that outreach efforts may be effective in improving enrollments. A portion of the FTES decline in 2018-19 was due to District efforts to right-size the college by (1) cancelling low enrolled sections, and (2) strengthening payment requirements. Both of these efforts significantly strengthened the District’s financial position with limited impact on FTES and no reduction in revenues.



THE DISTRICT AS A WHOLE

Net Position

ASSETS	2019	2018	Change
Current Assets			
Cash and investments	$ 27,378,581	$ 28,333,160	$ (954,579)
Restricted cash and cash equivalents	63,177,419	100,141,462	(36,964,043)
Accounts receivable (net)	5,795,683	6,097,295	(301,612)
Prepaid expenses and other current assets	18,971	99,817	(80,846)
Total Current Assets	96,370,654	134,671,734	(38,301,080)
Noncurrent Assets:			
Capital assets (net)	280,288,296	289,118,300	(8,830,004)
Total Noncurrent Assets	280,288,296	289,118,300	(8,830,004)
Total Assets	**$ 376,658,950**	**$ 423,790,034**	**$ (47,131,084)**
DEFERRED OUTFLOWS OF RESOURCES	**$ 17,249,012**	**$ 16,007,621**	**$ 1,241,391**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 12,427,498	$ 16,559,000	$ (4,131,502)
Unearned revenue	6,400,317	4,729,717	1,670,600
Deferred bond premium	1,305,936	1,305,936	-
Long-term liabilities due within one year	12,090,000	12,250,777	(160,777)
Total Current Liabilities	32,223,751	34,845,430	(2,621,679)
Long-term liabilities	354,009,774	369,068,920	(15,059,146)
Total Liabilities	**$ 386,233,525**	**$ 403,914,350**	**$ (17,680,825)**
DEFERRED INFLOWS OF RESOURCES	**$ 8,146,238**	**$ 10,065,873**	**$ (1,919,635)**
NET POSITION			
Net investment in capital assets	25,082,278	53,655,597	(28,573,319)
Restricted	25,368,808	24,477,176	891,632
Unrestricted	(50,922,887)	(52,315,341)	1,392,454
Total Net Position	**$ (471,801)**	**$ 25,817,432**	**$ (26,289,233)**

Assets

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

Cash decreased by approximately $38 million due principally to the spending down of the bond program. Restricted cash includes amounts restricted for debt service.

Receivables and prepaid expenses decreased approximately $382 thousand primarily due to the timing of the payments.

Capital assets decreased by approximately $8.8 million due principally to the depreciation expense.

Liabilities

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

Accounts payable and accrued liabilities decreased by approximately $4.1 million primarily due to timing in construction activities and therefore payments due to vendors at year end.

Unearned revenue increased by approximately $1.7 million primarily due to unspent grant funds.

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

> General obligation bonds and lease revenue bonds decreased by approximately $19 million primarily due to paying down the principles and paying off the lease revenue bonds during the year.
>
> The aggregate net pension liability increased $4.9 million, which along with deferred inflows and outflows related to pensions, and the unfunded other post-employment benefits of $8.7 million, contributes to the negative unrestricted net position of $50.9 million.

Operating Results for the Year

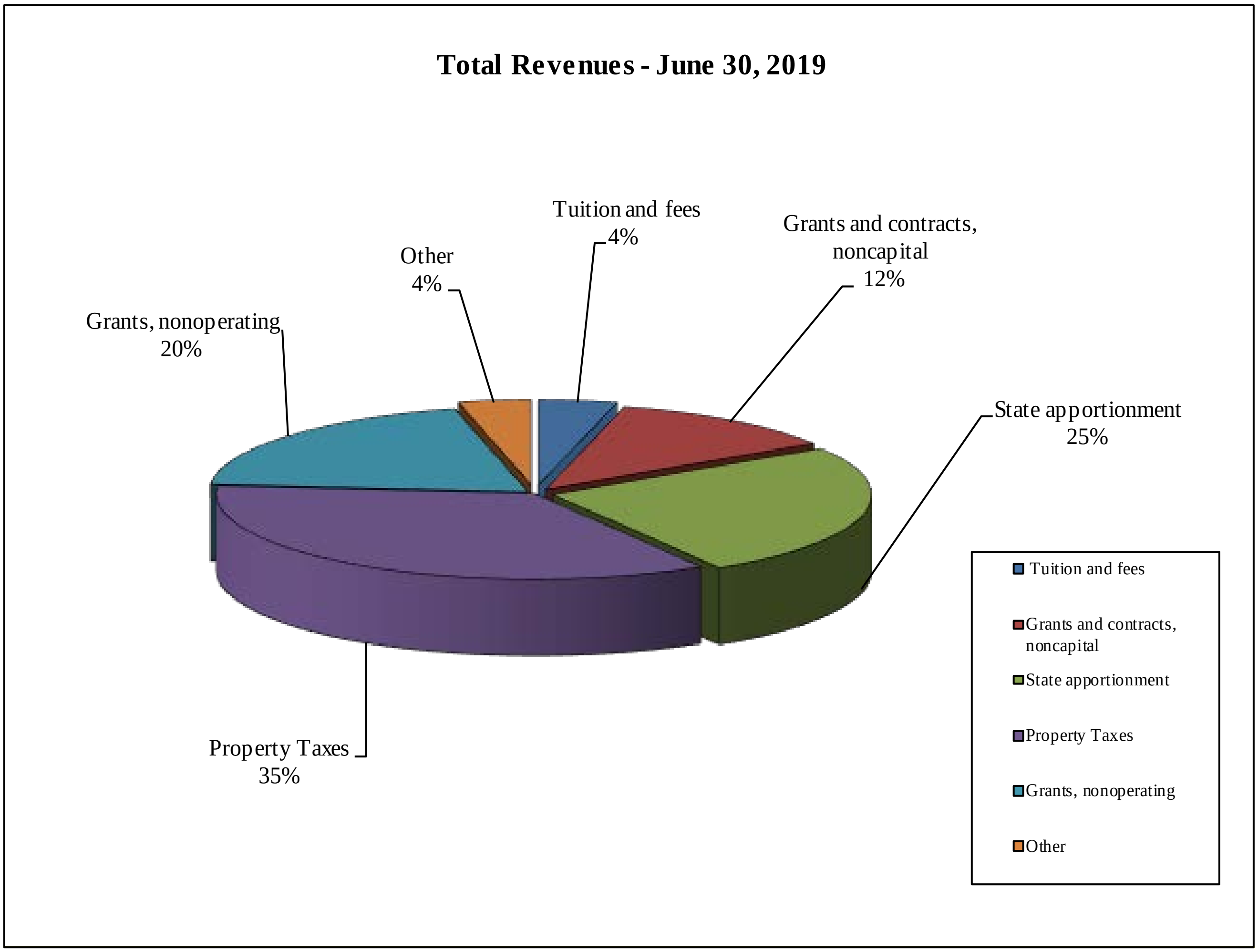
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Table 2

Operating Revenues	2019	2018	Change
Tuition and fees	$ 4,196,855	$ 4,165,725	$ 31,130
Grants and contracts, noncapital	12,621,935	17,815,886	(5,193,951)
Total Operating Revenues	16,818,790	21,981,611	(5,162,821)
Operating Expenses			
Salaries	36,131,833	37,744,011	(1,612,178)
Employee benefits	16,716,018	13,963,752	2,752,266
Supplies, materials, other operating expenses and services	58,179,874	41,576,346	16,603,528
Depreciation	8,830,004	8,681,550	148,454
Total Operating Expenses	119,857,729	101,965,659	17,892,070
Loss on Operations	(103,038,939)	(79,984,048)	(23,054,891)
Nonoperating Revenues			
State apportionments, noncapital	26,821,625	25,623,974	1,197,651
Local property taxes	37,177,766	28,924,505	8,253,261
Federal grants	7,408,220	8,471,313	(1,063,093)
State grants	3,960,443	2,996,788	963,655
Local grants and other	9,617,031	6,149,518	3,467,513
State taxes and other revenues	2,254,818	1,555,988	698,830
Investment income	1,677,603	334,922	1,342,681
Interest expense on capital asset-related debt	(12,130,355)	(12,668,676)	538,321
Other nonoperating revenues (expenses)	(37,445)	173,905	(211,350)
Total Nonoperating Revenue	76,749,706	61,562,237	15,187,469
INCREASE (DECREASE) IN NET POSITION	(26,289,233)	(18,421,811)	(7,867,422)
NET POSITION BEGINNING OF YEAR	25,817,432	44,239,243	(18,421,811)
NET POSITION END OF YEAR	$ (471,801)	$ 25,817,432	$ (26,289,233)

Significant revenue changes between 2018 and 2019 include:

- Property taxes increased approximately $8.3 million and a decrease in federal grants of approximately $1.1 million.

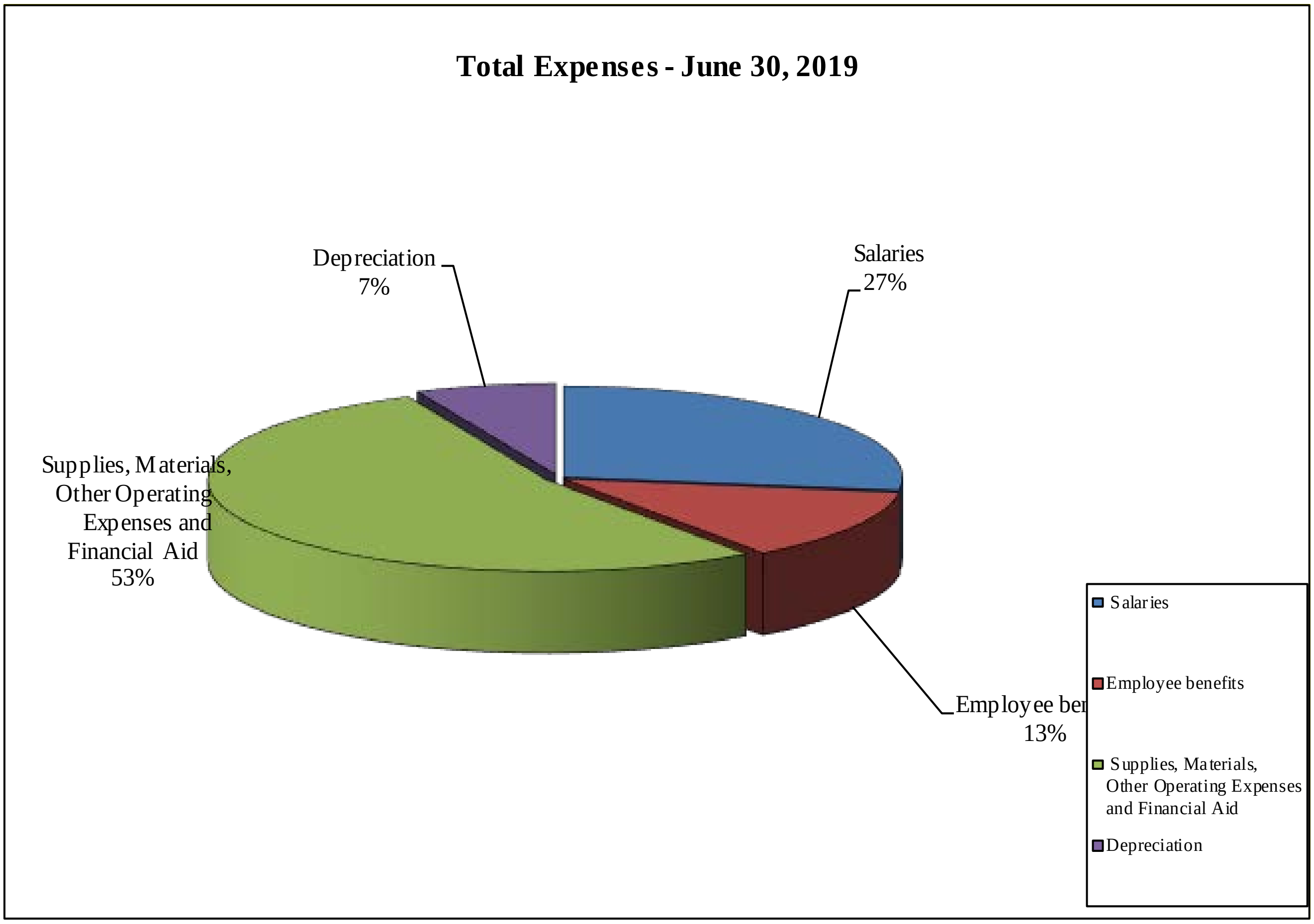


SOLANO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2019

Significant expenditure variances include:

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



Changes in Cash Position

Table 4

	2019	2018	Change
Cash Provided by (Used in)			
Operating activities	$ (91,437,859)	$ (75,661,542)	$ (15,776,317)
Noncapital financing activities	58,664,746	57,096,606	1,568,140
Capital financing activities	(6,823,112)	(22,127,544)	15,304,432
Investing activities	1,677,603	2,003,250	(325,647)
Net Increase (Decrease) in Cash	(37,918,622)	(38,689,230)	770,608
Cash, Beginning of Year	128,474,622	167,163,852	(38,689,230)
Cash, End of Year	$ 90,556,000	$ 128,474,622	$ (37,918,622)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets decreased approximately $8.8 million primarily due to normal depreciation for the year.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 60,011,233	$ -	$ 14,928,392	$ 45,082,841
Buildings and improvements	274,173,673	13,613,911	-	287,787,584
Equipment and furniture	34,008,495	1,314,481	104,182	35,218,794
Subtotal	368,193,401	14,928,392	15,032,574	368,089,219
Accumulated depreciation	79,075,101	8,830,004	104,182	87,800,923
	$ 289,118,300	$ 6,098,388	$ 14,928,392	$ 280,288,296

Obligations

Long-term debt includes general obligation bonds outstanding, revenue bonds, employee compensated absences, pension and retirement obligations. General obligation bonds outstanding decreased $8.5 million during 2018-19 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 $1.1 million.

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation and lease revenue bonds	$ 321,523,718	$ 2,597,663	$ 21,572,661	$ 302,548,720
Compensated absences	1,439,657	-	32,578	1,407,079
OPEB liability	9,821,276	-	1,155,935	8,665,341
Net pension liability	49,840,982	4,943,588	-	54,784,570
Total Long-Term Debt	$ 382,625,633	$ 7,541,251	$ 22,761,174	$ 367,405,710
Amount due within one year				$ 13,395,936

NET PENSION LIABILITY (NPL)

At year end, the District has a net pension liability of $54.8 million versus $49.8 million last year, an increase of $4.9 million or 10 percent.

BUDGETARY HIGHLIGHTS

Budget Overview

The 2018-19 California Community Colleges budget provided 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 planned surplus was to be used to increase the stability reserve, as discussed later under the "five-year transition plan." Other significant factors affecting the 2018-19 year's budget included:

- 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-CCPG (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
  - AA/AS, 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 was 2.71%. The final year of the hold harmless provision was scheduled for 2020-21, but has been delayed by one year to 2021-22. In 2022-23, 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.

Five-Year Transition Plan

The District has established a transition plan to transition from the previous funding formula to the new funding formula without financial impact. To successfully transition, the District must increase student success rates and meet the economic needs of students. The District has identified areas of opportunity in the new funding formula. The District will be working in cross-functional teams to accomplish the following:

- **AB 705 Implementation** – the District is developing an implementation plan for AB 705, which is intended to reduce remedial Math and English enrollments, and increase student success in transfer-level Math and English classes, thus increasing overall student success.

- **Guided Pathways** – The goal of guided pathways is to provide a roadmap for students to efficiently attain their educational goals. Students following a guided pathway are expected to have increased academic success as measured by degrees, certificates, and CTE units.

- **Promise Grants** – The District has designed the new Solano Promise Program (discussed later) to create incentives for first-time students to complete a full load of classes in their first year of attendance.

- **Other Student Success Opportunities** – The District is reviewing other opportunities in student services, curriculum, and other areas to increase student success rates.

- **Student Economic Needs** – The District plans increased out-reach and in-reach efforts to ensure that all enrolled students who are eligible for financial assistance receive their entitlements. In addition, the District plans increased efforts in the community to inform potential students that they can afford college.

- **Expanded Enrollment and Increased Productivity** – The District will be carefully evaluating class scheduling with the goals of (1) increasing enrollments, and (2) increasing productivity.

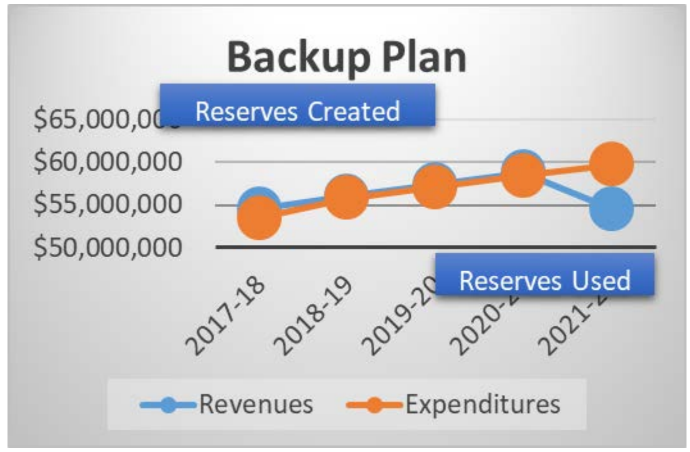
The graph to the right depicts the 5-year trend of revenues and expenditures that will follow from the District's scheduled progress during the Five-year Transition Plan.

Backup Plan

The District has developed a conservative plan to ensure fiscal stability in the event that the transition plan does not achieve full potential by 2021-22, resulting in decreased revenues. The backup plan includes increasing reserves to be sufficient to cover any revenue shortfalls in 2021-22 and 2022-23. The new "Stability Reserve" is in addition to the Board required minimum reserve of 5% of expenditures, and will include the existing PERS/STRS reserve of $4.2 million, other existing reserves, and additional amounts to create a stability reserve as follows:

Year	Increase (Use of) Reserve	Year-end Stability Reserve
2018-19	194,259	11,453,188
2019-20	310,714	11,699,733
2020-21	432,648	12,066,735
2021-22	(5,222,523)	6,777,057

The graph to the right depicts the District's backup plan, assuming no progress toward achieving adequate workload measures under the new funding formula.



New "Solano Promise" Program

The 2018-19 Budget Act created a new California Promise Program, with 2018-19 funding of $316,223 for Solano Community College. Earlier discussions of this program were based on the concept of the "first year free." The enacting legislation broadened the program to allow districts latitude to use the funds in other ways. Solano has chosen to implement "first year free" as a reimbursement after students successfully complete a full-time academic term in their first year. The intent of reimbursing fees, rather than waiving them, is to provide incentive for students to complete their classes. Students must complete the FAFSA or Dreamer applications to be eligible and may be reimbursed up to $1,380 as follows:

- $276 for completing 6 units in Summer, 2018
- $552 for completing 12 units in Fall, 2018
- $552 for completing 12 units in Spring, 2019

The Solano Promise Program will be integrated with other campus efforts to increase student success.

For fiscal year 2019-20, the District has enhanced the program to provide:

- The Promise Scholarship pays all enrollment fees, including those in excess of 12 units
- The Promise Scholarship pays all local fees
- Promise students receive a $200 bookstore credit each semester and a free bus pass

Financial Aid Technology Improvements

To assist colleges in improving their financial aid technology, the Budget Act provides funding of $13.5 million of one-time funding and $5 million of ongoing funds. The amount allocated to Solano Community College in 2018-19 was $179,957. The District is currently implementing new software to accelerate financial aid verifications.

Online College

The 2018-19 California Budget Act provides $100 million to establish a new online college, to be managed by the California Community Colleges Chancellor’s Office, with $20 million allocated for annual support costs. This 115th college began operation in all 2019.

Full-Time Faculty Hiring

The Budget Act provided $50 million for full-time faculty. Solano Community College used the funds to hire three full-time faculty and provide for salary enhancements.

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, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 27,378,581
Restricted cash and cash equivalents	63,177,419
Accounts receivable, net	5,795,683
Prepaid expenses and other	18,971
Total Current Assets	96,370,654
Noncurrent Assets	
Nondepreciable capital assets	45,082,841
Depreciable capital assets, net of depreciation	235,205,455
Total Noncurrent Assets	280,288,296
TOTAL ASSETS	376,658,950
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	917,731
Deferred outflows of resources related to pensions	16,207,829
Deferred outflows of resources related to OPEB	123,452
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,249,012
Current Liabilities	
Accounts payable	8,148,853
Interest payable	4,165,503
Due to fiduciary funds	113,142
Unearned revenue	6,400,317
Deferred bond premium - current portion	1,305,936
Bonds payable - current portion	12,090,000
Total Current Liabilities	32,223,751
Noncurrent Liabilities	
Deferred bond premium	12,568,846
Compensated absences payable - noncurrent portion	1,407,079
OPEB liability - noncurrent portion	8,665,341
General obligation bonds payable - noncurrent portion	276,583,938
Aggregate net pension obligation	54,784,570
Total Noncurrent Liabilities	354,009,774
TOTAL LIABILITIES	386,233,525
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on refunding	1,224,104
Deferred inflows of resources related to pensions	6,922,134
TOTAL DEFERRED INFLOWS OF RESOURCES	8,146,238
NET POSITION	
Net investment in capital assets	25,082,278
Restricted for:	
Debt service	20,403,128
Educational programs	4,861,611
Other activities	104,069
Unrestricted	(50,922,887)
TOTAL NET POSITION	$ (471,801)

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, 2019

OPERATING REVENUES	
Student Tuition and Fees	$ 8,354,887
Less: Scholarship discount and allowance	(4,158,032)
Net tuition and fees	4,196,855
Grants and Contracts, Noncapital	
Federal	1,277,980
State	11,343,955
Net grants and contracts, noncapital	12,621,935
TOTAL OPERATING REVENUES	16,818,790
OPERATING EXPENSES	
Salaries	36,131,833
Employee benefits	16,716,018
Supplies, materials, and other operating expenses	30,203,757
Equipment, maintenance, and repairs	27,976,117
Depreciation	8,830,004
TOTAL OPERATING EXPENSES	119,857,729
OPERATING LOSS	(103,038,939)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	26,821,625
Local property taxes, levied for general purposes	16,639,125
Taxes levied for other specific purposes	20,538,641
Federal financial aid grants, noncapital	7,408,220
State financial aid grants, noncapital	640,461
Local grants and other revenues	9,577,995
State taxes and other revenues	2,254,818
Investment income	1,677,603
Interest expense on capital related debt	(12,419,151)
Investment income on capital asset-related debt, net	288,796
Other nonoperating revenue	(37,445)
TOTAL NONOPERATING REVENUES (EXPENSES)	73,390,688
INCOME BEFORE OTHER REVENUES AND EXPENSES	(29,648,251)
OTHER REVENUES AND EXPENSES	
State revenues, capital	3,319,982
Local revenues, capital	39,036
TOTAL OTHER REVENUES AND EXPENSES	3,359,018
CHANGE IN NET POSITION	(26,289,233)
NET POSITION, BEGINNING OF YEAR	25,817,432
NET POSITION, END OF YEAR	$ (471,801)

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,475,573
Ggrants and contracts	15,666,383
Payments to vendors for supplies and services	(58,439,997)
Payments to or on behalf of employees	(53,139,818)
Net Cash Flows Used For Operating Activities	(91,437,859)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	24,438,965
Federal and State financial aid grants	7,970,748
Property taxes - nondebt related	16,639,125
State taxes and other apportionments	933,566
Other nonoperating	8,682,342
Net Cash Flows From Noncapital Financing Activities	58,664,746
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	362,475
State revenue, capital projects	3,319,982
Local revenue, capital projects	39,036
Property taxes - related to capital debt	20,538,641
Principal paid on capital debt	(20,266,725)
Interest paid on capital debt	(10,816,521)
Net Cash Flows Used For Capital Financing Activities	(6,823,112)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	1,677,603
Net Cash Flows From Investing Activities	1,677,603
NET CHANGE IN CASH AND CASH EQUIVALENTS	(37,918,622)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	128,474,622
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 90,556,000

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, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (103,038,939)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	8,830,004
Changes in Assets and Liabilities:	
Receivables	1,622,864
Prepaid expenses	80,846
Accounts payable and accrued liabilities	(1,143,555)
Unearned revenue	1,700,302
Change in deferred Inflows	(1,919,635)
Change in deferred outflows	(1,324,821)
OPEB obligation	(1,155,935)
Compensated absences	(32,578)
Pension obligation	4,943,588
Total Adjustments	11,601,080
Net Cash Flows Used For Operating Activities	$ (91,437,859)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 2,182,270
Cash equivalents, County Cash	88,373,730
Total Cash and Cash Equivalents	$ 90,556,000
NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 2,133,925

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Retiree OPEB Trust	Other Trust	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 744,605	$ 332,622
Investments	4,154,020	-	-
Accounts receivable, net	-	102,773	10,277
Total Assets	4,154,020	847,378	$ 342,899
LIABILITIES			
Accounts payable	-	32,714	$ -
Unearned revenue	-	144,184	-
Due to student groups	-	-	342,899
Total Liabilities	-	176,898	$ 342,899
NET POSITION			
Restricted for postemployment benefits	4,154,020	-	
Unrestricted	-	670,480	
Total Net Position	$ 4,154,020	$ 670,480	

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, 2019

	Retiree OPEB Trust	Other Trust
ADDITIONS		
Federal revenues	$ -	$ 13,725
Local revenues	230,659	234,362
Total Additions	230,659	248,087
DEDUCTIONS		
Classified salaries	-	33,728
Employee benefits	-	3,610
Books and supplies	-	46,432
Services and operating expenditures	2,238	1,263,688
Total Deductions	2,238	1,347,458
	228,421	(1,099,371)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	640,000	-
Total Other Financing Sources (Uses)	640,000	-
Change in Net Position	868,421	(1,099,371)
Net Position - Beginning	3,285,599	1,769,851
Net Position - Ending	$ 4,154,020	$ 670,480

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

NOTE 1 - ORGANIZATION

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

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 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:
  - Statement of Net Position – Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position – Primary Government
  - Statement of Cash Flows – Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2019 and 2018, 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 $3,312,070 and 2,545,853 for the years ended June 30, 2019 and 2018, respectively.

Prepaid Expenses

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums/Discounts, and Deferred Charges on Refunding

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 charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

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, for pension related items, and for OPEB 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 charges 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 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.

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government wide financial statements report $25,368,808 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.

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.

Change in Accounting Principles

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 District has implemented the provisions of this Statement as of June 30, 2019.

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 District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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 the 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.

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.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Business-type activities	$ 90,556,000
Fiduciary funds	5,231,247
Total Deposits and Investments	$ 95,787,247

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$ 2,792,090
Cash in revolving	472,123
Investments	92,523,034
Total Deposits and Investments	$ 95,787,247

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	$ 88,369,014	1.42 year
Retirement Plan Master Trust	4,154,020	Less than one year
Total	$ 92,523,034	

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, 2019.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA	Aa	Unrated
County Investment Pool	$ 88,369,014	$ 88,369,014	$ -	$ -	$ 88,369,014
Retirement Plan Master Trust	4,154,020	4,154,020	-	-	4,154,020
Total	$ 92,523,034	$ 92,523,034	$ -	$ -	$ 92,523,034

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, 2019, approximately $3.9 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.

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, 2019:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Investment Pool	$ 88,369,014	$ -	$ -	$ -	$ 88,369,014
Retirement Plan Master Trust	4,154,020	-	-	-	4,154,020
Total	$ 92,523,034	$ -	$ -	$ -	$ 92,523,034

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

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:

	Primary Government
Federal Government	
Categorical aid	$ 738,729
State Government	
Categorical aid	1,581,522
Other State sources	1,359,227
Local Sources	
Student receivables, net	2,116,205
Total	$ 5,795,683
Student receivables	$ 5,428,275
Less allowance for bad debt	(3,312,070)
Student receivables, net	$ 2,116,205

Fiduciary Funds

	Fiduciary Funds
Local Sources	
Student receivables, net	$ 113,050

NOTE 6 - PREPAID EXPENSES AND OTHER ASSETS

The District paid facility rent and workers compensation insurance prior to June 30, 2019.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, 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	38,347,254	-	14,928,392	23,418,862
Total Capital Assets Not Being Depreciated	60,011,233	-	14,928,392	45,082,841
Capital Assets Being Depreciated				
Land improvements	11,832,827	-	-	11,832,827
Buildings	231,653,221	850,293	-	232,503,514
Building improvements	30,687,625	12,763,618	-	43,451,243
Furniture and equipment	34,008,495	1,314,481	104,182	35,218,794
Total Capital Assets Being Depreciated	308,182,168	14,928,392	104,182	323,006,378
Total Capital Assets	368,193,401	14,928,392	15,032,574	368,089,219
Less Accumulated Depreciation				
Land improvements	6,133,390	394,241	-	6,527,631
Buildings	45,928,853	5,152,261	-	51,081,114
Building improvements	11,263,916	1,453,809	-	12,717,725
Furniture and equipment	15,748,942	1,829,693	104,182	17,474,453
Total Accumulated Depreciation	79,075,101	8,830,004	104,182	87,800,923
Net Capital Assets Being Depreciated	229,107,067	6,098,388	-	235,205,455
Net Capital Assets	$ 289,118,300	$ 6,098,388	$ 14,928,392	$ 280,288,296

Depreciation expense for the year 2019 was $8,830,004.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll and related liabilities	$ 1,217,021
State apportionment	24
Construction projects	6,856,524
Categorical aid	7,630
Vendor payables	67,654
Total	$ 8,148,853

Fiduciary Funds

	Fiduciary Funds
Scholarship (unapplied)	$ 32,714

NOTE 9 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 39,579
State categorical aid	3,848,745
Other State	126,963
Enrollment fees	2,320,399
Other local	64,631
Total	$ 6,400,317

Fiduciary Funds

	Fiduciary Funds
Other local	$ 144,184

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.

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, 2019 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretion	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 297,201,275	$ 2,597,663	$ 11,125,000	$ 288,673,938	$ 12,090,000
Revenue bonds	9,141,725	-	9,141,725	-	-
Bond premiums	15,180,718	-	1,305,936	13,874,782	1,305,936
Total Bonds and Notes Payable	321,523,718	2,597,663	21,572,661	302,548,720	13,395,936
Other Liabilities					
Compensated absences	1,439,657	-	32,578	1,407,079	-
Other post employment benefits (OPEB)	9,821,276	-	1,155,935	8,665,341	-
Aggregate net pension obligation	49,840,982	4,943,588	-	54,784,570	-
Total Other Liabilities	61,101,915	4,943,588	1,188,513	64,856,990	-
Total Long-Term Debt	$ 382,625,633	$ 7,541,251	$ 22,761,174	$ 367,405,710	$ 13,395,936

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.

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.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued / Accreted	Redeemed	Bonds Outstanding June 30, 2019
2002 Election							
Mar-05	8/1/2022	3.0%-5.0%	$ 81,349,812	$ 7,124,254	$ 880,571	$ -	$ 8,004,825
Mar-14	8/1/2023	4.0%-5.0%	10,645,000	10,025,000	-	465,000	9,560,000
Mar-14	8/1/2022	0.462%-3.504%	41,165,000	27,690,000	-	6,735,000	20,955,000
Sep-15	8/1/2031	2.0%-5.0%	47,677,452	50,926,676	1,540,628	-	52,467,304
Subtotal				95,765,930	2,421,199	7,200,000	90,987,129
2012 Election							
Jun-13	8/1/2047	2.0%-5.49%	89,996,899	81,435,345	176,464	-	81,611,809
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	-	3,925,000	86,075,000
Subtotal				201,435,345	176,464	3,925,000	197,686,809
				$ 297,201,275	$ 2,597,663	$ 11,125,000	$ 288,673,938

Debt Maturity

Fiscal Year	Principal	Interest	Total
2020	$ 12,090,000	$ 9,685,933	$ 21,775,933
2021	9,645,000	9,380,055	19,025,055
2022	4,474,560	9,210,417	13,684,977
2023	4,995,252	10,188,880	15,184,132
2024	9,815,000	51,352,138	61,167,138
2025-2029	32,840,820	39,950,944	72,791,764
2030-2034	38,209,883	32,714,213	70,924,096
2035-2039	32,165,242	23,307,425	55,472,667
2040-2044	61,193,406	6,301,431	67,494,837
2045-2049	71,035,000	-	71,035,000
Total	276,464,163	$ 192,091,436	$ 468,555,599
Accretions to date	12,209,775		
Total	$ 288,673,938		

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. The balance of $9,141,725 was paid off during the 2018-19 fiscal year.

Compensated Absences

At June 30, 2019, the liability for compensated absences was $1,407,079.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY

For the fiscal year ended June 30, 2019, 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	$ 8,585,702	$ 123,452	$ -	$ 1,839,810
Medicare Premium Payment (MPP) Program	79,639	-	-	3,334
Total	$ 8,665,341	$ 123,452	$ -	$ 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.

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, 2019, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	110
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	327
	437

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 2018-2019, the District paid $1,004,606 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, 2019:

Asset Class	Target Allocation
US Large Cap	29%
US Small Cap	13%
All foreign stock	9%
Other fixed income	49%
Total	100%

Rate of return. For the year ended June 30, 2019, the rate of return on investments, net of investment expense, was 6.0 percent.

Net OPEB Liability of the District

The component of the net OPEB liability of the District as of June 30, 2019, was as follows:

Total OPEB liability	$	12,739,722
Plan fiduciary net position		(4,154,020)
District's net OPEB liability	$	8,585,702
Plan fiduciary net position as a percentage of the total OPEB liability		33%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, 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

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

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, 2019, valuation were based on the results of an actuarial experience study for the period of July 1, 2018- June 30, 2019.

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, 2019, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
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.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	$ 13,339,432	$ 3,605,688	$ 9,733,744
Service cost	1,015,852	-	1,015,852
Interest	800,703	-	800,703
Employer Contributions to Trust	-	320,000	(320,000)
Employer Contributions as Benefit Payments	-	1,004,606	(1,004,606)
Experience Gains/Losses	(1,411,659)	-	(1,411,659)
Expected investment income	-	225,746	(225,746)
Investment Gains/Losses	-	9,080	(9,080)
Benefit payments	(1,004,606)	(1,004,606)	-
Administrative expense	-	(6,494)	6,494
Net change in total OPEB liability	(599,710)	548,332	(1,148,042)
Balance at June 30, 2019	$ 12,739,722	$ 4,154,020	$ 8,585,702

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%)	$ 9,643,691
Current discount rate (6%)	8,585,702
1% increase (7%)	7,673,719

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%)	$ 7,684,983
Current healthcare cost trend rate (4%)	8,585,702
1% increase (5%)	9,600,328

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

For the year ended June 30, 2019, the District recognized OPEB expense of $1,839,810. At June 30, 2019, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $123,452.

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, 2017 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.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $79,639 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, was 0.0208 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $3,334.

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	2.58%
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, 2017, 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 our 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.

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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, 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 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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 (2.87%)	$ 88,084
Current discount rate (3.87%)	79,639
1% increase (4.87%)	72,013

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)	$ 72,622
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	79,639
1% increase (4.7% Part A and 5.1% Part B)	87,184

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, 2019, 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 2018-2019, the District participated in the Northern Community Colleges Self Insurance Authority Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

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

Insurance Program / Company Name	Type of Coverage	Limits
Northern Community Colleges Self Insurance Authority	Workers' Compensation	$ 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

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, 2019, 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	$ 31,725,887	$ 10,035,948	$ 5,801,935	$ 3,268,464
CalPERS	23,058,683	6,171,881	1,120,199	3,545,970
Total	$ 54,784,570	$ 16,207,829	$ 6,922,134	$ 6,814,434

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205
Required employer contribution rate	16.28	16.28
Required state contribution rate	9.828	9.828

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, 2019, are presented above, and the District's total contributions were $3,082,822.

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

At June 30, 2019, 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	$	31,725,887
State's proportionate share of the net pension liability associated with the District		18,164,554
Total	$	49,890,441

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017 was 0.0345 percent and 0.0317 percent, respectively, resulting in a net decrease in the proportionate share of 0.0028 percent.

For the year ended June 30, 2019, the District recognized pension expense of $3,268,464. In addition, the District recognized pension expense and revenue of $2,133,925 for support provided by the State. At June 30, 2019, 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	$ 3,082,822	$ -
Net change in proportionate share of net pension liability	1,926,043	(4,119,451)
Difference between projected and actual earnings on pension plan investments	-	(1,221,648)
Differences between expected and actual experience in the measurement of the total pension liability	98,381	(460,836)
Changes of assumptions	4,928,702	-
Total	$ 10,035,948	$ (5,801,935)

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
2020	$ 265,253
2021	(192,476)
2022	(1,024,915)
2023	(269,510)
Total	$ (1,221,648)

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
2020	$ 255,207
2021	255,207
2022	255,208
2023	433,598
2024	857,272
Thereafter	316,347
Total	$ 2,372,839

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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.

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, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 46,474,712
Current discount rate (7.10%)	31,725,887
1% increase (8.10%)	19,497,680

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, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

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, 2019, are presented above, and the total District contributions were $2,108,935.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $23,058,683. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.0865 percent and 0.0861 percent, respectively, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2019, the District recognized pension expense of $3,545,970. At June 30, 2019, 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	$ 2,108,935	$ -
Net change in proportionate share of net pension liability	59,863	(1,120,199)
Difference between projected and actual earnings on pension plan investments	189,132	-
Differences between expected and actual experience in the measurement of the total pension liability	1,511,643	-
Changes of assumptions	2,302,308	-
Total	$ 6,171,881	$ (1,120,199)

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 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
2020	$ 687,918
2021	164,510
2022	(527,193)
2023	(136,103)
Total	$ 189,132

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
2020	$ 1,001,459
2021	1,234,294
2022	517,862
Total	$ 2,753,615

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
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 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 33,572,340
Current discount rate (7.15%)	$ 23,058,683
1% increase (8.15%)	$ 14,336,100

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, 2019, which amounted to $2,133,925 (9.828 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 and 2017. 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

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, 2019, the District made payments of approximately $1,084,690 to the Northern California Community Colleges Self Insurance Authority.

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, 2019.

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, 2019.

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the capital projects:

CAPITAL PROJECT	Construction Funds Committed	Expected Date of Completion
Portable Low Voltage Revision (Small Capital Project)	$ 11,450	To Be Determined
Biotechnology and Science Building	21,519	To Be Determined
Vacaville Center Annex Building Monument Sign	1,145	To Be Determined
Science Building (Phase 1)	1,541	To Be Determined
Horticulture Modular Restroom Building	45,310	To Be Determined
	$ 80,965	

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.

NOTE 17 – SUBSEQUENT EVENTS

On November 13, 2019, the District issued 2019 general obligation refunding bonds in the aggregate principal amount of $112,650,000 to (i) refund portions of the District's outstanding Election of 2012 General Obligation Bonds, Series A and Election of 2012 General Obligation Bonds, Series B, and (ii) pay the costs of issuance of the Bonds.

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, 2019

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 1,015,852	$ 988,664	$ 962,203
Interest	800,703	874,856	590,814
Experience gains/losses	(1,411,659)	-	-
Changes of assumptions	-	(2,067,466)	-
Benefit payments	(1,004,606)	(1,086,439)	(1,044,653)
Net changes in total OPEB liability	(599,710)	(1,290,385)	508,364
Total OPEB Liability - beginning, restated	13,339,432	14,629,817	14,121,453
Total OPEB Liability - ending (a)	**$ 12,739,722**	**$ 13,339,432**	**$ 14,629,817**
Plan fiduciary net position			
Contributions - employer	$ 1,324,606	$ 1,406,528	$ 1,044,653
Net investment income	234,826	229,336	263,321
Benefit payments	(1,004,606)	(1,086,439)	(1,044,653)
Administrative expense	(6,494)	-	(5,029)
Net change in plan fiduciary net position	548,332	549,425	258,292
Plan fiduciary net position - beginning	3,605,688	3,056,263	2,797,971
Plan fiduciary net position - ending (b)	**4,154,020**	**3,605,688**	**3,056,263**
District's net OPEB liability - ending (a) - (b)	**$ 8,585,702**	**$ 9,733,744**	**$ 11,573,554**
Plan fiduciary net position as a percentage of the total OPEB liability	**32.61%**	**27.03%**	**20.89%**
Covered-employee payroll	**$ 25,918,991**	**$ 28,120,651**	**$ 24,660,729**
District's net OPEB liability as a percentage of covered-employee payroll	**33%**	**35%**	**47%**

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

See accompanying note to required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2018	2017
Actuarially determined contribution	Not Available	Not Available	Not Available
Contributions in relations to the actuarially determined contribution	$ 1,324,606	$ 1,406,528	$ 1,044,653
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 25,918,991	$ 28,120,651	$ 24,660,729
Contribution as a percentage of covered-employee payroll	5.11%	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, 2019

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	Not Determined	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, 2019

Fiscal Year	6/30/19	6/30/18
Measurement Date	June 30, 2017	June 30, 2017
District's proportion of the net OPEB liability	0.0208%	0.0208%
District's proportionate share of the net OPEB liability	$ 79,639	$ 87,532
District's Covered-Employee Payroll	N/A [2]	N/A [2]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A [2]	N/A [2]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%	0.01%

[1] In the future, as data becomes 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 PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

Measurement Date	2018	2017	2016	2015	2014
CalSTRS					
District's proportion of the net pension liability	0.0345%	0.0317%	0.0332%	0.0394%	0.0405%
District's proportionate share of the net pension liability	$31,725,887	$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	18,164,554	17,331,229	16,544,860	14,022,015	14,280,872
Total	$49,890,441	$46,627,166	$45,607,531	$40,534,184	$37,930,840
District's covered - employee payroll	$19,389,388	$16,730,462	$17,309,532	$16,914,388	$16,407,382
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	163.63%	175.11%	167.90%	156.74%	144.14%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.0865%	0.0861%	0.0960%	0.1048%	0.1085%
District's proportionate share of the net pension liability	$23,058,683	$20,545,045	$18,955,292	$15,451,644	$12,322,720
District's covered - employee payroll	11,406,864	10,977,418	11,535,397	11,747,308	11,365,881
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	202.15%	187.16%	164.32%	131.53%	108.42%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

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 THE YEAR ENDED JUNE 30, 2019

CalSTRS	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,082,822	$ 2,806,691	$ 2,111,185	$ 1,846,655	$ 1,508,056
Contributions in relation to the contractually required contribution	3,082,822	2,806,691	2,111,185	1,846,655	1,508,056
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered - employee payroll	$18,881,543	$19,389,388	$16,730,462	$17,309,532	$16,914,388
Contributions as a percentage of covered - employee payroll	16.33%	14.48%	12.62%	10.67%	8.92%

CalPERS					
Contractually required contribution	$ 2,108,935	$ 1,771,599	$ 1,524,484	$ 1,367,714	$ 1,375,277
Contributions in relation to the contractually required contribution	2,108,935	1,771,599	1,524,484	1,367,714	1,375,277
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered - employee payroll	$11,704,107	$11,406,864	$10,977,418	$11,535,397	$11,747,308
Contributions as a percentage of covered - employee payroll	18.02%	15.53%	13.89%	11.86%	11.71%

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

See accompanying note to required supplementary information.

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* –** There were no changes of assumptions since the last valuation.

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, 2018, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75 percent
Health care cost trend rates	4 percent per year
Salary increases	2.75 percent per year
Investment rate of return	6 percent
Retirement rates	100% at 10 years of services
Mortality	2009 CalSTRS Mortality and 2014 CalPERS Active Mortality for Miscellaneous Employees

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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 were no changes of assumptions 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.

Changes of Assumptions **–** There were no changes in assumptions since the previous valuations for both CalSTRS and CalPERS.

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

DISTRICT ORGANIZATION
JUNE 30, 2019

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
A. Marie Young	President	2022
Quinten R. Voyce	Vice President	2020
Sarah E. Chapman, Ph. D.	Member	2022
Denis Honeychurch J. D.	Member	2022
Karimah Karah, J. D.	Member	2022
Michael A. Martin	Member	2020
Rosemary Thurston	Member	2020
Greg Ritzinger	Student Trustee	2020

ADMINISTRATION

Celia Esposito-Noy, Ed.D	Superintendent- President / Board Secretary
Robert Diamond	Vice President of Finance and Administration
Vacant	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, 2019

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]	$ 165,900
Pell Grant	84.063	[1]	6,424,922
Federal Work Study Program	84.033	[1]	124,462
Federal Direct Student Loans	84.268	[1]	817,460
Subtotal Student Financial Aid Cluster			7,532,744
TRIO CLUSTER			
TRIO Student Support Services	84.042	[1]	253,409
Subtotal TRIO Cluster			253,409
Passed through California State Chancellors Office			
Perkins Title I-C Reserve	84.048	[2]	469,722
Career and Technical Education - Basic Grants to States - CTE Transitions	84.048	[2]	41,377
Subtotal			511,099
Total U.S. Department of Education			8,550,661
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Veteran Assistance Title 38	64.028	[1]	164,363
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	[2]	47,892
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]	44,802
Foster-Kinship Care Education	93.658	[2]	79,861
Total U.S. Department of Health and Human Services			124,663
U. S. NATIONAL SCIENCE FOUNDATION			
National Science Foundation Biotech Grant	47.074	[1]	1,856
National Science Foundation - AMCTP	47.076	[1]	14,564
National Science Foundation - STEM	47.076	[1]	109,584
Total U.S. National Science Foundation			126,004
Total			$ 8,760,174

[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, 2019

	Program Entitlements			Program Revenues					
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
AB104 Adult Education Block Grant	$ 38,010	$ -	$ 38,010	$ 38,010	$ -	$ -	$ -	$ 38,010	$ 22,378
Baccalaureat Pilot Degree Program	-	7,051	7,051	7,051	-	-	-	7,051	7,051
Basic Skill	-	48,034	48,034	48,034	-	-	-	48,034	48,034
BS Sector Navigator	857,366	15,600	872,966	398,170	218,378	-	-	616,548	616,548
Basic Skills Transformation	-	724,745	724,745	724,745	-	-	-	724,745	724,745
BFAP-SFAA	326,881	-	326,881	326,881	-	-	-	326,881	326,881
CA College Promise	316,223	-	316,223	316,223	-	-	-	316,223	76,666
Cal Grants	513,662	109,018	622,680	622,680	57,299	-	-	679,979	679,979
Cal Works	236,434	-	236,434	236,434	-	-	-	236,434	236,434
College Promise Grants (Fee Waiver Admin)	96,518	-	96,518	96,518	-	-	(40,322)	56,196	56,196
CARE	81,026	-	81,026	81,026	-	-	(975)	80,051	80,051
CCTR	407,759	-	407,759	348,753	-	-	-	348,753	348,753
Child Development Training Consortium	20,550	-	20,550	20,550	-	-	-	20,550	20,550
Classified Professional Development	32,013	-	32,013	32,013	-	-	-	32,013	-
CSPP	591,991	-	591,991	569,972	7,581	-	-	577,553	577,553
Disabled Students Programs and Services	573,502	-	573,502	573,502	-	-	-	573,502	573,502
Extended Opportunity Program and Services	469,892	-	469,892	467,963	-	(1,902)	-	466,061	466,061
Financial Aid Technology	179,957	-	179,957	179,957	-	-	(102,793)	77,164	42,131
First 5 Solano	21,702	9,252	30,954	12,450	9,252	-	-	21,702	21,702
Foster Care Education	98,588	-	98,588	98,588	-	-		98,588	98,588
Full Time Faculty Hiring	354,764	-	354,764	354,764	-	-	(333,956)	20,808	20,808
Guided Pathways Program	269,162	224,302	493,464	493,464	-	-	-	493,464	214,884
Instruction Equipment (one time)	149,985	49,546	199,531	199,531	-	-	(118,574)	80,957	80,957
ISPIC Adv Manuf	60,000	-	60,000	-	54,678	-	-	54,678	54,678
Lottery Prop 20	475,281	107,100	582,381	297,610	360,878	-	(148,048)	510,440	434,334
Mental Health Services	57,676	-	57,676	57,676	-	-	(31,926)	25,750	25,750
NCCPA Career Pathway Alliance	-	10,512	10,512	10,512	-	-	(6,677)	3,835	1,971
Nursing Enroll Growth	210,200	-	210,200	210,200	-	-	(565)	209,635	209,634
Part Time Faculty Compensation	217,144	-	217,144	217,144	-	-	(217,144)	-	-
Prop 39 Clean Energy	-	552,010	552,010	552,010	-	-	(2,058)	549,952	549,952
Rancho Santiago Community College D	-	46,703	46,703	46,703	-	-	(46,703)	-	-
Scheduled Maintenance On Going	-	215,827	215,827	215,827	-	-	(214,212)	1,615	1,615
Student Success Completion	378,243	-	378,243	378,243	-	-	-	378,243	378,243
Student Support Service Program (SSSP)	-	4,088	4,088	4,088	-	-	-	4,088	4,088
Staff Diversity	50,000	62,427	112,427	112,427	-	-	(54,973)	57,454	57,454
Strong Workforce Program	1,609,721	1,401,453	3,011,174	3,011,174	-	-	(1,229,756)	1,781,418	1,781,418
Strong Workforce Regional Venture	879,185	1,496,174	2,375,359	403,278	545,444	-	-	948,722	948,722
Student Equity	-	871,877	871,877	871,877	-	-	-	871,877	871,877
Student Equity & Achievement Program	2,963,494	-	2,963,494	2,963,494		-	(1,182,339)	1,781,155	1,781,155
Student Hunger @ Community College	57,933	-	57,933	57,933	-	-	(49,055)	8,878	8,878
Vallejo Career Pathway Trust VCUSD	17,124	-	17,124	17,124	-	-	(13,129)	3,995	3,995
Veterans Resource Center	55,540	59,365	114,905	114,905	-	(5,728)	(55,540)	53,637	53,637
Total	$12,667,526	$6,015,084	$18,682,610	$15,789,504	$1,253,510	$ (7,630)	$(3,848,745)	$13,186,639	$12,507,853

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2019

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit **	3.03	-	3.03
2. Credit	13.13	-	13.13
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit **	-	-	-
2. Credit	3.88	-	3.88
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,675.33	-	4,675.33
(b) Daily Census Contact Hours	231.06	-	231.06
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	44.48	-	44.48
(b) Credit	185.75	-	185.75
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	929.80	-	929.80
(b) Daily Census Contact Hours	90.01	-	90.01
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	6,176.47	-	6,176.47
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	-	-	-
2. Credit	-	-	-

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, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 9,918,430	$ -	$ 9,918,430	$ 10,080,163	$ -	$ 10,080,163
Other	1300	7,450,874	-	7,450,874	7,475,178	-	7,475,178
Total Instructional Salaries		17,369,304	-	17,369,304	17,555,341	-	17,555,341
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,252,053	-	3,252,053
Other	1400	-	-	-	175,066	-	175,066
Total Noninstructional Salaries		-	-	-	3,427,119	-	3,427,119
Total Academic Salaries		17,369,304	-	17,369,304	20,982,460	-	20,982,460
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,240,321	-	8,240,321
Other	2300	-	-	-	520,605	-	520,605
Total Noninstructional Salaries		-	-	-	8,760,926	-	8,760,926
Instructional Aides							
Regular Status	2200	971,918	-	971,918	971,918	-	971,918
Other	2400	234,654	-	234,654	234,654	-	234,654
Total Instructional Aides		1,206,572	-	1,206,572	1,206,572	-	1,206,572
Total Classified Salaries		1,206,572	-	1,206,572	9,967,498	-	9,967,498
Employee Benefits	3000	6,932,723	-	6,932,723	12,315,707	-	12,315,707
Supplies and Material	4000	-	-	-	535,051	-	535,051
Other Operating Expenses	5000	333,907	-	333,907	7,494,409	-	7,494,409
Equipment Replacement	6420	-	-	-	134,936	-	134,936
Total Expenditures Prior to Exclusions		25,842,506	-	25,842,506	51,430,061	-	51,430,061

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 1,140,121	$ -	$ 1,140,121	$ 1,140,121	$ -	$ 1,140,121
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	642,539	-	642,539
Objects to Exclude							
Rents and Leases	5060		-	-	152,783	-	152,783
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay							
Library Books	6000	-	-	-	8,586	-	8,586
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	73,150	-	73,150
Equipment - Replacement	6410	-	-	-	134,936	-	134,936
Total Equipment		-	-	-	216,672	-	216,672
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,140,121	-	1,140,121	2,152,115	-	2,152,115
Total for ECS 84362, 50 Percent Law		$ 24,702,385	$ -	$ 24,702,385	$ 49,277,946	$ -	$ 49,277,946
Percent of CEE (Instructional Salary Cost/Total CEE)		50.13%		50.13%	100.00%		100.00%
50% of Current Expense of Education					$ 24,638,973		$ 24,638,973

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 5,877,904
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 5,877,904			$ 5,877,904
					-
Total Expenditures for EPA		$ 5,877,904	-	-	$ 5,877,904
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, 2019

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
June 30, 2019, Annual Financial and Budget Report (CCFS-311)				
Reported Fund Balance	$ 16,011,358	$ 3,215,560	$ 381,771	$ 36,497,995
Adjustments to Increase (Decrease) Fund Balance				
Increase in:				
Accounts receivable	286,635	1,009,602	-	-
Other	-	1,638,743	-	
Decrease in:				
Accounts receivable	(766,217)	-	-	
Other	(2,657,309)	-	(277,702)	(249,798)
Net Adjustments	(3,136,891)	2,648,345	(277,702)	(249,798)
Balance, June 30, 2019, Audited.	$ 12,874,467	$ 5,863,905	$ 104,069	$ 36,248,197

	Agency Fund	Student Financial Aid Fund	Retiree OPEB Trust Fund	Other Trust Fund
June 30, 2019, Annual Financial and Budget Report (CCFS-311)				
Reported Fund Balance	$ 144,234	$ (272,575)	$ -	$ 1,027,821
Adjustments to Increase (Decrease) Fund Balance				
Increase in:				
Accounts receivable	-	203,969	-	-
Other	198,665	160,865	4,154,020	-
Decrease in:				
Revenues	-	-	-	(357,341)
Net Adjustments	198,665	364,834	4,154,020	(357,341)
Balance, June 30, 2019, Audited.	$ 342,899	$ 92,259	$ 4,154,020	$ 670,480

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 18,738,372	
Special Revenue Funds	104,069	
Capital Project Funds	42,250,862	
Debt Service Funds	20,403,128	
Proprietary Funds	637,274	
Student Financial Aid and Scholarship Fund	92,259	
Total Fund Balance - All District Funds		**$ 82,225,964**
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	368,089,219	
Accumulated depreciation is	(87,800,923)	280,288,296
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.		917,731
Transfer between governmental and fiduciary funds are reclassified.		(517,622)
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.		16,207,829
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.		(4,165,503)
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		(1,224,104)
Deferred outflows related to OPEB: OPEB contributions subsequent to the measurement date.		123,452
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.		(6,922,134)
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	288,673,938	
Bond premiums	13,874,782	
Compensated absences	1,407,079	
OPEB liability	8,665,341	
Aggregate net pension liability	54,784,570	(367,405,710)
Total Net Position		**$ (471,801)**

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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, 2019.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 8,686,200
Pell Grant - Use of Fund Balance	84.063	73,974
Total Expenditures of Federal Awards		$ 8,760,174

Schedule of Expenditures of State Awards

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

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

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

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

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule 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

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 *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. 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 Schedule of Financial Statement Findings and Recommendations as item 2019-001 to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Solano Community College District's Responses to Findings

The District's responses to the 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 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.

Eide Bailly LLP

San Ramon, California
December 27, 2019

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, 2019. 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.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

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

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

Eide Bailly LLP

San Ramon, California
December 27, 2019

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 2018-2019 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, 2019.

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 2018-2019 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.

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Unmodified Opinion

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, 2019.

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 Activities Funded From Other Sources
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 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
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 Apportionment for Activities Funded From Other Sources and To Be Arranged Hours (TBA); therefore, the compliance tests within these sections were not applicable. The District did not participate in the Apprenticeship Related and Supplemental Instruction (RSI) Funds, therefore, the compliance tests within these sections were not applicable.

Eide Bailly LLP

San Ramon, California
December 27, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOLANO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2019

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*.

2019-001 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*
Below are various items noted during the audit. Material adjustments and reconciliations were required to conform to the BAM and GAAP:

- Certain accounts receivable related to federal and state programs were not properly accrued.
- Beginning fund balances by fund were not properly carried forward, resulting in corrections in the beginning fund balances.
- Several payroll related account balances contained large debit and credit balances which have not been reconciled for more than a year.
- There were many errors noted in the initial prepared federal and state categorical schedules. Program revenues, expenditures, and related balances were not properly reconciled at the end of the fiscal year.
- Capital assets were not properly accounted for and a depreciation schedule was not maintained in order to properly value the District's long-term assets.
- Individual funds were out of balance.

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 fund accounts and balances subject to the reconciliation process. The net impact to the individual funds is included on page 82 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 financial transactions recording and reporting appear not to be operating effectively.

Recommendation
The District should provide training to individuals involved in the financial reporting process. The closing process should ensure that all accruals are complete and funds are balanced. In addition, capital asset and depreciation schedule should be maintained and updated annually to properly value the district's long-term assets.

Corrective Action Plan
Management became aware of these issues in 2018-19 and has been working diligently to correct them.

Fund balance and other account errors - Substantial accounting errors occurred in prior years. These were the result of various errors in a number of asset and liability accounts. These errors had not been detected by prior management or auditors. Prior to the beginning of the audit, but after year-end, management corrected many funds and identified the required entries to correct the remaining funds.

Capital assets - The District's records for property, plant, and equipment have not been properly maintained for many years, resulting in errors in assets balances and depreciation. These errors had not been detected by prior management or auditors. Prior to the audit, management evaluated recordkeeping and counted all equipment. This resulted in the deletion of equipment held on the books, but retired in prior years. The District continues to evaluate and correct records for property, plant, and equipment. The District is currently evaluating records for land and buildings and will implement depreciation calculations for all depreciable assets.

Federal and state schedules – The District acknowledges errors in the state and federal categorical schedules. The errors were due to misunderstandings of the requirements of the schedules.

Staff training – Management began a vigorous training of staff in 2018-19. Additional training is required and being provided.

<u>Prior Year Finding 2018-001</u>
Some of the items noted in the prior audit have been implemented. Bank reconciliations, almost ten years behind, have been completed and are now completed timely. Prior years have been closed and the District has implemented a practice of timely year-end closing. The District District's efforts on the remaining elements of this fining are noted in management's response to current year finding 2019-001.

<u>Prior Year Finding 2018-002</u>
In Spring, 2019, for the 2017-18 audit, the District completed the SEFA and SESA for the first time, with substantial assistance from the audit manager. The District's current year effort for the 2018-19 SESA and SEFA showed improvement, with some required assistance from the audit partner. District staff anticipate no findings related to SESA and SEFA preparation in 2019-20.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

2018-001 Financial Reporting

Finding – *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".

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.

Current Status
Not implemented, see current year finding 2019-001.

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

Finding – *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.

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.

Current Status
Not implemented, see current year finding 2019-001.

2018-003 Capital Asset Reporting

Finding – *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.

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.

Current Status
Not implemented, see current year finding 2019-001.

2018-004 Compensated Absences

Finding – *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.

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

Current Status
Implemented.

Federal Awards Findings

2018-005 Finding – Return to Title IV

Finding – *Significant Deficiency*
The District's portion of the Return to Title IV funds was not returned within the 45 days requirement.

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.

Current Status
Implemented**.**

2018-006 Finding – Common Origination and Disbursement (COD) System

Finding – *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.

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

Current Status
Implemented.

State Award Findings

2018-007 Finding – Non CCAP Dual Enrollment

Finding – *Significant Deficiency*
A students' documentation from the K-12 District that the students could benefit from advanced scholastic or vocational work was unable to be located.

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.

Current Status
Implemented.

2018-008 Finding – Residency Determination for Credit Courses

Finding – *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.

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.

Current Status
Implemented.

2018-009 Finding – Open Enrollment

Finding – *Significant Deficiency*
The District does not have the open enrollment policy stated in the schedule for classes.

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

Current Status
Implemented.

2018-010 Finding – Gann Limit

Finding – *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 16-17P2. The GANN showed 579.69 FTES less than what was reported on the 17-18 P2.

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

Current Status
Implemented.