Financial Statements
June 30, 2020

Solano Community College District

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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, 2020, 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 misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, 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 and other required supplementary schedules 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 Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, 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 solely 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 effectiveness of the District's 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
March 26, 2021

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, 2020. 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, 2020. 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.

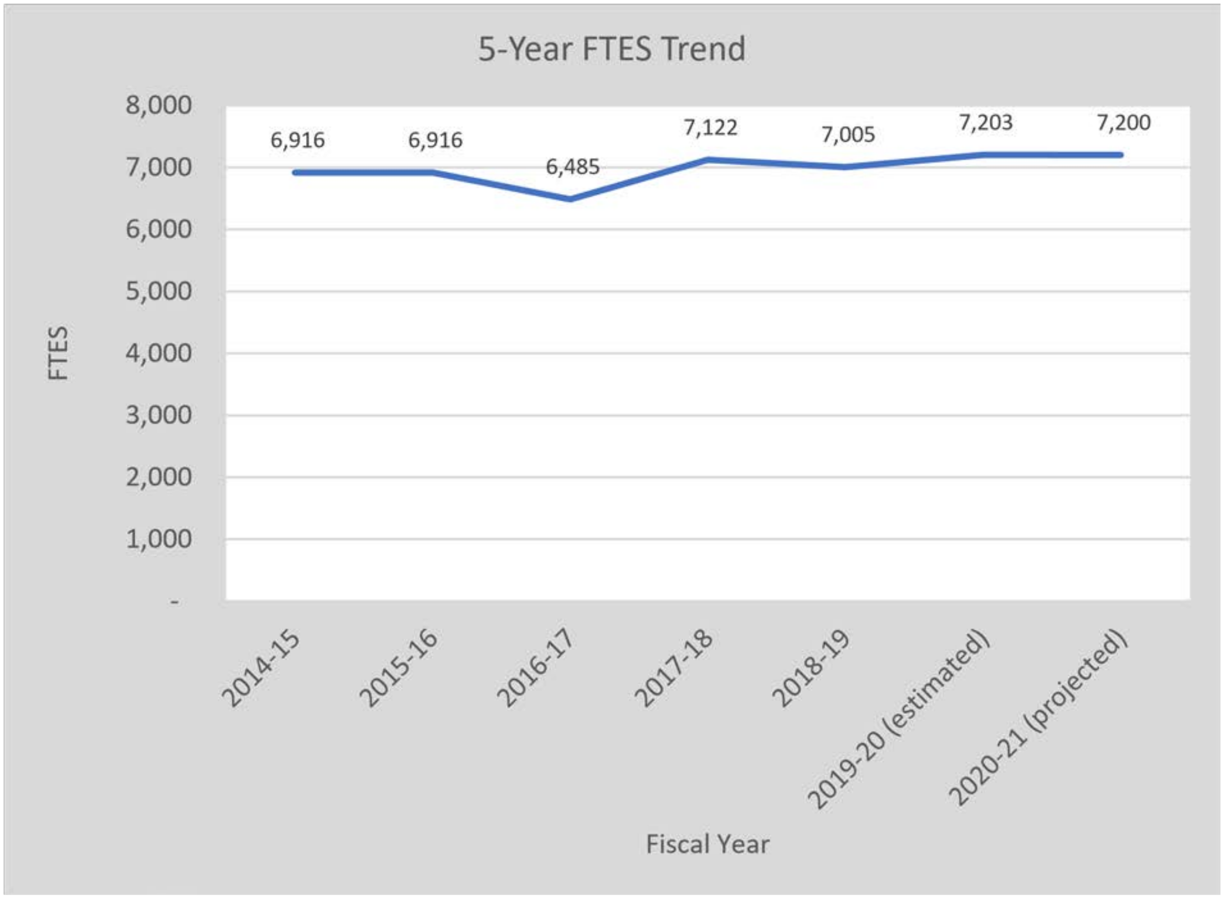
Overview of the Financial Statements

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 liabilities. 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

Solano is a "Hold Harmless" district under the Student-Centered Funding Formula (SCFF), During the hold-harmless period, District revenues are protected from declines in the SCFF metrics. The Governor's "May Revise" proposed to extend the hold harmless period an additional two years, through 2023-24. Assuming no change in SCFF metrics, beginning in 2023-24 District revenues will be affected by changes in enrollments. The District has experienced several years of stable enrollments.



FINANCIAL HIGHLIGHTS

The District ended 2019-20 with a healthy fund balance reserve, adequate cash reserves, and a Moody's credit rating of Aa2. In the Spring of 2020, California and the nation experienced the beginning of a pandemic from a Corona Virus, COVID-19. To protect public health, Solano County and State health authorities issued shelter-in-place orders. The shelter-in-place orders appear to have reduced the incidence of the virus, but the shelter-in-place orders significantly impacted economic activity. The three primary sources of taxes in California (Personal Income tax, Sales Tax, and Corporate Tax) have declined dramatically, impacting both 2019-20 results and the 2020-21 budget. However, economic activity expanded sooner and fast than expected, generating larger than expected capital gains taxes. While 2020-21 began with an impaired budget forecast, the increased capital

THE DISTRICT AS A WHOLE

Net Position

Table 1

	2020	2019	Change
Assets			
Current Assets			
Cash and investments	$ 27,279,456	$ 27,378,581	$ (99,125)
Restricted cash equivalents and investments	45,616,873	63,177,419	(17,560,546)
Accounts receivable (net)	6,119,397	5,795,683	323,714
Prepaid expenses and other current assets	223,143	18,971	204,172
Total current assets	79,238,869	96,370,654	(17,131,785)
Noncurrent Assets			
Capital assets (net)	293,038,567	280,288,296	12,750,271
Total assets	$ 372,277,436	$ 376,658,950	$ (4,381,514)
Deferred Outflows of Resources	$ 14,931,213	$ 17,249,012	$ (2,317,799)
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ 9,501,807	$ 12,427,498	$ (2,925,691)
Unearned revenue	10,106,829	6,400,317	3,706,512
Deferred bond premium	1,273,216	1,305,936	(32,720)
Long-term liabilities due within one year	11,725,000	12,090,000	(365,000)
Total current liabilities	32,606,852	32,223,751	383,101
Long-term liabilities	356,375,044	354,009,774	2,365,270
Total liabilities	$ 388,981,896	$ 386,233,525	$ 2,748,371
Deferred Inflows of Resources	$ 9,508,496	$ 8,146,238	$ 1,362,258
Net Position			
Net investment in capital assets	19,050,797	25,082,278	(6,031,481)
Restricted	19,806,863	25,368,808	(5,561,945)
Unrestricted deficit	(50,139,403)	(50,922,887)	783,484
Total Net Position	$ (11,281,743)	$ (471,801)	$ (10,809,942)

Assets

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

Cash equivalents and investments decreased by approximately $17.7 million due principally to the spending down of the bond program. Restricted cash equivalents and investments includes amounts restricted for debt service.

Receivables and prepaid expenses were similar to prior year.

Capital assets increased by approximately $12.7 million due expenditures on new project net of depreciation expense.

Liabilities

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

Accounts payable and accrued liabilities decreased by approximately $2.9 million primarily due to timing in construction activities and therefore payments due to vendors at year end.

Unearned revenue increased by approximately $3.7 million primarily due to unspent grant funds.

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

General obligation bonds and lease revenue bonds increased by approximately $2.7 million primarily due to issuance of new bonds net of paying down the principle.

The aggregate net pension liability increased $0.6 million, which along with deferred inflows and outflows related to pensions, and the unfunded other post-employment benefits of $8.5 million, contributes to the negative unrestricted net position of $50.1 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*.

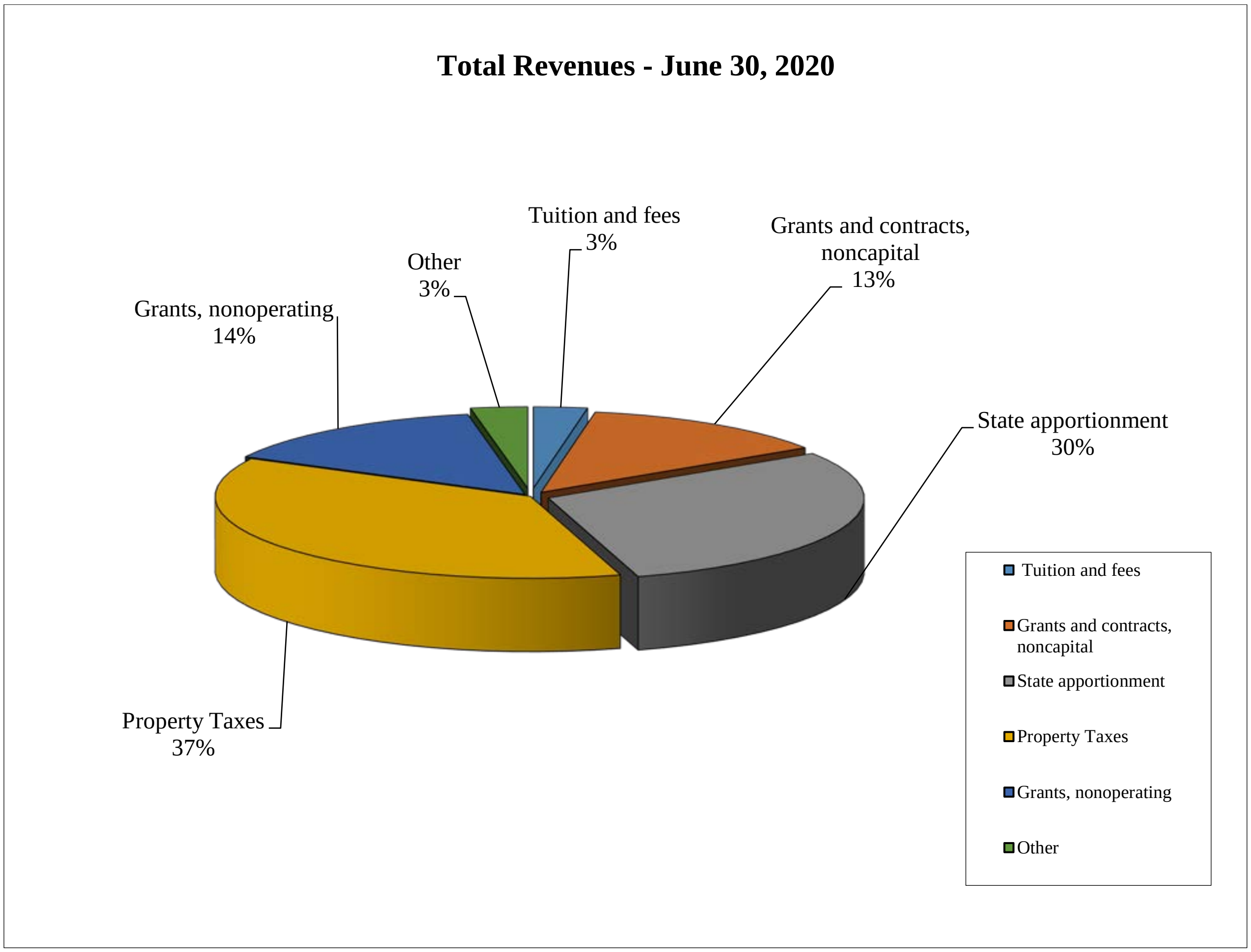
Table 2

	2020	2019	Change
Operating Revenues			
Tuition and fees	$ 2,559,274	$ 4,196,855	$ (1,637,581)
Grants and contracts, noncapital	12,094,704	12,621,935	(527,231)
Total operating revenues	14,653,978	16,818,790	(2,164,812)
Operating Expenses			
Salaries	36,474,127	36,131,833	342,294
Employee benefits	21,827,834	16,716,018	5,111,816
Supplies, materials, other operating expenses and services	21,432,396	58,179,874	(36,747,478)
Depreciation	8,725,822	8,830,004	(104,182)
Total operating expenses	88,460,179	119,857,729	(31,397,550)
Operating loss	(73,806,201)	(103,038,939)	29,232,738
Nonoperating Revenues			
State apportionments, noncapital	27,515,574	26,821,625	693,949
Local property taxes	34,567,784	37,177,766	(2,609,982)
Federal grants	8,014,746	7,408,220	606,526
State grants	858,073	3,960,443	(3,102,370)
Local grants and other	4,531,594	9,617,031	(5,085,437)
State taxes and other revenues	1,277,704	2,254,818	(977,114)
Investment income	1,226,818	1,677,603	(450,785)
Interest expense on capital asset-related debt	(16,197,681)	(12,130,355)	(4,067,326)
Other nonoperating revenues (expenses)	198,115	(37,445)	235,560
Total nonoperating revenues (expenses)	61,992,727	76,749,706	(14,756,979)
Loss Before Capital Revenues	(11,813,474)	(26,289,233)	14,475,759
Capital Revenues			
State and local capital income	1,003,532	-	1,003,532
Increase (Decrease) in Net Position	(10,809,942)	(26,289,233)	15,479,291
Net Position, Beginning of Year	(471,801)	25,817,432	(26,289,233)
Net Position, End of Year	$ (11,281,743)	$ (471,801)	$ (10,809,942)

Significant revenue changes between 2019 and 2020 include:

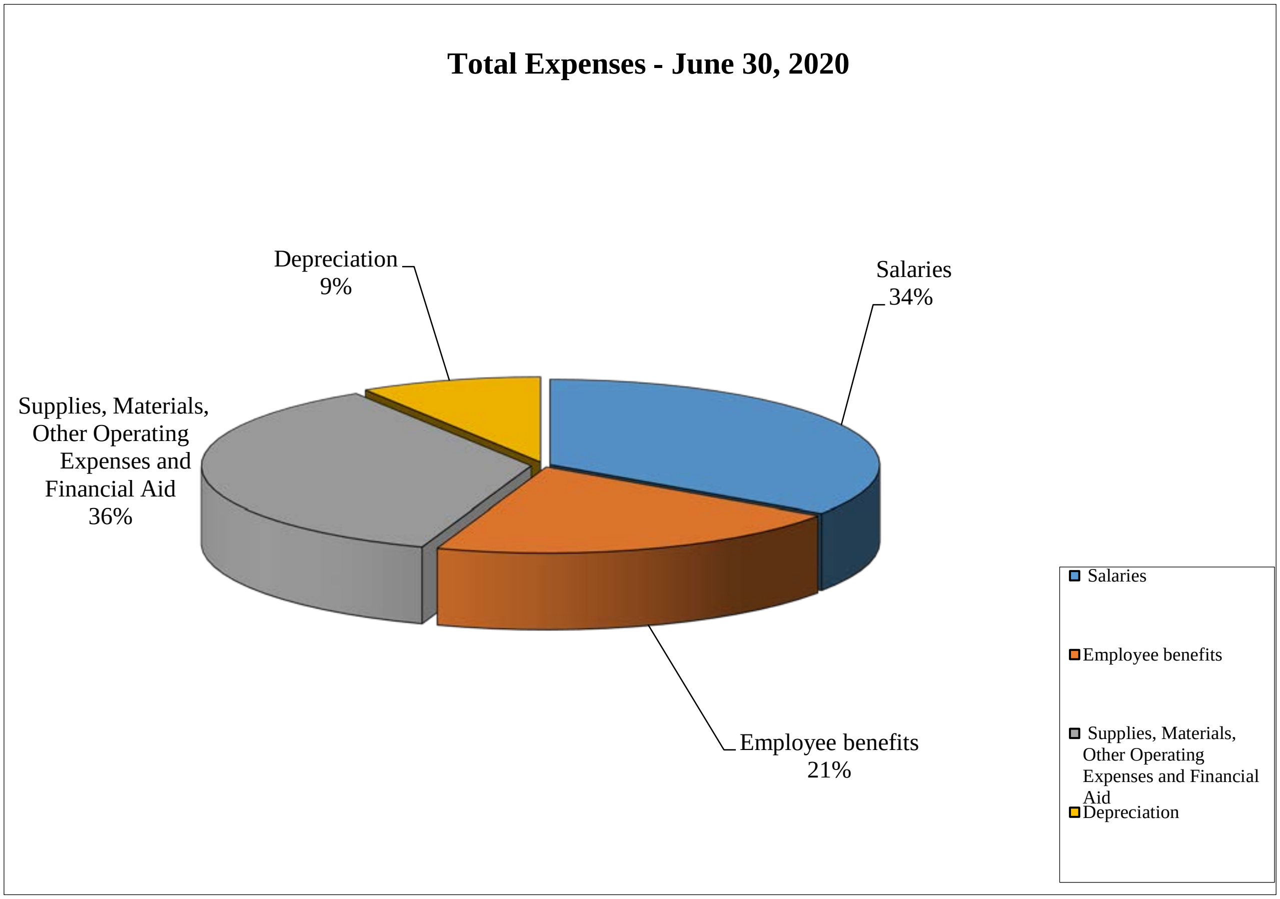
Property taxes decreased approximately $2.6 million and a decrease in local grants of approximately $5.1 million

Year ended June 30, 2020:



Significant expenditure variances include:

Supplies, services, and other operating expenditures decreased primarily due to less improvements under the district's capitalization threshold and the closure of the district during the pandemic.



Changes in Cash Position

Table 4

	2020	2019	Change
Cash Provided by (Used in)			
Operating activities	$ (49,829,690)	$ (91,437,859)	$ 41,608,169
Noncapital financing activities	56,275,042	58,664,746	(2,389,704)
Capital financing activities	(25,511,202)	(6,823,112)	(18,688,090)
Investing activities	1,406,179	1,677,603	(271,424)
Net Increase (Decrease) in Cash	(17,659,671)	(37,918,622)	20,258,951
Cash, Beginning of Year	90,556,000	128,474,622	(37,918,622)
Cash, End of Year	$ 72,896,329	$ 90,556,000	$ (17,659,671)

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

Note 7 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

Table 5

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Land and construction in progress	$ 45,082,841	$ 14,248,600	$ 1,823,072	$ 57,508,369
Buildings and improvements	287,787,584	7,036,035	-	294,823,619
Equipment and furniture	35,218,794	2,014,530	843,398	36,389,926
Subtotal	368,089,219	23,299,165	2,666,470	388,721,914
Accumulated depreciation	87,800,923	8,725,822	843,398	95,683,347
	$ 280,288,296	$ 14,573,343	$ 1,823,072	$ 293,038,567

The capital assets increased approximately $12.1 million primarily due to ongoing capital projects net of normal depreciation for the year

Long Term Liabilities

Long-term liabilities includes general obligation bonds outstanding, employee compensated absences, pension and retirement obligations. General obligation bonds outstanding increased $2.7 million during 2019-20 primarily due to issuance of refunding bonds net of 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 increased approximately $0.6 million.

Note 11 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

Table 6

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
General obligation bonds and deferred premiums	$ 302,548,720	$ 115,422,701	$ 114,043,937	$ 303,927,484
Compensated absences	1,407,079	151,347	-	1,558,426
OPEB aggregate net	8,665,341	225,523	421,567	8,469,297
Aggregate net pension liability	54,784,570	1,440,802	807,319	55,418,053
Total long-term liabilities	$ 367,405,710	$ 117,240,373	$ 115,272,823	$ 369,373,260
Amount due within one year				$ 12,998,216

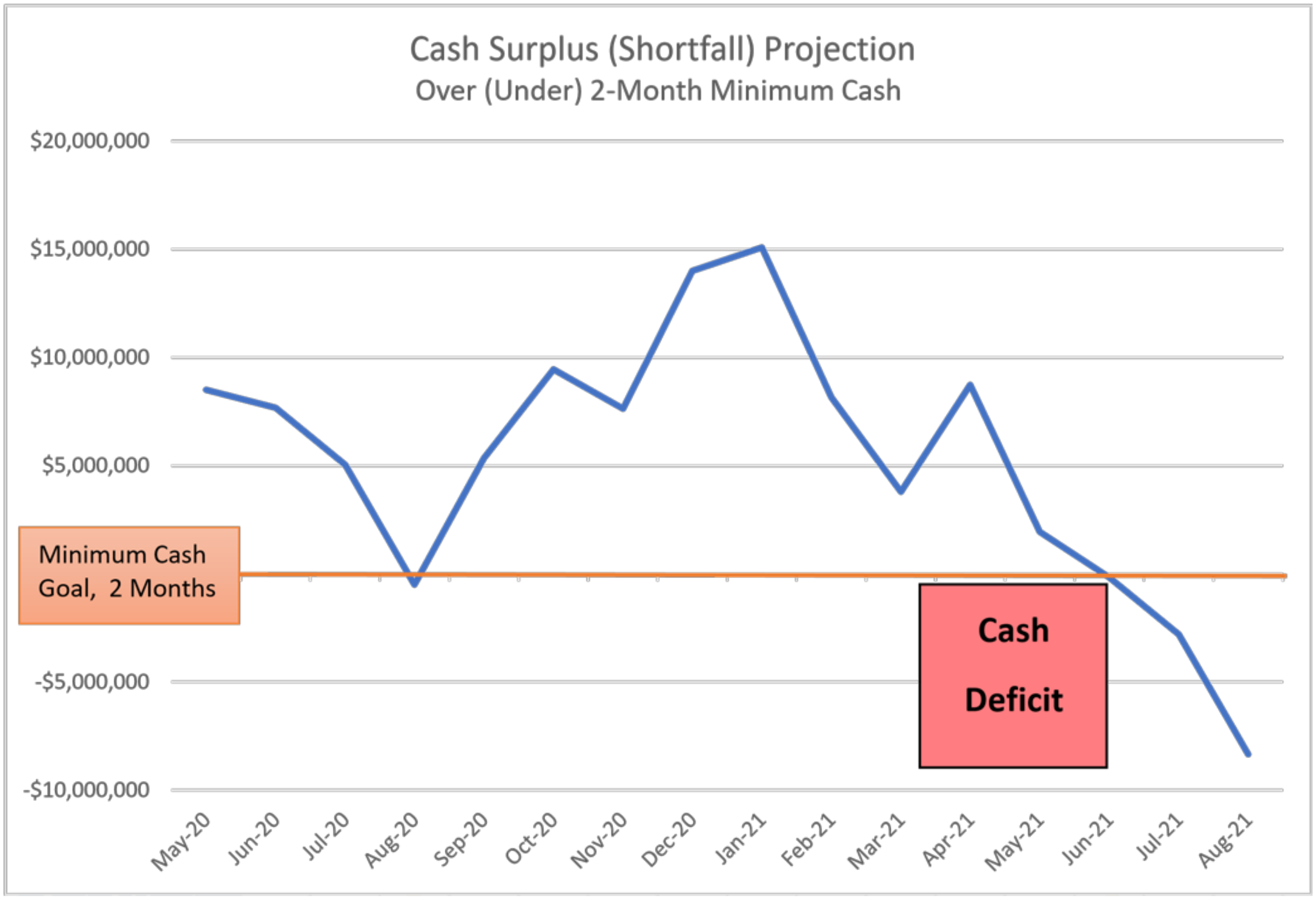
NET PENSION LIABILITY (NPL)

At year end, the District has a net pension liability of $55.4 million versus $54.8 million last year, an increase of $0.6 million or 1 percent**.**

BUDGETARY HIGHLIGHTS

Budget Overview

The 2020-21 State budget promised revenues similar to the prior year, but then "deferred" part of the cash payments to a later fiscal years. During prior recessions, these payments were delayed by several years. The amount of cash deferred for Solano is projected to be between $9 million and $12 million during 2020-21. This required the District to draw down its own cash to support the 2020-21 budget, while constraining expenditures. The District begins this deferral with a strong cash balance, but not sufficient to fully cover these cash deferrals. As a result, the District is may need to borrow to cover payroll and other expenditures for parts of 2020-21 and 2021-22. The amount and duration of borrowing will be dependent on when the State repays these deferred revenues. The District wants to retain a prudent cash balance at the end of each month that would cover cash outlays for the two following months. The chart below presents the projected cash balance above or below a two-month minimum balance:



Options to Address Cash Shortfall – To address the cash shortfall, Solano is taking the following steps:

- Present efforts:
  - The District did not contribute the planned $320,000 to the Retiree Medical / Other Post-Employment Benefits Trust in 2019-20.
  - The 2020-21 budget makes no provision for a contribution to the Retiree Medical / Other Post-Employment Benefits Trust in 2020-21.
  - All expenditures are being constrained.
- Available alternatives to address the cash shortfall in Spring/Summer 2021 and beyond include
  - Borrow from Solano County in what is commonly called "dry period financing"
  - Withdraw funds from the Other Post-Employment Benefits Trust (retiree health benefits)
  - Issue Tax Revenue Anticipation Notes (TRANS), a debt issuance tools used by governments for short-term borrowing from investors
  - Reduce expenditures further.

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.

Assets	
Current Assets	
Cash, cash equivalents, and investments	$ 27,279,456
Restricted cash, cash equivalents, and investments	45,616,873
Accounts receivable, net	6,119,397
Prepaid expenses and other	223,143
Total current assets	79,238,869
Noncurrent Assets	
Nondepreciable capital assets	57,508,369
Depreciable capital assets, net of depreciation	235,530,198
Total noncurrent assets	293,038,567
Total assets	372,277,436
Deferred Outflows of Resources	
Deferred charge on refunding	834,301
Deferred outflows of resources related to pensions	14,096,912
Total deferred outflows of resources	14,931,213
Current Liabilities	
Accounts payable	6,340,789
Interest payable	3,161,018
Unearned revenue	10,106,829
Deferred bond premium - current portion	1,273,216
General obligation bonds payable - current portion	11,725,000
Total current liabilities	32,606,852
Noncurrent Liabilities	
Compensated absences payable	1,558,426
Net OPEB liability	8,469,297
General obligation bonds payable - noncurrent portion	279,600,918
Deferred bond premium - noncurrent portion	11,328,350
Aggregate net pension liability	55,418,053
Total noncurrent liabilities	356,375,044
Total liabilities	388,981,896
Deferred Inflows of Resources	
Deferred charge on refunding	979,283
Deferred inflows of resources related to pensions	6,395,771
Deferred inflows of resources related to OPEB	2,133,442
Total deferred inflows of resources	9,508,496
Net Position	
Net investment in capital assets	19,050,797
Restricted for:	
Debt service	18,742,570
Educational programs	931,198
Other activities	133,095
Unrestricted deficit	(50,139,403)
Total Net Position (Deficit)	$ (11,281,743)

Operating Revenues	
Student Tuition and Fees	$ 6,378,081
Less: Scholarship discount and allowance	(3,818,807)
Net tuition and fees	2,559,274
Grants and Contracts, Noncapital	
Federal	739,423
State	11,355,281
Net grants and contracts, noncapital	12,094,704
Total operating revenues	14,653,978
Operating Expenses	
Salaries	36,474,127
Employee benefits	21,827,834
Supplies, materials, and other operating expenses	17,214,515
Equipment, maintenance, and repairs	4,217,881
Depreciation	8,725,822
Total operating expenses	88,460,179
Operating Loss	(73,806,201)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	27,515,574
Local property taxes, levied for general purposes	16,391,504
Taxes levied for other specific purposes	18,176,280
Federal financial aid grants, noncapital	8,014,746
State financial aid grants, noncapital	858,073
Local grants and other revenues	4,531,594
State taxes and other revenues	1,277,704
Investment income	1,226,818
Interest expense on capital related debt	(16,197,681)
Investment income on capital asset-related debt, net	198,115
Total nonoperating revenues (expenses)	61,992,727
Loss before other revenues	(11,813,474)
Other revenues and expenses	
State revenues, capital	945,460
Local revenues, capital	58,072
Total other revenues	1,003,532
Change in Net Position	(10,809,942)
Net Position, Beginning of Year	(471,801)
Net Position, End of Year	$ (11,281,743)

Cash Flows from Operating Activities	
Tuition and fees	$ 3,357,881
Grants and contracts	16,290,655
Payments to vendors for supplies and services	(20,578,148)
Payments to or on behalf of employees	(48,900,078)
Net cash flows used for operating activities	(49,829,690)
Cash Flows from Noncapital Financing Activities	
State apportionments	27,341,344
Federal and State financial aid grants	8,014,722
Property taxes - nondebt related	16,391,504
State taxes and other apportionments	4,630,614
Other nonoperating	(113,142)
Net cash flows from noncapital financing activities	56,265,042
Cash Flows from Capital Financing Activities	
Acquisition and construction of capital assets	(28,867,612)
State revenue, capital projects	945,460
Local revenue, capital projects	58,072
Property taxes - related to capital debt	18,176,280
Principal paid on capital debt	(1,393,937)
Interest paid on capital debt	(14,429,465)
Net cash flows used for capital financing activities	(25,511,202)
Cash Flows from Investing Activities	
Interest received from investments	1,406,179
Net Change in Cash and Cash Equivalents	(17,669,671)
Cash and Cash Equivalents, Beginning of Year	90,566,000
Cash and Cash Equivalents, End of Year	$ 72,896,329

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (73,806,201)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation	8,725,822
Changes in Assets and Liabilities:	
Receivables	1,279,082
Prepaid expenses	(204,172)
Accounts payable and accrued liabilities	6,425,947
Unearned revenue	3,706,512
Aggregate net OPEB liability	(421,567)
Compensated absences	151,347
Aggregate net pension liability	633,483
Change in deferred outflows	2,317,799
Change in deferred inflows	1,362,258
Total Adjustments	23,976,511
Net Cash Flows Used For Operating Activities	$ (49,829,690)
Cash and Cash Equivalents Consist of the Following	
Cash in banks	$ 6,402,663
Cash equivalents, County Cash	66,493,666
Total Cash and Cash Equivalents	$ 72,896,329
Non Cash Transactions	
Amortization of deferred charges	$ 83,430
Amortization of debt premiums	$ 1,273,216

	Retiree OPEB Trust	Other Trust	Agency Funds
Assets			
Cash and cash equivalents	$ -	$ 4,774,499	$ 133,931
Investments	4,667,390	-	-
Total assets	4,667,390	4,774,499	$ 133,931
Liabilities			
Accounts payable	-	12,899	-
Unearned revenue	-	13,228	-
Due to student groups	-	-	133,931
Total liabilities	-	26,127	$ 133,931
Net Position			
Restricted for postemployment benefits	4,667,390	-	
Unrestricted	-	4,748,372	
Total net position	$ 4,667,390	$ 4,748,372	

	Retiree OPEB Trust	Other Trust
Additions		
Local revenues	$ 513,370	$ 4,101,995
Deductions		
Services and operating expenditures	-	24,103
Change in Net Position	513,370	4,077,892
Net Position - Beginning	4,154,020	670,480
Net Position - Ending	$ 4,667,390	$ 4,748,372

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 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, No. 39, and No. 61. 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 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, No. 39, and No. 61. 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 cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

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 $4,327,261 for the year ended June 30, 2020.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

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 acquisition 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 Liabilities

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

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 government-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.

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 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.

Debt Issuance Costs, Premiums and Discounts

Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense 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. The deferred charges on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension related items relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension related changes.

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 OPEB items.

Pensions

For purposes of measuring the net pension liability, 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. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows, inflows of resources related to TOPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenue arises when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the 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, compensated absences, the aggregate net OPEB liability, and the aggregate pension liability, with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment of capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the 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 net position is available.

The government-wide financial statements report $19,806,863 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 May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

Statement No. 83, *Certain Asset Retirement Obligations*
Statement No. 84, *Fiduciary Activities*
Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
Statement No. 90, *Majority Equity Interests*
Statement No. 91, *Conduit Debt Obligations*
Statement No. 92, *Omnibus 2020*
Statement No. 93, *Replacement of Interbank Offered Rates*
Implementation Guide No. 2017-3*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:
Statement No. 87, *Leases*
Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented this standard as of June 30, 2020.

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, 2019 due to the implementation of GASB Statements No. 95 previously discussed. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 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. The effects of this change on the District's financial statements have not yet been determined.

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. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68 as amended, and No. 74,Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

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 – In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. 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, 2020, are classified in the accompanying financial statements as follows:

Primary government activities	$ 72,896,329
Fiduciary funds	9,575,820
Total Deposits and Investments	$ 82,472,149

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 5,891,351
Cash in revolving	554,589
Investments	76,026,209
Total Deposits and Investments	$ 82,472,149

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 rate. 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	$ 71,358,819	0.916667 years
Retirement Plan Master Trust	4,667,390	Less than one year
Total	$ 76,026,209	

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, 2020

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End Unrated
County Investment Pool	$ 71,358,819	$ 71,358,819	$ 71,358,819
Retirement Plan Master Trust	4,667,390	4,667,390	4,667,390
Total	$ 76,026,209	$ 76,026,209	$ 76,026,209

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 and Investments

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 for deposits. 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, 2020, approximately $6.2 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

This is the risk that, in the event of failure of the counterparty, The District will not be able to recover the value of its investments or collateral securities that are in possession of any outside party. As of June 30, 2020, the District's investment balance of $4,667,930 was exposed to custodial credit risk because it was uninsured, unregistered, and held by the brokerage firm which is also the counterparty for those securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

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.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Uncategorized
County Investment Pool	$ 71,358,819	$ 71,358,819
Retirement Plan Master Trust	4,667,390	4,667,390
Total	$ 76,026,209	$ 76,026,209

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2020, for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

	Primary Government
Federal Government	
Categorical aid	$ 148,648
State Government	
Apportionment	174,230
Categorical aid	1,059,552
Other State sources	2,166,854
Local Sources	
Interest	18,754
Student receivables, net	2,551,359
Total	$ 6,119,397
Student receivables	$ 6,878,620
Less allowance for bad debt	(4,327,261)
Student receivables, net	$ 2,551,359

Note 6 - Prepaid Expenses and Other Assets

The District paid facility rent and workers compensation insurance prior to June 30, 2020.

Note 7 - Capital Assets

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions / Adjustments	Deductions / Adjustments	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	$ 21,663,979	$ -	$ -	$ 21,663,979
Construction in progress	23,418,862	14,248,600	1,823,072	35,844,390
Total capital assets not being depreciated	45,082,841	14,248,600	1,823,072	57,508,369
Capital Assets Being Depreciated				
Land improvements	11,832,827	-	-	11,832,827
Buildings	232,503,514	-	-	232,503,514
Building improvements	43,451,243	7,036,035	-	50,487,278
Furniture and equipment	35,218,794	2,014,530	843,398	36,389,926
Total capital assets being depreciated	323,006,378	9,050,565	843,398	331,213,545
Total capital assets	368,089,219	23,299,165	2,666,470	388,721,914
Less Accumulated Depreciation				
Land improvements	6,527,631	319,657	-	6,847,288
Buildings	51,081,114	6,280,942	-	57,362,056
Building improvements	12,717,725	1,173,809	-	13,891,534
Furniture and equipment	17,474,453	951,414	843,398	17,582,469
Total accumulated depreciation	87,800,923	8,725,822	843,398	95,683,347
Net capital assets being depreciated	235,205,455	324,743	-	235,530,198
Net Capital Assets	$ 280,288,296	$ 14,573,343	$ 1,823,072	$ 293,038,567

Depreciation expense for the year was $9,395,986.

Note 8 - Accounts Payable

Accounts payable at June 30, 2020, for the District consisted of the following:

	Primary Government
Accrued payroll and related liabilities	$ 2,050,587
Construction projects	2,952,325
Categorical aid	166,451
Vendor payables	1,171,426
Total	$ 6,340,789

Fiduciary Funds

	Fiduciary Funds
Scholarship (unapplied)	$ 12,899

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2020 consisted of the following:

	Primary Government
Federal financial assistance	$ 30,615
State categorical aid	1,726,582
Enrollment fees	2,951,975
Other local	5,397,657
Total	$ 10,106,829

Fiduciary Funds

	Fiduciary Funds
Other local	$ 13,228

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. As of June 30, 2020, there were no amounts owed between the primary government and the fiduciary funds.

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 within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the year ended June 30, 2020, there were no transfers between the primary government and the fiduciary funds.

Note 11 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the June 30, 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions/ Accretion	Deductions	Balance June 30, 2020	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 288,673,938	$ 115,422,701	$ 112,770,721	$ 291,325,918	$ 11,725,000
Bond premiums	13,874,782	-	1,273,216	12,601,566	1,273,216
Total bonds payable	302,548,720	115,422,701	114,043,937	303,927,484	12,998,216
Other Liabilities					
Compensated absences	1,407,079	151,347	-	1,558,426	-
Total long-term liabilities	$ 302,548,720	$ 115,422,701	$ 114,043,937	$ 303,927,484	$ 12,998,216

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The capital leases are paid by the general fund. The compensated absences will be paid by the fund for which the employee worked.

Bonded Debt General Obligation 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 A and Series B outstanding term bonds with a remaining obligation of $100,680,721. The redemption date of the bonds is August 1, 2023. After payment of issuance and related costs of $720,654, the net proceeds of the bond sale were $111.929,346, 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, with an estimated savings of approximately $20,000,000. 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.

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.

In November 2019, the District issued $112,650,000 of General Obligation Refunding Bonds with interest rates ranging from 3.094 percent to 3.194 percent to advance refund a portion of the 2012 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.

The outstanding general obligation bonded debt was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Issued / Accreted	Redeemed	Bonds Outstanding June 30, 2020
2002 Election								
Mar-05	8/1/2022	3.0%-5.0%	$ 81,349,812	$ 8,004,825	$ -	$ 989,395	$ -	$ 8,994,220
Mar-14	8/1/2023	4.0%-5.0%	10,645,000	9,560,000	-	-	455,000	9,105,000
Mar-14	8/1/2022	0.462%-3.504%	41,165,000	20,955,000	-	-	7,125,000	13,830,000
Sep-15	8/1/2031	2.0%-5.0%	47,677,452	52,467,304	-	1,597,676	-	54,064,980
Subtotal				90,987,129	-	2,587,071	7,580,000	85,994,200
2012 Election								
Jun-13	8/1/2047	2.0%-5.49%	89,996,899	81,611,809	-	185,630	72,695,721	9,101,718
Jun-13	8/1/2040	2.8%-5.5%	30,000,000	30,000,000	-	-	28,295,000	1,705,000
Apr-17	8/1/2038	2.0%-5.25%	90,000,000	86,075,000	-	-	4,200,000	81,875,000
Nov-19	8/1/2047	3.094%-3.194%	112,650,000	-	112,650,000	-	-	112,650,000
Subtotal				197,686,809	112,650,000	185,630	105,190,721	205,331,718
				$ 288,673,938	$112,650,000	$ 2,772,701	$ 112,770,721	$ 291,325,918

Debt Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 11,725,000	$ 7,476,610	$ 19,201,610
2022	4,714,560	8,306,763	13,021,323
2023	5,240,252	8,175,739	13,415,991
2024	10,060,000	9,147,038	19,207,038
2025	5,668,306	10,015,254	15,683,560
2026-2030	37,995,691	44,294,261	82,289,952
2031-2035	40,008,455	33,191,342	73,199,797
2036-2040	42,725,763	26,208,645	68,934,408
2041-2045	69,652,670	17,116,588	86,769,258
2046-2048	51,985,000	3,324,214	55,309,214
Total	279,775,697	$ 167,256,454	$ 447,032,151
Accretions to date	11,550,221		
Total	$ 291,325,918		

Compensated Absences

At June 30, 2020, the liability for compensated absences was $1,558,426.

Note 12 - Aggregate Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 8,243,774	$ 2,133,442	$ 548,120
Medicare Premium Payment (MPP) Program	225,523	-	1,403
Total	$ 8,469,297	$ 2,133,442	$ 549,523

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 Board, which consists of seven locally elected Plan members. Management of the trustee assets is vested with the Retiree Health Benefit Funding Program Joint Powers Agency.

Plan Membership At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	110
Active employees	327
	437

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

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. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits are based on the availability of funds. For fiscal year 2019/2020, the District contributed $1,131,324 to the Plan all of which was used for current premiums with no additional contributions to the JPA Investment Trust.

Investment

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 District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

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, 2020, the rate of return on investments, net of investment expense, was 6% percent.

Net OPEB Liability of the District

The District's net OPEB liability of $8,243,774 was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	$ 12,911,164
Plan fiduciary net position	(4,667,390)
District's net OPEB liability	$ 8,243,774
Plan fiduciary net position as a percentage of the total OPEB liability	36%

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following 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, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
US Large Cap	7.8%
US Small Cap	7.8%
All foreign stock	7.8%
Other Fixed Income	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 the 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 OPEB payments for current active and inactive employees. 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, 2019	$ 12,739,722	$ 4,154,020	$ 8,585,702
Service cost	555,653	-	555,653
Interest	747,113	-	747,113
Employer Contributions to Trust	-	320,000	(320,000)
Employer Contributions as Benefit Payments	-	1,131,324	(1,131,324)
Expected investment income	-	258,642	(258,642)
Investment Gains/Losses	-	(58,636)	58,636
Benefit payments	(1,131,324)	(1,131,324)	-
Administrative expense	-	(6,636)	6,636
Net change in total OPEB liability	171,442	513,370	(341,928)
Balance at June 30, 2020	$ 12,911,164	$ 4,667,390	$ 8,243,774

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%)	$ 9,328,520
Current discount rate (6%)	8,243,774
1% increase (7%)	7,307,376

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%)	$ 7,169,345
Current healthcare cost trend rate (4%)	8,243,774
1% increase (5%)	9,469,467

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of $548,120.

At June 30, 2020, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,005,735
Changes of assumptions	1,127,707
Total	$ 2,133,442

The deferred inflows of resources related to the difference between expected and actual earnings on pension plan investments will be amortized over a six-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred (Inflows) of Resources
2021	$ 502,640
2022	502,638
2023	494,106
2024	366,989
2025	190,765
Thereafter	76,304
Total	$ 2,133,442

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, 2019 annual actuarial valuation report, Medicare Premium Payment 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 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.

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, 2020, the District reported a liability of $225,523 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 and June 30, 2018, was 0.0606 percent and 0.0593, respectively, resulting in an net increase in the proportionate share of 0.0013 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $1,403.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
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	3.50%	3.87%
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, 2018, 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.

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 380 or an average 0.23 percent of the potentially eligible population 165,422.

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, 2019, 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, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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 OPEB 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 (2.50%)	$ 246,098
Current discount rate (3.50%)	225,523
1% increase (4.50%)	206,607

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 Medicare costs trend rate, as well as what the net OPEB liability would be if it were calculated using a Medicare costs trend 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)	$ 211,383
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	225,523
1% increase (4.7% Part A and 5.1% Part B)	253,769

Note 13 - Risk Management

Property and Liability Insurance Coverages

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 ended June 30, 2020, 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 2019-2020, the District participated in the Northern Community Colleges Self Insurance Authority, a 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 the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 30,918,568	$ 8,797,477	$ 5,366,275	$ 3,099,108
CalPERS	24,499,485	5,299,435	1,029,496	3,367,842
Total	$ 55,418,053	$ 14,096,912	$ 6,395,771	$ 6,466,950

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, 2018, 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31,	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	17.10	17.10
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were $3,203,865.

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

At June 30, 2020, 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	$ 30,918,568
State's proportionate share of the net pension liability associated with the District	16,868,143
Total	$ 47,786,711

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.0342 percent and 0.0345 percent, respectively, resulting in a net decrease in the proportionate share of 0.0003 percent.

For the year ended June 30, 2020, the District recognized pension expense of $3,099,108. In addition, the District recognized pension expense and revenue of $2,512,030 for support provided by the State. At June 30, 2020, 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	$ 3,203,865	$ -
Change in proportions and differences between conributions made and District's proportionate share of contributions	1,605,036	3,304,032
Difference between projected and actual earnings on pension plan investments	-	1,190,993
Differences between expected and actual experience in the measurement of the total pension liability	78,053	871,250
Changes of assumptions	3,910,523	-
Total	$ 8,797,477	$ 5,366,275

The deferred outflows 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 fiscal 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
2021	$ (120,132)
2022	(945,508)
2023	(196,301)
2024	70,948
Total	$ (1,190,993)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2021	$ 136,418
2022	136,419
2023	314,447
2024	737,565
2025	204,917
Thereafter	(111,436)
Total	$ 1,418,330

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

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%)	$ 46,040,307
Current discount rate (7.10%)	30,918,568
1% increase (8.10%)	18,379,767

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, 2018, 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, 2020, 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	19.721%	19.721%

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, 2020, are presented above, and the total District contributions were $2,313,629.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $24,499,485. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.0841 percent and 0.0865 percent, respectively, resulting in a net decrease in the proportionate share of 0.0024 percent.

For the year ended June 30, 2020, the District recognized pension expense of $3,367,842. At June 30, 2020, 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	$ 2,313,629	$ -
Change in proportions and differences between conributions made and District's proportionate share of contributions	39,909	802,258
Difference between projected and actual earnings on pension plan investments	-	227,238
Differences between expected and actual experience in the measurement of the total pension liability	1,779,646	-
Changes of assumptions	1,166,251	-
Total	$ 5,299,435	$ 1,029,496

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 fiscal 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
2021	$ 224,308
2022	(448,048)
2023	(67,896)
2024	64,398
Total	$ (227,238)

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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,347,288
2022	662,186
2023	158,247
2024	15,827
Total	$ 2,183,548

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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	2.50%
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%)	$ 35,314,397
Current discount rate (7.15%)	$ 24,499,485
1% increase (8.15%)	$ 15,527,769

Tax Deferred Annuity/Social Security

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 the 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 on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to $4,497,720 (10.328 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 contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenses. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27,2019, appropriated an additional 2019-2020 contribution on behalf of school employers of $1.1 billion for CalSTRS. 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 Authority JPAs. 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 JPA is such that it is not a component unit 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 JPAs 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, 2020, the District made payments of $674,965 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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the capital projects:

Capital Project	Remaining Construction Commmitment	Expected Date of Completion
Library/Learning Resource Ctr.	$ 23,716,158	December, 2021
Classroom Technology Upgrade - 1	15,657	August, 2020
Classroom Technology Upgrade - 2	15,250	December, 2020
B300 Modification - Graphics and Mailroom	47,350	October, 2020
Bleacher Replacement - Baseball and Soccer	18,000	October, 2020
Autotech Duno Room Reconfiguration	36,482	November, 2020
Central Plant Valve Actuators Repairs	31,372	December, 2020
	$ 23,880,269	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 17 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

The District issued $30,000,000 of General Obligation Bonds dated November 17, 2020. The bonds mature through August 1, 2050, and yield from 0.19 to 2.64 percent interest. The bonds were sold to fund construction projects.

Required Supplementary Information
June 30, 2020

Solano Community College District

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	2020	2019	2018	2017
Total Opeb Liability				
Service cost	$ 555,653	$ 1,015,852	$ 988,664	$ 962,203
Interest	747,113	800,703	874,856	590,814
Experience gains/losses	-	(1,411,659)	-	-
Changes of assumptions	-	-	(2,067,466)	-
Benefit payments	(1,131,324)	(1,004,606)	(1,086,439)	(1,044,653)
Net changes in total OPEB liability	171,442	(599,710)	(1,290,385)	508,364
Total OPEB Liability - beginning, restated	12,739,722	13,339,432	14,629,817	14,121,453
Total OPEB Liability - ending (a)	$ 12,911,164	$ 12,739,722	$ 13,339,432	$ 14,629,817
Plan fiduciary net position				
Contributions - employer	$ 1,451,324	$ 1,324,606	$ 1,406,528	$ 1,044,653
Net investment income	200,006	234,826	229,336	263,321
Benefit payments	(1,131,324)	(1,004,606)	(1,086,439)	(1,044,653)
Administrative expense	(6,636)	(6,494)	-	(5,029)
Net change in plan fiduciary net position	513,370	548,332	549,425	258,292
Plan fiduciary net position - beginning	4,154,020	3,605,688	3,056,263	2,797,971
Plan fiduciary net position - ending (b)	4,667,390	4,154,020	3,605,688	3,056,263
District's net OPEB liability - ending (a) - (b)	$ 8,243,774	$ 8,585,702	$ 9,733,744	$ 11,573,554
Plan fiduciary net position as a percentage of the total OPEB liability	36.15%	32.61%	27.03%	20.89%
Covered employee payroll	$ 26,729,239	$ 25,918,991	$ 28,120,651	$ 24,660,729
District's net OPEB liability as a percentage of covered employee payroll	31%	33%	35%	47%

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

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	6.00%	6.00%	Not Determined	Not Determined

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

Year ended June 30, [1]	2020	2019	2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.0606%	0.0208%	0.0208%
District's proportionate share of the net OPEB liability	$ 225,523	$ 79,639	$ 87,532
District's Covered Payroll	N/A [1]	N/A [1]	N/A [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A [1]	N/A [1]	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%

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

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

	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalSTRS						
District's proportion of the net pension liability	0.0342%	0.0345%	0.0317%	0.0332%	0.0394%	0.0405%
District's proportionate share of the net pension liability	$ 30,918,568	$ 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	16,868,143	18,164,554	17,331,229	16,544,860	14,022,015	14,280,872
Total	$ 47,786,711	$ 49,890,441	$ 46,627,166	$ 45,607,531	$ 40,534,184	$ 37,930,840
District's covered payroll	$ 18,881,543	$ 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 payroll	163.75%	163.63%	175.11%	167.90%	156.74%	144.14%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
CalPERS						
District's proportion of the net pension liability	0.0841%	0.0865%	0.0861%	0.0960%	0.1048%	0.1085%
District's proportionate share of the net pension liability	$ 24,499,485	$ 23,058,683	$ 20,545,045	$ 18,955,292	$ 15,451,644	$ 12,322,720
District's covered payroll	11,704,107	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 payroll	209.32%	202.15%	187.16%	164.32%	131.53%	108.42%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

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

See Notes to Required Supplementary Information

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 3,203,865	$ 3,082,822	$ 2,806,691	$ 2,111,185	$ 1,846,655	$ 1,508,056
Contributions in relation to the contractually required contribution	3,203,865	3,082,822	2,806,691	2,111,185	1,846,655	1,508,056
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 18,741,009	$ 18,881,543	$ 19,389,388	$ 16,730,462	$ 17,309,532	$ 16,914,388
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 2,313,629	$ 2,108,935	$ 1,771,599	$ 1,524,484	$ 1,367,714	$ 1,375,277
Contributions in relation to the contractually required contribution	2,313,629	2,108,935	1,771,599	1,524,484	1,367,714	1,375,277
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 11,640,226	$ 11,704,107	$ 11,406,864	$ 10,977,418	$ 11,535,397	$ 11,747,308
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

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.

Changes in Benefit Terms – There were no changes of benefit terms that impact the valuation

Changes in Assumptions –There were no changes in assumptions since the last valuation.

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 benefit terms since the previous valuation.

Changes in Assumptions –The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions 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 in Assumptions - There were no changes in economic assumptions since the previous valuations for both CalSTRS and CalPERS.

Schedule of District Contributions for Pensions

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
June 30, 2020

Solano Community College District

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
Denis Honeychurch, J.D.	President	2022
Sarah E. Chapman, Ph.D.	Vice President	2022
Karimah Karah, J. D.	Member	2022
Michael A. Martin	Member	2024
Rosemary Thurston	Member	2024
Qunten R. Voyce	Member	2024
A. Marie Young	Member	2022
Kelvin Chan	Student Trustee	2021

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
Vacant	Dean, External Relations
Vacant	Dean, Human Resources
Vacant	Interim Dean, Planning and Research

AUXILIARY ORGANIZATION IN GOOD STANDING

None

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education			
Student Financial Aid Cluster			
Supplemental Educational Opportunity Grant (SEOG)	84.007	[1]	$ 293,412
Pell Grant	84.063	[1]	7,138,901
Student Financial Aid Administrative Allowance	84.063	[1]	1,548
Federal Work Study Program	84.033	[1]	172,047
Federal Direct Student Loans	84.268	[1]	717,119
Subtotal Student Financial Aid Cluster			8,323,027
Trio Cluster			
TRIO Student Support Services	84.042	[1]	37,760
Subtotal TRIO Cluster			37,760
Passed through California State Chancellors Office			
Perkins Title I-C Reserve	84.048	[2]	463,075
Career and Technical Education - Basic Grants			
Career and Technical Education - To States - CTE Transitions	84.048	[2]	43,500
Subtotal			506,575
Total U.S. Department of Education			8,867,362
U.S. Department of Veteran's Affairs			
Veteran Assistance Title 38	64.028	[1]	3,552
Total U.S. Department of Veteran's Affairs			3,552
U.S Department of Agriculture			
Passed through the California Department of Education			
Child Care Food Program	10.558	[2]	60,264
Total U.S. Department of Agriculture			60,264
U.S Department of Health and Human Services			
Passed through the California Department of Education			
Child Care and Development Block Grant	93.575	[2]	116,943
Passed through the California State Chancellors Office			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	43,612
Foster-Kinship Care Education	93.658	[2]	60,944
Total U.S. Department of Health and Human Services			221,499
U.S Department of Homeland Security			
Federal Emergency Management Agency DR-4482	97.036		19,749
Total U.S. Department of Homeland Security			19,749
U. S. National Science Foundation			
National Science Foundation - AMCTP	47.076	[1]	5,993
National Science Foundation - STEM	47.076	[1]	205,009
Total U.S. National Science Foundation			211,002
Total Federal Program Expenditures			$ 9,383,428

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

Program	Program Entitlements			Program Revenues					
	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	$ 39,015	$ 77,025	$ 46,071	$ -	$ -	$ -	$ 46,071	$ 46,071
Basic Skill	-	285,485	285,485	285,485	-	-	-	285,485	285,485
Basic Skills Transformation	-	697,943	697,943	6,278	-	(6,278)	-	-	-
BFAP-SFAA	332,259		332,259	332,259	-	-	-	332,259	332,259
CA College Promise	696,595	239,557	936,152	434,216	-	-	-	434,216	434,216
California Acceleration Project (CAP 072 19)	22,500	-	22,500	22,500	-	-	-	22,500	22,500
Campus Safe	-	17,581	17,581	-	-	-	-	-	-
Cal Works	234,723	-	234,723	213,878	-	-	-	213,878	213,878
CASCADE Grant	-	46,290	46,290	46,290	-	-	-	46,290	46,290
CASCADE II Project 13	351,188	-	351,188	103,079	-	(13,300)	-	89,779	89,779
College Promise Grants (Fee Waiver Admin)	88,892	40,322	129,214	-	-	-	-	-	-
CARE	75,300	-	75,300	75,300	-	-	-	75,300	75,300
CCTR	210,655	-	210,655	210,733	54,851	(71)		265,513	265,513
Classified Professional Development	-	32,013	32,013	-	-	-	-	-	-
CSPP	538,137	-	538,137	513,873	38,929	(159)	(688)	551,955	551,955
Disabled Students Programs and Services	595,638		595,638	575,923	-	-	-	575,923	575,923
Extended Opportunity Program and Services	459,077	-	459,077	447,871	-	-	(1,902)	445,969	445,969
Financial Aid Technology	48,331	130,729	179,060	35,228	-	-	-	35,228	35,228
Foster Care Education	108,219	10,650	118,869	122,379	-	(3,510)	-	118,869	118,869
Guided Pathways Program	224,302	278,580	502,882	204,607	-	-	-	204,607	204,607
Incarcerated Reentyr Program	-	113,636	113,636	102,272	11,364	-	-	113,636	113,636
Innovation & Effectiveness	200,000	-	200,000	-	200,000	-	(200,000)	-	-
Instruction Equipment (one time)	75,120	118,574	193,694	18,145	-	-	-	18,145	18,145
ISPIC Adv Manuf	-	131,000	131,000	139,834	-	(8,834)	-	131,000	131,000
Lottery Prop 20	357,273	476,853	834,126	247,138	74,477	(192)	-	321,423	321,423
Mental Health Services	-	31,925	31,925	23,989	-	-	-	23,989	23,989
Nursing Enroll Growth	210,200	-	210,200	179,353	-	-	-	179,353	179,353
Rancho Santiago Community College D	46,703	-	46,703	28,125	-	-	-	28,125	28,125
Scheduled Maintenance On Going	-	214,212	214,212	-	-	-	-	-	-
Student Success Completion	397,155	-	397,155	397,155	-	-	-	397,155	397,155
Staff Diversity	50,000	54,973	104,973	33,169	-	-	-	33,169	33,169
Strong Workforce Program	1,343,987	1,466,124	2,810,111	2,536,389	-	(57,068)	(1,326,920)	1,152,401	1,152,401
Strong Workforce Regional Venture	739,192	1,386,240	2,125,432	129,944	679,931	(74,823)	(197,072)	537,980	537,980
Student Equity & Achievement Program	2,963,494	1,182,339	4,145,833	2,737,058	-	(2,216)	-	2,734,842	2,734,842
Student Hunger @ Community College	-	49,055	49,055	53,300	-	-	-	53,300	53,300
Veterans Resource Center	106,502	61,270	167,772	41,000	-	-	-	41,000	41,000
Total	$ 10,513,452	$ 7,104,366	$ 17,617,818	$ 10,342,841	$ 1,059,552	$ (166,451)	$ (1,726,582)	$ 9,509,360	$ 9,509,360

Categories	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit **	2.27	-	2.27
2. Credit	735.32	-	735.32
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit **	-	-	-
2. Credit	260.85	-	260.85
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,633.22	(8.75)	4,624.47
(b) Daily Census Contact Hours	217.85	-	217.85
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	73.86	-	73.86
(b) Credit	159.84	(8.75)	151.09
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	941.53	-	941.53
(b) Daily Census Contact Hours	125.22	-	125.22
(c) Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	7,149.96	(17.50)	7,132.46
Supplemental Information (Subset of Above Information)			
E. In Service Training Courses (FTES)	-	-	-
F. Basic Skills courses and Immigrant Education			
1. Noncredit **	-	-	-
2. Credit	-	-	-
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
1 Noncredit **	-	-	-
2 Credit	2,248.03	-	2,248.03

** Including Career Development and College Preparation (CDCP) FTES.

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP	Reported	Audit	Revised Data	Reported Data	Audit	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 11,097,498	$ -	$ 11,097,498	$ 11,097,498	$ -	$ 11,097,498
Other	1300	7,139,191	-	7,139,191	7,139,191	-	7,139,191
Total Instructional Salaries		18,236,689	-	18,236,689	18,236,689	-	18,236,689
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,825,549	-	2,825,549
Other	1400	-	-	-	115,217	-	115,217
Total Noninstructional Salaries		-	-	-	2,940,766	-	2,940,766
Total Academic Salaries		18,236,689	-	18,236,689	21,177,455	-	21,177,455
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,294,846	-	8,294,846
Other	2300	-	-	-	432,113	-	432,113
Total Noninstructional Salaries		-	-	-	8,726,959	-	8,726,959
Instructional Aides							
Regular Status	2200	1,260,763	-	1,260,763	1,260,763	-	1,260,763
Other	2400	226,770	-	226,770	226,770	-	226,770
Total Instructional Aides		1,487,533	-	1,487,533	1,487,533	-	1,487,533
Total Classified Salaries		1,487,533	-	1,487,533	10,214,492	-	10,214,492
Employee Benefits	3000	8,996,780	-	8,996,780	15,456,615	-	15,456,615
Supplies and Material	4000	-	-	-	544,685	-	544,685
Other Operating Expenses	5000	249,281	-	249,281	5,994,730	-	5,994,730
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures		28,970,283	-	28,970,283	53,387,977	-	53,387,977

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
Exclusions	Object/TOP	Reported	Audit	Revised Data	Reported Data	Audit	Revised Data
Activities to Exclude							
Instructional Staff - Retirees' Benefits and	5900	$ 485,875	$ -	$ 485,875	$ 485,875	$ -	$ 485,875
Student Health Services Above Amount	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060		-	-	131,328	-	131,328
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		-	-	-	-	-	-

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP	Reported	Audit	Revised Data	Reported Data	Audit	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	121,318	-	121,318
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	121,318	-	121,318
Total Capital Outlay							
Other Outgo	7000	-	-	-	13,321	-	13,321
Total Exclusions		485,875	-	485,875	751,842	-	751,842
Total for ECS 84362, 50 Percent Law		$ 28,484,408	$ -	$ 28,484,408	$ 52,636,135	$ -	$ 52,636,135
Percent of CEE (Instructional Salary Cost/Total CEE)		54.12%		54.12%	100.00%		100.00%
50% of Current Expense of Education					$ 26,318,068		$ 26,318,068

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311), and the audited financial statements:

	General Fund	Bond Interest and Redemption Fund
Fund balance per CCFS 311	$ 12,572,776	$ 14,494,729
Decrease in liabilities:		
Compensated absences	2,259,672	-
Accrued interest	-	4,266,597
June 30, 2020, Audited Fund Balance	$ 14,832,448	$ 18,761,326

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				$ 5,189,598
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 5,189,598			$ 5,189,598
					-
Total Expenditures for EPA		$ 5,189,598	$ -	$ -	$ 5,189,598
Revenues Less Expenditures					$ -

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 16,143,467	
Special Revenue Funds	133,095	
Capital Project Funds	27,858,677	
Debt Service Funds	18,761,326	
Student Financial Aid and Scholarship Fund	(180,066)	
Total Fund Balance - All District Funds		$ 62,716,499
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	388,721,914	
Accumulated depreciation is	(95,683,347)	293,038,567
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.		834,301
Transfer between governmental and fiduciary funds are reclassified to accounts receivable and accounts payable.		74,752
Deferred outflows related to pensions: Pension contributions subsequent to the measurement date and the difference between projected and actual earnings on pension plan investments, and expected and actual experience are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense or the remaining service life of members receiving benefits.		14,096,912
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.		(3,161,018)
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.		(979,283)
Deferred inflows related to OPEB: The difference between projected and actual earnings on OPEB 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 OPEB expense or the remaining service life of members receiving benefits.		(2,133,442)

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.		$ (6,395,771)
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	$ 291,325,918	
Bond premiums	12,601,566	
Compensated absences	1,558,426	
Aggregate net OPEB liability	8,469,297	
Aggregate net pension liability	55,418,053	(369,373,260)
Total Net Position		$ (11,281,743)

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations as of June 30, 2020.

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. No Federal financial assistance has been provided to a subrecipient.

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 that have not been expended as of June 30, 2020.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position Primary Goverment:		$ 8,754,169
Pell Grant - Use of Fund Balance	84.063	629,259
Total Expenditures of Federal Awards		$ 9,383,428

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 students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of the students based on various methods of accumulating attendance data.

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.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited 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.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of Government 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
June 30, 2020

Solano Community College District

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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 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 and the aggregate remaining fund information of Solano Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2021.

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) as a basis for designing 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 over financial reporting 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 financial reports that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. As described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, we did identify 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 *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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 financial statements. 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 Finding
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
March 26, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program; 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, 2020. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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
March 26, 2021

CPAs & BUSINESS ADVISORS

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 described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with state laws and regulations as identified in the table below.

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 in the table below. 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 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances.

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

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Compliance Requirements Tested

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 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocations: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Schedule 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 therefore, the compliance tests within this 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.

Basis for Qualified Opinion on Section 431 Gann Limit Calculation and Section 479 To Be Arranged Hours (TBA)

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 431 Gann Limit Calculation as identified as 2020-002 and Section 479 To Be Arranged Hours (TBA), as identified in finding 2020-003. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on Section 431 - Gann Limit Calculation and Section 479 - Section 479 To Be Arranged Hours (TBA)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to in the table above for the year ended June 30, 2020.

Unmodified Opinion For Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above, that were audited for the year ended June 30, 2020, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 California Community Colleges Chancellor's Office Contracted District Audit Manual. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

San Ramon, California
March 26, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200 516:	No

Identification of major programs:

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

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 programs:	Qualified

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

Name of Program
Section 431 - Gann Limit Calculation
Section 479- To Be Arranged Hours (TBA)

The following finding represents a material weakness, and/or instance of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2020-001 Financial Reporting – Accounting Records

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 reconciliations and adjustments were required to conform to the BAM and GAAP:

- A detailed capital assets depreciation schedule was maintained by the District for equipment, but not for buildings and improvements.
- Long term payables for vacation liabilities and accrued interest on bonds were accrued in the modified accrual CCFS-311 annual report and the fund level trial balance. These items should be included in conversion entries only on the full accrual entity wide financial statements.
- There were errors noted in the initial prepared state categorical schedule. Program revenues, expenditures, and related balances were not properly reconciled at the end of the fiscal year.

Questioned Costs
There are no questioned costs were associated with this finding.

Context
The District maintains individual fund accounts and balances subject to the reconciliation process. We recognize the District has taken steps to improve and implement procedures related to capital asset equipment depreciation schedules and encourage the District to complete the process to include buildings and improvements in the detailed depreciation schedules. In addition, a review of modified accrual basis would indicate that long term assets and liabilities should only be recorded in conversion entries, not in fund trial balances. Lastly state categorical awards are typically recorded as deferred revenue when not spent.

Effect
Material adjustments were proposed as a result of the audit procedures.

Cause
The oversight and monitoring controls over financial transactions recording and reporting appear not to be operating effectively.

Recommendation
The detailed capital asset depreciation schedule should be expanded to include buildings and improvements in order to properly value the district's long-term assets. The District should provide training to individuals involved in the financial reporting process. The closing process should ensure that all modified basis of accounting accruals are complete and that no long term assets or liabilities are included in the modified accrual basis fund financial statements.

Corrective Action Plan
This finding is repeated from the prior year but reduced, indicating progress from the prior year. Management became aware of these issues in 2018-19 and has been working diligently to correct them.

- 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. The District continues work in this area and expects further improvement in record keeping during 2020-21.

- Long-term accruals in the CCFS-311 report – Management agrees that these accruals should be reflected in the entity-wide financial statements, but not in the CCFS-311. These accruals will be presented correctly on the CCFS-311 in subsequent years.

- 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.

None Reported

The following findings represents significant deficiencies and/or instances of noncompliance and questioned costs relating to state program laws and regulations.

2020-002 – Section 479 – To Be Arranged Courses

Criteria or Specific Requirements
Per Education Code sections 84040 and 88240, as well as clarification memos issued by the Chancellor's Office, Districts are required to list TBA hours in the schedule of classes and describe them in the course outline and class syllabus. Districts need to track TBA hour student participation carefully and makes sure they do not claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course.

Condition
Course outlines of record did not indicate the labs as TBA type lab. The District did not provide documentation of TBA participation of enrolled students.

Questioned Costs
8.75 FTES, which includes all four TBA courses claimed for apportionment by the District.

Context
We selected CINA 15 and no TBA attendance records were provided. Additionally, the outline did not describe the lab as a TBA lab, and the activities were not differentiated between lecture and TBA activities. Finally, the class schedule failed to indicate how many hours per week the student was required to do in the TBA portion. Upon review of this course we expanded testing to all the TBA courses claimed for apportionment and noted similar situations.

Effect
TBA courses were not in compliance with State requirements and FTES is overstated as these courses should not be claimed.

Cause
Lack of understanding of TBA disclosure and reporting requirements. Lack of maintenance of TBA attendance documents.

Recommendation
We recommend the District review the class outlines, and syllabi for all TBA courses to ensure the required disclosure elements are included and develop a system to maintain participation records.

Repeat Finding
No

Corrective Action Plan
Management agrees that TBA courses were not correctly documented nor were TBA hours tracked. Due to the problematic nature of TBA classes, the District will provide appropriate training to the Division Deans.

2020-003 – Section 431 – Gann Limit Calculation

Criteria or Specific Requirements
Education code requires that each district's adopted CCFS 311 contains the appropriations limit, and the total annual appropriations subject to limitation as determined pursuant to Government Code, Division 9 section 7900.

Condition
The District's GANN Limit included in the CCFS-311 was not complete.

Questioned Costs
There are no questioned costs noted for this finding.

Context
Part II of the GANN Limit form was not completed. The District corrected and resubmitted the form.

Effect
The approved GANN Limit was not complete.

Cause
Ineffective review of GANN Limit prior to being submitted to the Board for approval.

Repeat Finding
No

Recommendation
We recommend the District implement a process to have the Form 311 and its schedules, including the Gann limit calculations, reviewed by a person independent of the individual with preparation responsibilities.

Corrective Action Plan

Management agrees that part II of the GANN limit worksheet for 2019-20 was not accurately stated. The worksheet for 2019-20 was subsequently corrected and resubmitted. Future GANN limit worksheets will be prepared correctly.

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

2019-001 - Financial Reporting

Criteria or Specific Requirements
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.

Current Status
Partially implemented. See findings 2020-001.