SOLANO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

SOLANO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2016

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Solano Community College District
Fairfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of Solano Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the 2015-2016 *Contracted District Audit Manual*, issued by the California community Colleges Chancellor’s Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2016

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, 2016. 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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

2015-16 California Budget Act.

June 24th, the Governor signed a $115.4 billion (General Fund) budget for the 2015-16 fiscal year. The agreement ends a relatively short negotiation wherein the Legislature argued to expend at the higher revenue level estimated by the Legislative Analyst’s Office (LAO). As we’ve seen in recent years, the Governor held the line on basing the budget on the more conservative estimates of the Department of Finance, arguing for a more cautious growth in expenditures for fear of boom and bust budget cycles.

Highlights of the budget package include significant increases for K-14 education due to rapid growth of the Proposition 98 minimum guarantee, increases for the University of California and California State University, creation of a state Earned Income Tax Credit, and a commitment of approximately $1.8 billion toward drought relief. The budget includes a reserve for economic uncertainties of $1.1 billion and also provided a “Rainy Day Fund” of $3.5 billion.

K14 education has been the prime beneficiary of the increased revenues of the past few years, largely due to the requirements of the Proposition 98 minimum guarantee. Since the 2011-12 fiscal year, the guarantee has increased from a low of $47.3 billion to the $68.4 billion budgeted for the 2015-16 fiscal year. A major reason for this growth has been the “maintenance factor” – a provision in the guarantee that requires the state to catch up with funding for schools rapidly when state revenues recover subsequent to low-funding years for schools.

Due to the maintenance factor, which had grown to over $11 billion during the economic downturn, a high proportion of the new money that has flowed into the state treasury is obligated for K14 schools. While this has been good news for K12 and California community college districts, it has frustrated some in the Legislature and advocates for other priorities funded by the state who have hoped to restore other areas of government hit hard during the recession. As the outstanding balance of the maintenance factor is down to $772 million, we should not expect funding increases at the same rate even if overall state revenue growth remains strong

Community Colleges

Budget Details - California Community Colleges

The enacted 2015-16 budget continues the state’s reinvestment in public education, with significant funding augmentations for the California Community Colleges. Specifically, the 2015-16 budget provides new funding for access, a cost of living adjustment (COLA), student success and equity, Career Technical Education (CTE), and other system priorities. Major components of the 2015-16 budget include:

- $266.7 million in general operating expense funding
- $156.5 million for increased access (approximately 65,000-70,000 more students)
- $61 million for the statutory 1.02% COLA
- $632 million to pay down prior year mandate claims. $515 million of this money is attributable to the 2014-15 and 2013-14 years. The funds will be distributed one-time on a per-FTES basis
- $200 million increase to the Student Success and Support Program, including $100 million for matriculation and counseling services, an $85 million increase for Student Equity Plans, and a $15 million increase for Institutional Effectiveness Partnership Initiative
- $33.7 million to restore EOPS to pre-recession levels of funding
- $70M in 1-time funds for issues related to basic skills. This includes $60 million for the Governor’s Basic Skills and Student Outcomes Transformation Program - a grant program aimed at improving /expanding evidence-based practices in basic skills education. The budget further provides $10 million for the Basic Skills Partnership Pilot Program. This is an effort to enhance coordination among high schools, community colleges, and CSU to better prepare incoming CSU students for college work.
- $63.3 million to increase the number of full-time faculty
- $148 million for deferred maintenance, instructional equipment, a drought response activities
- $38.7 million to fund projects and workforce development related to energy efficiency and sustainability related to Proposition 39
- $6 million to aid local implementation of the SB 850 baccalaureate pilot programs
- $39 million for financial aid support for Cal Grant B recipients who are taking 12 or more units. An additional $3 million is provided to help districts implement this new program

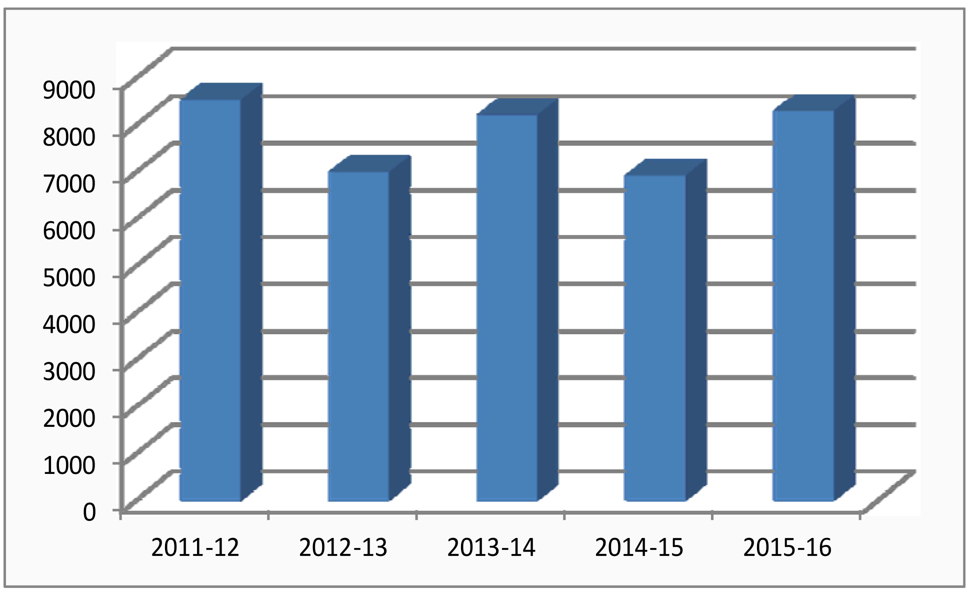
ATTENDANCE HIGHLIGHTS

Solano Community College came out of stability funding in FY 2012-13, which protected its apportionment revenue when it did not re-attain the 8,500 FTES base that year. In 2013-14 term over term enrollment growth, while steady, was not as robust as expected and the college ended achieving 8,200 FTES in FY 2013-14. Solano College for FY 2014-15 went into stability, protecting and maintaining its apportionment revenue at 8,200 FTES or the FY 2013-14 base. In FY 2015-16, Solano College attained 8,288 FTES.

The District continues to engage in various outreach and retention strategies to strengthen FTES.

The chart below shows actual FTES served

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



THE DISTRICT AS A WHOLE

Net Position

ASSETS	2016	2015	Change
Current Assets			
Cash and investments	$ 20,270,859	$ 13,111,985	$ 7,158,874
Restricted cash and cash equivalents	80,990,485	104,064,571	(23,074,086)
Accounts receivable (net)	5,177,274	5,101,151	76,123
Prepaid expenses and other current assets	389,683	115,666	274,017
Total Current Assets	106,828,301	122,393,373	(15,565,072)
Noncurrent Assets:			
Capital assets (net)	232,367,140	208,144,214	24,222,926
Total Noncurrent Assets	232,367,140	208,144,214	24,222,926
Total Assets	**$ 339,195,441**	**$ 330,537,587**	**$ 8,657,854**
DEFERRED OUTFLOWS OF RESOURCES	**$ 9,892,153**	**$ 2,883,333**	**$ 7,008,820**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 8,305,434	$ 9,895,337	$ (1,589,903)
Unearned revenue	5,186,472	5,065,509	120,963
Deferred bond premium	807,704	696,867	110,837
Long-term liabilities due within one year	9,953,776	9,149,003	804,773
Total Current Liabilities	24,253,386	24,806,716	(553,330)
Long-term liabilities	279,871,265	280,038,290	(167,025)
Total Liabilities	**$ 304,124,651**	**$ 304,845,006**	**$ (720,355)**
DEFERRED INFLOWS OF RESOURCES	**$ 11,770,786**	**$ 12,261,372**	**$ (490,586)**
NET POSITION			
Net investment in capital assets	62,956,172	57,809,157	5,147,015
Restricted	16,258,230	14,886,922	1,371,308
Unrestricted	(46,022,245)	(56,381,537)	10,359,292
Total Net Position	**$ 33,192,157**	**$ 16,314,542**	**$ 16,877,615**

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Assets

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

Cash decreased by approximately $15.9 million due principally to the expenditure of Measure Q Bond funds for ongoing projects. Restricted cash includes amounts restricted for debt service.

Receivables and prepaid expenses did not change significantly.

Capital assets increased by approximately $24.2 million due principally to the expenditure of Measure Q Bond funds for ongoing projects.

Liabilities

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

Accounts payable and accrued liabilities decreased $1.6 million due to less amounts due to vendors at year end, including amounts related to construction projects, and interest payable on current interest bonds.

Unearned revenue was similar to the prior year.

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

General obligation bonds decreased by $5.6 million due to the annual repayments of principal, net of interest accretions and bond refundings.

This is the second year District is required to report pension liabilities as a result of the implementation of GASB 68. The aggregate net pension liability increased $6.0 million, which along with deferred inflows and outflows related to pensions, and the unfunded other post employment benefits of $7.9 million, contributes to the negative net position of $46.0 million.

Operating Results for the Year

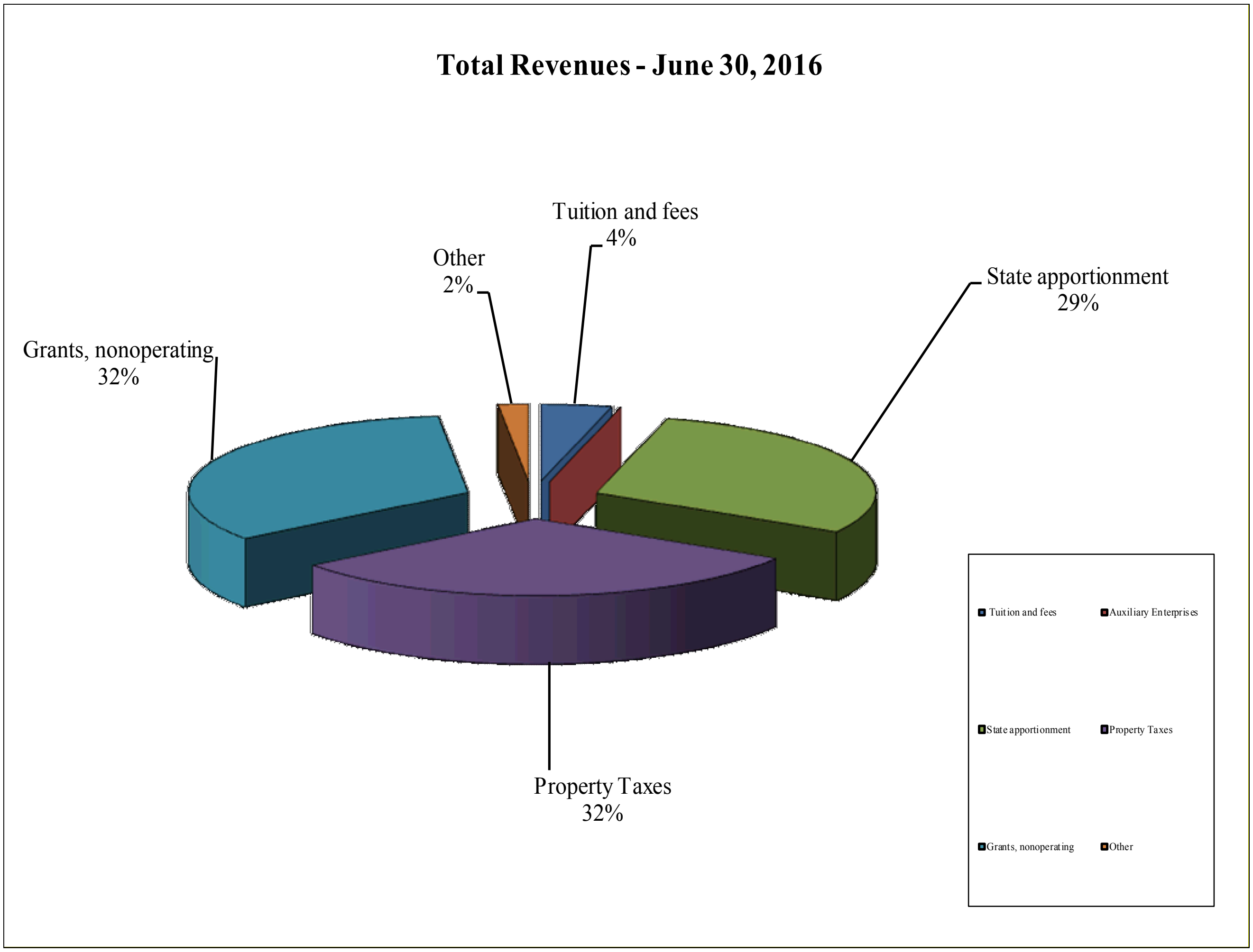
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Table 2

Operating Revenues	2016	2015	Change
Tuition and fees	$ 4,092,233	$ 4,193,329	$ (101,096)
Operating Expenses			
Salaries	34,368,029	33,710,655	657,374
Employee benefits	15,171,250	15,161,334	9,916
Supplies, Materials, Other Operating Expenses and Services	21,080,797	22,685,227	(1,604,430)
Depreciation	6,729,162	6,148,486	580,676
Total Operating Expenses	77,349,238	77,705,702	(356,464)
Loss on Operations	(73,257,005)	(73,512,373)	255,368
Nonoperating Revenues			
State apportionments, noncapital	29,570,153	20,352,802	9,217,351
Local property taxes	31,223,181	30,091,217	1,131,964
Federal grants	11,840,523	13,689,266	(1,848,743)
State grants	18,819,094	17,065,302	1,753,792
Local grants and other	3,033,483	1,531,374	1,502,109
State taxes and other revenues	1,582,239	915,810	666,429
Investment income	137,456	2,710,291	(2,572,835)
Interest Expense on Capital Asset-Related Debt	(6,652,360)	(10,710,315)	4,057,955
Other nonoperating revenues (expenses)	580,851	(1,845,388)	2,426,239
Total Nonoperating Revenue	90,134,620	73,800,359	16,334,261
GAIN (LOSS) BEFORE CAPITAL REVENUES	16,877,615	287,986	16,589,629
CAPITAL REVENUES			
State and local capital income	-	833	(833)
TOTAL CAPITAL REVENUES	-	833	(833)
INCREASE (DECREASE) IN NET POSITION	16,877,615	288,819	16,588,796
NET POSITION BEGINNING OF YEAR	16,314,542	16,025,723	288,819
NET POSITION END OF YEAR	$ 33,192,157	$ 16,314,542	$ 16,877,615

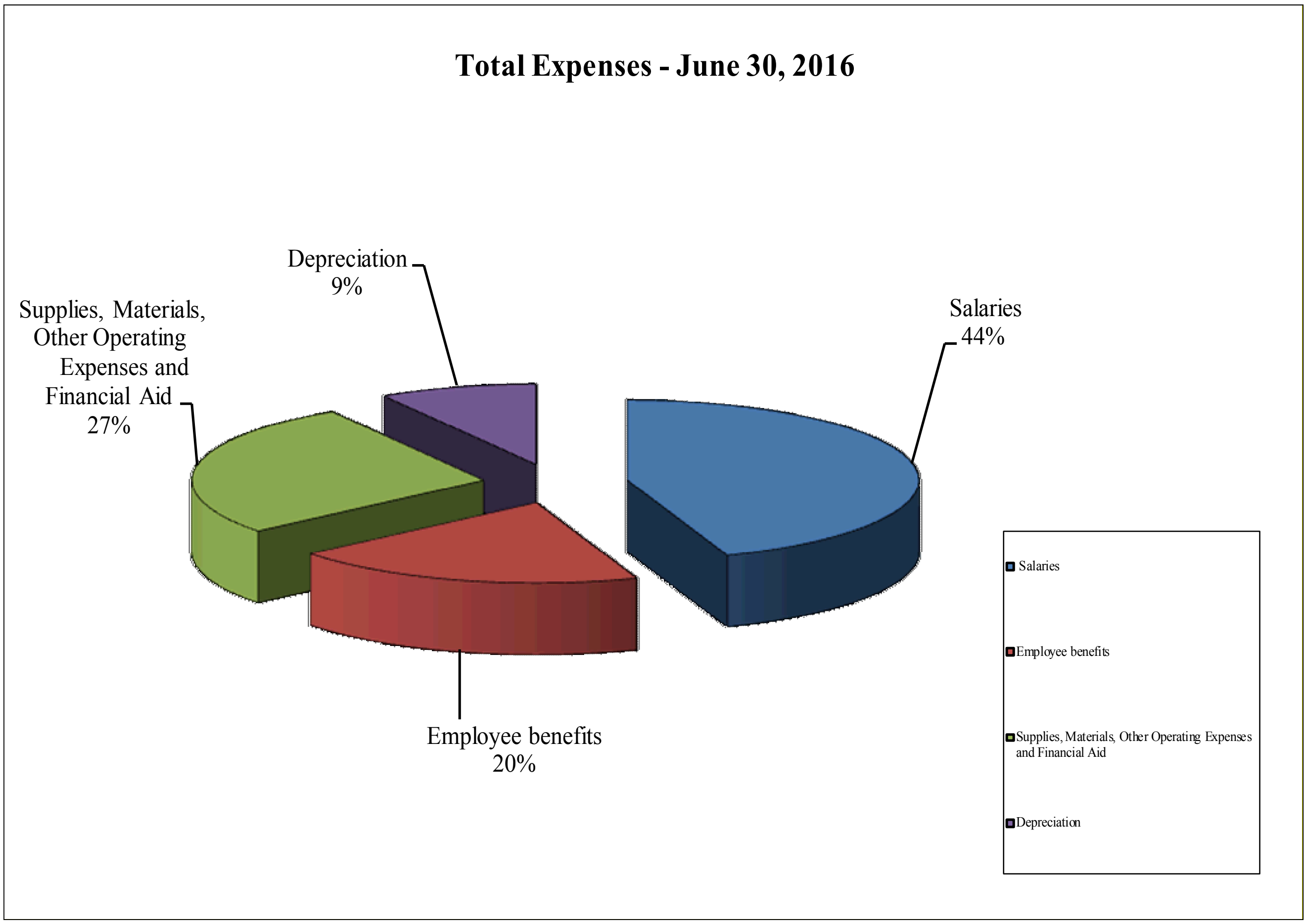
Significant revenue changes between 2015 and 2016 include:

- State apportionment increased about $9.2 million and an increase in property tax receipts of approximately $1.1 million.



Significant expenditure variances include:

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



Changes in Cash Position

Table 4

	2016	2015	Change
Cash Provided by (Used in)			
Operating activities	$ (66,441,420)	$ (63,736,498)	$ (2,704,922)
Noncapital financing activities	81,188,227	72,959,426	8,228,801
Capital financing activities	(31,380,326)	(23,860,257)	(7,520,069)
Investing activities	718,307	761,539	(43,232)
Net Increase (Decrease) in Cash	(15,915,212)	(13,875,790)	(2,039,422)
Cash, Beginning of Year	117,176,556	131,052,346	(13,875,790)
Cash, End of Year	$ 101,261,344	$ 117,176,556	$ (15,915,212)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets increased approximately $24.2 million, and includes approximately $40 million in Construction in Progress projects which will be capitalized upon completion.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 42,073,796	$ 31,199,084	$ 11,488,854	$ 61,784,026
Buildings and improvements	196,309,486	7,070,961	-	203,380,447
Equipment and furniture	26,392,566	4,170,897	-	30,563,463
Subtotal	264,775,848	42,440,942	11,488,854	295,727,936
Accumulated depreciation	56,631,634	6,729,162	-	63,360,796
	$ 208,144,214	$ 35,711,780	$ 11,488,854	$ 232,367,140

Obligations

Long-term debt includes general obligation bonds outstanding, revenue bonds, leases payable, employee compensated absences, and retirement obligations. General obligation bonds outstanding decreased $5 million during 2015-16 due to the results of the accretion of interest on capital appreciation bonds, bond refunding, and the payment of annual scheduled debt service payments. Pension liabilities changed as a result of the unfunded status of the PERS and STRS pension plans.

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation and lease revenue bonds	$ 245,147,929	$ 51,194,769	$ 56,797,151	$ 239,545,547
Compensated absences	1,170,875	6,401	-	1,177,276
OPEB liability	7,592,668	1,548,901	1,195,460	7,946,109
Net pension liability	35,972,688	5,991,125	-	41,963,813
Total Long-Term Debt	$ 289,884,160	$ 58,741,196	$ 57,992,611	$ 290,632,745
Amount due within one year				$ 10,761,480

BUDGETARY HIGHLIGHTS – 2016-17

The Governor's May Revision recognizes the indispensable role California Community Colleges play in developing the state's workforce, closing achievement gaps, and providing educational access to all Californians.

Here are the major provisions of the enacted 2016-17 State Budget for community colleges:

ACCESS

- $114.7 million (2%) to expand access to nearly 50,000 additional students in districts with growing demand.

SUCCESS

- Basic Skills – $30 million as an ongoing investment in colleges to close achievement gaps through initiatives transitioning students from basic skills to college-level programs.
- Zero-Textbook Cost Degrees – $5 million to develop degrees, certificates, and credential programs with zero-textbook-costs to students.

QUALITY

- General Operating/Base Funding – $75 million in ongoing resources to increase the quality of our programs and address growing operational costs.
- Mandate Claims – $105.5 million one-time funds in mandate repayments to restore lost purchasing power.

- Institutional Effectiveness – $10 million to promote professional development and advance technical support to colleges through the Institutional Effectiveness initiative.
- Equal Employment Opportunity Program – $2.3 million to support policies that promote diverse and inclusive hiring practices.

INFRASTRUCTURE

- Maintenance and Instructional Equipment – $219.4 million (one-time funds) for deferred maintenance, instructional equipment, and specified water conservation projects.
- Online Education Initiative – $20 million in one-time funds to improve access to quality online education courses.
- Technology Infrastructure/Data Security – $15 million for data security enhancements and upgrades.

INVESTING IN WORKFORCE DEVELOPMENT

- Strong Workforce – $200 million to support the Strong Workforce Program and to expand career technical education (CTE) courses and programs.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

Unfortunately, Solano Community College has not be able to access enrollment growth funds. Like many community college districts, student demand and students taking a full course loads have appeared to be declining, which may indicate difficulty in meeting current funded enrollment targets.

Furthermore, the District’s budget will face additional stresses in the coming years, as PERS and STRS obligations are scheduled to increase rapidly.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	$ 20,270,859
Restricted cash and cash equivalents	80,990,485
Accounts receivable, net	5,177,274
Prepaid expenses	389,683
Total Current Assets	106,828,301
Noncurrent Assets	
Nondepreciable capital assets	61,784,026
Depreciable capital assets, net of depreciation	170,583,114
Total Noncurrent Assets	232,367,140
TOTAL ASSETS	339,195,441
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,168,021
Deferred outflows of resources related to pensions	8,724,132
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,892,153
Current Liabilities	
Accounts payable	5,008,664
Interest payable	2,000,716
Due to fiduciary funds	1,296,054
Unearned revenue	5,186,472
Deferred bond premium - current portion	807,704
Revenue bonds payable - current portion	703,873
Bonds payable - current portion	9,249,903
Total Current Liabilities	24,253,386
Noncurrent Liabilities	
Deferred bond premium	6,650,199
Compensated absences payable - noncurrent portion	1,177,276
OPEB liability - noncurrent portion	7,946,109
Revenue bonds payable - noncurrent portion	9,868,636
General obligation bonds payable - noncurrent portion	212,265,232
Aggregate net pension obligation	41,963,813
Total Noncurrent Liabilities	279,871,265
TOTAL LIABILITIES	304,124,651
DEFERRED INFLOWS OF RESOURCES	
Deferred charges on bond refunding	1,958,567
Deferred inflows of resources related to pensions	9,812,219
TOTAL DEFERRED INFLOWS OF RESOURCES	11,770,786
NET POSITION	
Net investment in capital assets	62,956,172
Restricted for:	
Debt service	14,873,936
Educational programs	1,374,593
Other activities	9,701
Unrestricted	(46,022,245)
TOTAL NET POSITION	$ 33,192,157

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Student Tuition and Fees	$ 9,426,871
Less: Scholarship discount and allowance	(5,334,638)
TOTAL OPERATING REVENUES	4,092,233
OPERATING EXPENSES	
Salaries	34,368,029
Employee benefits	15,171,250
Supplies, materials, and other operating expenses	21,080,797
Depreciation	6,729,162
TOTAL OPERATING EXPENSES	77,349,238
OPERATING LOSS	(73,257,005)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	29,570,153
Local property taxes, levied for general purposes	14,949,337
Taxes levied for other specific purposes	16,273,844
Federal grants	11,840,523
State grants	18,819,094
Local grants and other revenues	3,033,483
State taxes and other revenues	1,582,239
Investment income	137,456
Interest expense on capital related debt	(6,652,360)
Investment income on capital asset-related debt, net	580,851
TOTAL NONOPERATING REVENUES (EXPENSES)	90,134,620
CHANGE IN NET POSITION	16,877,615
NET POSITION, BEGINNING OF YEAR	16,314,542
NET POSITION, END OF YEAR	$ 33,192,157

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,258,712
Payments to vendors for supplies and services	(9,931,748)
Payments to or on behalf of employees	(49,150,982)
Payments to students for scholarships and grants	(11,617,402)
Net Cash Flows From Operating Activities	(66,441,420)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	29,570,153
Grant and contracts	34,450,239
Property taxes - nondebt related	14,949,337
State taxes and other apportionments	1,582,239
Other nonoperating	636,259
Net Cash Flows From Noncapital Financing Activities	81,188,227
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(30,952,088)
Property taxes - related to capital debt	16,273,844
Principal paid on capital debt	(9,149,003)
Interest paid on capital debt	(7,553,079)
Net Cash Flows From Capital Financing Activities	(31,380,326)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	718,307
Net Cash Flows From Investing Activities	718,307
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,915,212)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	117,176,556
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 101,261,344

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (73,257,005)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	6,729,162
On behalf payments	1,152,578
Changes in Assets and Liabilities:	
Receivables	(337,173)
Prepaid expenses	(234,155)
Accounts payable and accrued liabilities	(766,612)
Unearned revenue	(170,694)
Compensated absences	(6,401)
Pension obligation and related deferred resources	95,439
Other post employment benefits	353,441
Total Adjustments	6,815,585
Net Cash Flows From Operating Activities	$ (66,441,420)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,197,005
Cash equivalents, County Cash	99,865,716
Cash equivalents, Local Agency Investment fund	198,623
Total Cash and Cash Equivalents	$ 101,261,344

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Trust
ASSETS	
Cash and cash equivalents	$ 719,103
Investments	2,797,971
Accounts receivable, net	73,719
Prepaid expenses	789
Receivable from governmental funds	1,010,855
Total Assets	4,602,437
LIABILITIES	
Accounts payable	4,151
Unearned revenue	52,394
Total Liabilities	56,545
NET POSITION	
Unrestricted	4,545,892
Total Net Position	$ 4,545,892

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Trust
ADDITIONS	
Federal revenues	$ 32,134
Local revenues	1,105,247
Total Additions	1,137,381
DEDUCTIONS	
Classified salaries	23,550
Services and operating expenditures	118,086
Debt service - interest and other	30,367
Total Deductions	172,003
Change in Net Position	965,378
Net Position - Beginning	3,580,514
Net Position - Ending	$ 4,545,892

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

NOTE 1 - ORGANIZATION

Solano Community College District (the District) was established in 1945 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and two education centers located within Solano, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2016 and 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $1,893,566 and $1,425,306 for the years ended June 30, 2016 and 2015, respectively.

Prepaid Expenses

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The district reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred changes on refunding of debt and for pension related items.

Pensions

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

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

Unearned Revenue

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

Noncurrent Liabilities

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

Net Position

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government wide financial statements report $16,258,230 of restricted net position.

State Apportionments

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

Property Taxes

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

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

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*.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to CalSTRS and CalPERS on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District of the year ended June 30, 2016, was $1,152,578 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

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

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

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

The District has implemented the provisions of this Statement as of June 30, 2016.

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

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.

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

This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals. The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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

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

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

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

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

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Business-type activities	$ 101,261,344
Fiduciary funds	3,517,074
Total Deposits and Investments	$ 104,778,418

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	$ 1,861,335
Cash in revolving	54,773
Investments	102,862,310
Total Deposits and Investments	$ 104,778,418

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and LAIF.

Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	$ 99,865,716	1.08 years
Retirement Plan Master Trust	2,797,971	Less than one
State Investment Pool	198,623	0.46 years
Total	$ 102,862,310	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are not required to be rated, nor they been rated as of June 30, 2016.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA	Aa	Unrated
County Pool	$ 99,865,716	$ 99,865,716	$ -	$ -	$ 99,865,716
Retirement Plan Master Trust	2,797,971	2,797,971	-	-	2,797,971
State Investment Pool	198,623	198,623	-	-	198,623
Total	$ 102,862,310	$ 102,862,310	$ -	$ -	$ 102,862,310

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, approximately $1,500,000 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 – FAIR VALUE MEASUREMENTS

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

> Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
>
> Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
>
> Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

The District's fair value measurements are as follows at June 30, 2016:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Pool	$ 99,865,716	$ -	$ -	$ -	$ 99,865,716
Retirement Plan Master Trust	2,797,971	-	-	2,797,971	-
State Investment Pool	198,623	-	-	-	198,623
Total	$ 102,862,310	$ -	$ -	$ 2,797,971	$ 100,064,339

	Level 3
Beginning of year	$ 2,192,777
Purchases	320,089
Earnings	285,105
End of Year	$ 2,797,971

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

NOTE 5 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 593,593
State Government	
Categorical aid	669,494
Unrestricted lottery	881,373
Local Sources	
Student receivables, net	2,670,355
Other local sources	362,459
Total	$ 5,177,274
Student receivables	$ 4,563,921
Less allowance for bad debt	(1,893,566)
Student receivables, net	$ 2,670,355

Fiduciary Funds

	Fiduciary Funds
Local Sources	
Student receivables, net	$ 73,719

NOTE 6 - PREPAID EXPENSES AND OTHER ASSETS

The District paid facility rent and workers compensation insurance prior to June 30, 2016.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016, was as follows:

	Beginning of Year	Additions / Adjustments	Deductions / Adjustments	End of Year
Capital Assets Not Being Depreciated				
Land	$ 20,594,493	$ 1,069,486	$ -	$ 21,663,979
Construction in progress	21,479,303	30,129,598	11,488,854	40,120,047
Total Capital Assets Not Being Depreciated	42,073,796	31,199,084	11,488,854	61,784,026
Capital Assets Being Depreciated				
Land improvements	11,832,827	-	-	11,832,827
Buildings	162,717,814	7,070,961	-	169,788,775
Building improvements	21,758,845	-	-	21,758,845
Furniture and equipment	26,392,566	4,170,897	-	30,563,463
Total Capital Assets Being Depreciated	222,702,052	11,241,858	-	233,943,910
Total Capital Assets	264,775,848	42,440,942	11,488,854	295,727,936
Less Accumulated Depreciation				
Land improvements	4,950,225	394,683	-	5,344,908
Buildings	33,280,505	3,756,547	-	37,037,052
Building improvements	7,095,887	1,264,716	-	8,360,603
Furniture and equipment	11,305,017	1,313,216	-	12,618,233
Total Accumulated Depreciation	56,631,634	6,729,162	-	63,360,796
Net Capital Assets Being Depreciated	166,070,418	4,512,696	-	170,583,114
Net Capital Assets	$ 208,144,214	$ 35,711,780	$ 11,488,854	$ 232,367,140

Depreciation expense for the year 2016 was $6,729,162.

Interest expense on capital related debt for the year ended June 30, 2016, was $7,553,079. Of this amount, $1,021,828 was capitalized.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll and related liabilities	$ 426,300
Construction projects	2,946,894
Categorical aid	28,231
Vendor payables	1,607,239
Total	$ 5,008,664

Fiduciary Funds

	Fiduciary Funds
Vendor Payable	$ 3,865

NOTE 9 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 1,090
State categorical aid	1,931,395
State unearned restricted lottery	603,271
Enrollment fees	2,471,529
Other local	179,187
Total	$ 5,186,472

Fiduciary Funds

	Fiduciary Funds
Other local	$ 52,394

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2016 fiscal year there were no amounts transferred to the primary government from the fiduciary funds.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the June 30, 2016 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 227,457,973	$ 48,933,164	$ 54,876,002	$ 221,515,135	$ 9,249,903
Revenue bonds	11,271,512	-	699,003	10,572,509	703,873
Bond premiums	6,418,444	2,261,605	1,222,146	7,457,903	807,704
Total Bonds and Notes Payable	245,147,929	51,194,769	56,797,151	239,545,547	10,761,480
Other Liabilities					
Compensated absences	1,170,875	6,401	-	1,177,276	-
Other post employment benefits (OPEB)	7,592,668	1,548,901	1,195,460	7,946,109	-
Aggregate net pension obligation	35,972,688	5,991,125	-	41,963,813	-
Total Other Liabilities	44,736,231	7,546,427	1,195,460	51,087,198	-
Total Long-Term Debt	$ 289,884,160	$ 58,741,196	$ 57,992,611	$ 290,632,745	$10,761,480

Description of Debt

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

General Obligations Bonds

Measure G

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

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

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

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

In September 2015, The District issued $47,677,452 of General Obligation Refunding Bonds with interest rates ranging from 2 percent to 4 percent to advance refund a portion of the 2002 Series B outstanding term bonds with a remaining obligation of $46,426,002. The redemption date of the bonds is August 1, 2016. After payment of issuance and related costs of $409,257, the net proceeds of the bond sale were $49,529,801, which was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid in full. The advanced refunding met the requirements of a legal debt defeasance and the prior bond issuance is removed from the District's government wide financial statements. The premium from the bond issuance was $2,221,605, and deferred charge on the defeasance of $1,251,451 are capitalized and amortized over the shorter of the life of the old bond or the new bond.

Measure Q

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

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Issued / Accreted	Redeemed	Bonds Outstanding June 30, 2016
2002 Election							
Mar-05	8/1/2022	3.0%-5.0%	$ 81,349,812	$ 10,357,303	$ 620,752	$ 5,335,000	$ 5,643,055
Sep-06	8/1/2031	4.0%-5.0%	44,495,279	47,109,061	36,842	46,811,002	334,901
Mar-14	8/1/2023	4.0%-5.0%	10,645,000	10,645,000	-	-	10,645,000
Mar-14	8/1/2022	0.462%-3.504%	41,165,000	40,550,000	-	380,000	40,170,000
Sep-15	8/1/2031	2.0%-5.0%		-	48,124,014	-	48,124,014
Subtotal				108,661,364	48,781,608	52,526,002	104,916,970
2012 Election							
Jun-13	8/1/2047	2.0%-5.49%	89,996,899	88,796,609	151,556	2,350,000	86,598,165
Jun-13	8/1/2040	2.8%-5.5%	30,000,000	30,000,000	-	-	30,000,000
Subtotal				118,796,609	151,556	2,350,000	116,598,165
				$ 227,457,973	$ 48,933,164	$ 54,876,002	$ 221,515,135

Debt Maturity

Fiscal Year	Principal	Accretions	Interest	Total
2017	$ 9,027,169	$ 242,831	$ 6,503,542	$ 15,773,542
2018	9,790,000	-	6,323,086	16,113,086
2019	7,200,000	-	6,122,679	13,322,679
2020	7,890,000	-	5,951,737	13,841,737
2021	8,495,000	-	5,725,996	14,220,996
2022-2026	30,148,908	12,496,092	27,860,827	70,505,827
2027-2031	34,267,706	11,327,294	32,637,663	78,232,663
2032-2036	19,942,452	4,856,008	30,116,488	54,914,948
2037-2041	20,941,847	6,820,324	20,219,250	47,981,421
2042-2046	43,448,251	3,031,749	11,206,462	57,686,462
2047-2048	25,255,000	-	1,127,984	26,382,984
Total	216,406,333	$ 38,774,298	$ 153,795,714	$ 408,976,345
Accretions to date	5,108,802			
Total	$ 221,515,135			

Lease Revenue Bonds

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

Year Ending June 30,	Lease Principal	Interest	Total
2017	$ 709,873	$ 468,847	$ 1,178,720
2018	720,911	436,708	1,157,619
2019	732,121	404,069	1,136,190
2020	743,506	370,922	1,114,428
2021	755,067	337,260	1,092,327
2022-2026	3,955,151	1,162,765	5,117,916
2027-2030	2,955,880	268,677	3,224,557
	$ 10,572,509	$ 3,449,248	$ 14,021,757

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2016, was $1,548,901, and contributions made by the District during the year were $1,195,460, which resulted in a net increase to the net OPEB obligation of $353,441. As of June 30, 2016, the net OPEB obligation was $7,946,109. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

At June 30, 2016, the liability for compensated absences was $1,177,276.

Aggregate Net Pension Obligation

At June 30, 2016, the liability for the aggregate net pension obligation amounted to $41,963,813. See Note 14 for additional information.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

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

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

* Some retirees do not receive all three benefit types.

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

Plan Description

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2015-2016, the District paid $1,195,460 in pay as you go health premiums and no additional contributions to the JPA Investment Trust.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	$ 1,548,901
Total contributions	(1,195,460)
Increase (decrease) in net OPEB obligation	353,441
Net OPEB obligation, July 1, 2015	7,592,668
Net OPEB obligation, June 30, 2016	$ 7,946,109

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

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
June, 2014	$ 1,548,901	$ 1,643,130	106%	$ 7,620,266
June, 2015	1,548,902	1,576,500	102%	7,592,668
June, 2016	1,548,901	1,195,460	77%	7,946,109

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the September 1, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 6.25 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates 4 percent. The UAAL is being amortized using the level percent of payroll method over a 30 year amortization period. The actuarial value of assets was $1,366,499 as of this actuarial valuation and the market value of the investment account was $2,797,971.

NOTE 13 - RISK MANAGEMENT

Property Liability Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2016, 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 2015-2016, the District participated in the Northern Community Colleges Self Insurance Authority Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

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

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 26,512,169	$ 3,935,565	$ 5,374,090	$ 1,831,677
CalPERS	15,451,644	4,788,567	4,438,129	1,287,252
Total	$ 41,963,813	$ 8,724,132	$ 9,812,219	$ 3,118,929

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, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

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, 2016, are presented above, and the District's total contributions were $1,846,655.

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

At June 30, 2016, 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	$ 26,512,169
State's proportionate share of net pension liability associated with the District	14,022,015
Total	$ 40,534,184

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014 was 0.0394 percent and 0.0405 percent, respectively, resulting in a net decrease in the proportionate share of 0.0011 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,831,677. In addition, the District recognized pension expense and revenue of $1,152,578 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,846,655	$ -
Net change in proportionate share of net pension liability	-	680,982
Deferred outflows (inflows) of resources related to pensions	2,088,910	4,250,083
Differences between expected and actual experience in the measurement of the total pension liability	-	443,025
Total	$ 3,935,565	$ 5,374,090

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Outflows/Inflows of Resources
2017	$ (894,467)
2018	(894,467)
2019	(894,467)
2020	522,228
Total	$ (2,161,173)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (187,335)
2018	(187,335)
2019	(187,335)
2020	(187,335)
2021	(187,335)
Thereafter	(187,332)
Total	$ (1,124,007)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 40,031,312
Current discount rate (7.60%)	$ 26,512,169
1% increase (8.60%)	$ 15,276,671

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, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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, 2016, are presented above, and the total District contributions were $1,367,714.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $15,541,644. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, was 0.1048 percent and 0.1085 percent, respectively, resulting in a net decrease in the proportionate share of 0.0037 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,287,252. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,367,714	$ -
Net change in proportionate share of net pension liability	-	421,889
Deferred outflows (inflows) of resources related to pensions	2,537,768	3,066,845
Differences between expected and actual experience in the measurement of the total pension liability	883,085	-
Changes of assumptions	-	949,395
Total	$ 4,788,567	$ 4,438,129

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (387,840)
2018	(387,840)
2019	(387,840)
2020	634,443
Total	$ (529,077)

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 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (168,344)
2018	(168,344)
2019	(151,511)
Total	$ (488,199)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.
In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	$ 25,148,837
Current discount rate (7.65%)	$ 15,451,644
1% increase (8.65%)	$ 7,387,779

Tax Deferred Annuity

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

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2016, 2015, and 2014, which amounted to $1,152,578, $1,232,900, and $1,055,977 respectively. The 2016 contribution rate was 7.12589 percent of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contributions rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2016, 2015, and 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenses. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2016, the District made payments of approximately $1,150,526 to the Northern California Community Colleges Self Insurance Authority.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

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, 2016.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the capital projects:

CAPITAL PROJECT	Construction Funds Committed	Expected Date of Completion
Aeronautics Vacaville project	$ 180,116	To be determined
Autotechnology building (VJ Campus)	1,904,307	August-17
Biotechnology and science building	1,556,967	September-17
Classroom building renovation	856,840	June-17
Districtwide IT infrastructure improvements project	129,031	Mar-17
Campus facilities	80,637	To be determined
Performing arts building	35,957	June-17
Lighting	398,259	To be determined
Program management	447,062	To be determined
	$ 5,589,176	

Accreditation

The College was reaccredited by ACCJC. The District is currently in the self study process with a comprehensive staff evaluation report due in July 2017, and a visit by the ACCJC visiting team in October 2017.

The District was approved by the California Community College Chancellor's Office for a Baccalaureate Program in Bio-Manufacturing. On September 9, 2016, the District submitted a Substantive Change Proposal for this program to ACCJC and is awaiting ACCJC's final approval in February 2017. In the opinion of management Solano College's Substantive Change Proposal for its Baccalaureate Program in Bio-Manufacturing will be approved.

Operating Lease Commitments

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

Year Ending June 30,	Lease Payment
2017	$ 645,807
2018	185,742
Total	$ 831,549

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0394%	0.0405%
District's proportionate share of the net pension liability	$ 26,512,169	$ 23,649,968
State's proportionate share of the net pension liability associated with the District	14,022,015	14,280,872
Total	$ 40,534,184	$ 37,930,840
District's covered - employee payroll	$ 16,914,388	$ 16,407,382
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	156.74%	144.14%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.1048%	0.1085%
District's proportionate share of the net pension liability	$ 15,451,644	$ 12,322,720
District's covered - employee payroll	11,747,308	11,365,881
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	131.53%	108.42%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

CalSTRS	2016	2015
Contractually required contribution	$ 1,846,655	$ 1,508,056
Contributions in relation to the contractually required contribution	(1,846,655)	(1,508,056)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 17,309,532	$ 16,914,388
Contributions as a percentage of covered - employee payroll	10.67%	8.92%

CalPERS		
Contractually required contribution	$ 1,367,714	$ 1,375,277
Contributions in relation to the contractually required contribution	(1,367,714)	(1,375,277)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 11,535,397	$ 11,747,308
Contributions as a percentage of covered - employee payroll	11.86%	11.71%

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

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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.

Schedule of District Contributions

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2016

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

ADMINISTRATION

Celia Esposito-Noy	Superintendent- President / Board Secretary
Yulian Ligioso	Vice President, Finance and Administration
Adil Ahmed	Interim Director of Fiscal Services

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL AID CLUSTER			
Supplemental Educational Opportunity Grant (SEOG)	84.007	[1]	$ 191,508
Pell Grant	84.063	[1]	8,468,257
Student Financial Aid Administrative Allowance	84.063	[1]	23,898
Federal Work Study Program	84.033	[1]	154,382
Federal Direct Student Loans	84.268	[1]	1,590,211
Subtotal Student Financial Aid Cluster			10,428,256
TRIO CLUSTER			
TRIO Student Support Services	84.042	[1]	121,471
Veteran Assistance Title 38	84.111	[1]	5,893
Passed through California State Chancellors Office			
Perkins Title I-C Reserve	84.048	[2]	510,093
Career and Technical Education - Basic Grants to States - CTE Transitions	84.048	11-112-280	45,119
Total U.S. Department of Education			11,110,832
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Post-9/11 Veterans Educational Assistance	64.028	[1]	163,263
U.S DEPARTMENT OF LABOR			
Passed through Los Medanos College			
Trade Adjustment Assistance Community College & Career Training Grants	17.282	[2]	178,679
Passed through Employment Development Department			
WIA CLUSTER			
Alternative and Renewable Fuel Technology	17.258	[2]	72,000
Total U.S. Department of Labor			250,679
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Humboldt State University			
Small Business Development Centers - Community Development Block Grants	14.228	[2]	36,553
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	03628	55,981
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			
Passed through California State Chancellors Office			
TANF CLUSTER			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	43,807
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps	94.023		32,134
NATIONAL SCIENCE FOUNDATION			
National Science Foundation	47.074	[1]	145,560
SMALL BUSINESS ADMINISTRATION			
Passed through Humboldt State University			
Small Business Development Centers	59.037	F2144, F0305, F0405	98,948
			$ 11,901,204

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

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

	Program Entitlements			Program Revenues					
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
AB 86	$ 26,564	$ 18,654	$ 45,218	$ 45,218	$ -	$ -	$ -	$ 45,218	$ 45,218
AB 104 Adult Education Block Grant	33,508	-	33,508	33,508	-	-	27,575	5,933	5,933
Baccalaureat Pilot Degree Program	350,000	-	350,000	350,000	-	-	350,000	-	-
Basic Skills - On Going	103,920	-	103,920	103,920	-		-	103,920	103,920
BS Sector Navigator	447,500	10,601	458,101	234,600	223,501	-	-	458,101	458,101
CA Carrer Pathways Trust Funding	-	53,951	53,951	53,951	-	-	2,697	51,254	51,254
CA CPT Diablo Gateway Funding	43,500	-	43,500	44,450	-	-	43,249	1,201	1,201
Cal Works	198,375	-	198,375	198,375	-	8,628	-	189,747	189,747
Cal Grants	527,934	-	527,934	527,934	-	-	-	527,934	527,934
CARE	79,415	-	79,415	79,415	-	-	-	79,415	79,415
CSEC Foster & Kinship Care	4,750	-	4,750	-	3,122	-	-	3,122	3,122
CTE Enhancement Fund	456,534	-	456,534	293,497	30,143	-	-	323,640	323,640
Disabled Students Programs and Services	555,119	-	555,119	555,119	-	-	-	555,119	555,119
Extended Opportunity Program and Services	516,428	-	516,428	516,428	-	-	-	516,428	516,428
Foster and Kinship Care	205,281	-	205,281	172,707	26,531	-	-	199,238	199,238
Full Time Student Success Grant	165,466	-	165,466	165,466	-	-	26,566	138,900	138,900
FYSI Foster Youth Success Initiative	217,689	481	218,170	217,689	-	-	-	217,689	217,689
Instructional Equipment, one time	496,913	-	496,913	496,913	-	-	57,691	439,222	439,222
Lottery - Prop. 20	348,500	560,497	908,997	767,421	196,431	-	603,271	360,581	360,581
SBDC - GO BIZ	-	11,967	11,967	11,967	-	-	-	11,967	11,967
Student Support Service Program	1,996,105	314,742	2,310,847	2,310,847	-	-	-	2,310,847	2,310,847
NCCPA Career Pathway - Year 1	-	66,771	66,771	66,771	-	-	-	66,771	66,771
NCCPA Career Pathway - Year 2	271,653	136,595	408,248	269,634	-	-	236,299	33,335	33,335
Nurse Enrollment Growth 10-116-047	209,387	-	209,387	192,636	3,845	19,603	-	176,878	176,878
Prop 39 - Clean Energy	217,689	-	217,689	217,689	-	-	-	217,689	217,689
Scheduled Maintenance, on going	490,004	841,212	1,331,216	1,331,216	-	-	631,281	699,935	699,935
Sector Navigator Healthcare	100,000	18,052	118,052	2,090	114,512	-	-	116,602	116,602
Staff Diversity	5,343	-	5,343	5,343	-	-	-	5,343	5,343
Student Financial Aid Administrative Allowance	384,017	-	384,017	384,017	-	-	-	384,017	384,017
Student Equity	1,114,009	204,903	1,318,912	1,318,912	-	-	556,015	762,897	762,897
Vallejo Career Pathway Trust VCUSD	209,534	553	210,087	46,001	10,748	-	-	56,749	56,749
Work Base Learning Grant	100,000	-	100,000	9,875	46,228	-	-	56,103	56,103
YES Youth Empowerment Program	22,500	-	22,500	6,270	14,433	-	-	20,703	20,703
Subtotal	$ 9,897,637	$ 2,238,979	$ 12,136,616	$ 11,029,879	$ 669,494	$ 28,231	$2,534,644	$ 9,136,498	$ 9,136,498

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2016

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit **	-	-	-
2. Credit	807.02	-	807.02
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit **	-	-	-
2. Credit	784.01	-	784.01
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,184.79	-	5,184.79
(b) Daily Census Contact Hours	284.50	(1.87)	282.63
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	15.12	-	15.12
(b) Credit	211.37	-	211.37
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Contact Hours	919.06	-	919.06
(b) Daily Census Contact Hours	81.98	-	81.98
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	8,287.85	(1.87)	8,285.98

SUPPLEMENTAL INFORMATION (Subset of Above Information)

	Annual Reported Data	Audit Adjustments	Audited Data
E. In Service Training Courses (FTES)	0.70	-	0.70
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	14.14	-	14.14
2. Credit	691.24	-	691.24

CCFS-320 Addendum

	Annual Reported Data	Audit Adjustments	Audited Data
Centers FTES			
1 Noncredit **	2,229.22	-	2,229.22
2 Credit	-	-	-
	2,229.22	-	2,229.22

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 9,856,286	$ -	$ 9,856,286	$ 9,856,286	$ -	$ 9,856,286
Other	1300	6,942,166	-	6,942,166	6,967,797	-	6,967,797
Total Instructional Salaries		16,798,452	-	16,798,452	16,824,083	-	16,824,083
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,827,727	-	2,827,727
Other	1400	-	-	-	810,855	-	810,855
Total Noninstructional Salaries		-	-	-	3,638,582	-	3,638,582
Total Academic Salaries		16,798,452	-	16,798,452	20,462,665	-	20,462,665
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,300,820	-	7,300,820
Other	2300	-	-	-	210,610	-	210,610
Total Noninstructional Salaries		-	-	-	7,511,430	-	7,511,430
Instructional Aides							
Regular Status	2200	931,248	-	931,248	931,248	-	931,248
Other	2400	179,284	-	179,284	179,869	-	179,869
Total Instructional Aides		1,110,532	-	1,110,532	1,111,117	-	1,111,117
Total Classified Salaries		1,110,532	-	1,110,532	8,622,547	-	8,622,547
Employee Benefits	3000	6,937,459	-	6,937,459	12,996,439	-	12,996,439
Supplies and Material	4000	-	-	-	395,653	-	395,653
Other Operating Expenses	5000	-	-	-	5,506,292	-	5,506,292
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		24,846,443	-	24,846,443	47,983,596	-	47,983,596

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 525,153	$ -	$ 525,153	$ 525,153	$ -	$ 525,153
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,015,830	-	1,015,830
Objects to Exclude							
Rents and Leases	5060		-	-	79,416	-	79,416
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	444,562	-	444,562
Classified Salaries	2000	-	-	-	125,722	-	125,722
Employee Benefits	3000	-	-	-	234,234	-	234,234
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	6,246	-	6,246
Total Supplies and Materials		-	-	-	6,246	-	6,246

See accompanying note to supplementary information.

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 2,488	$ -	$ 2,488
Capital Outlay							
Library Books	6000	-	-	-	18,120	-	18,120
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	18,120	-	18,120
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		525,153	-	525,153	2,451,771	-	2,451,771
Total for ECS 84362, 50 Percent Law		$ 24,321,290	$ -	$ 24,321,290	$ 45,531,825	$ -	$ 45,531,825
Percent of CEE (Instructional Salary Cost/Total CEE)		53.42%		53.42%	100.00%		100.00%
50% of Current Expense of Education					$ 22,765,913		$ 22,765,913

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2016

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 7,205,483
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 7,205,483			$ 7,205,483
					-
Total Expenditures for EPA		$ 7,205,483	-	-	$ 7,205,483
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

None noted.

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance:		
General Funds	$ 12,145,365	
Special Revenue Funds	9,702	
Capital Project Funds	67,186,385	
Debt Service Funds per 311	14,373,325	
Enterprise Funds	969,432	
Proprietary Funds	661,015	
Student Financial Aid and Scholarship Fund	(8,113)	
Total Fund Balance - All District Funds		**$ 95,337,111**
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	$295,727,936	
Accumulated depreciation is	(63,360,796)	232,367,140
Deferred outflows related to bonds: Deferred charges on debt refundings are recognized on the modified accrual basis but on the accrual basis are amortized over the shorter of the life of the old bond or the new bond		1,168,021
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.		8,724,132
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.		(2,000,716)
Deferred inflows related to bonds: Deferred charges on debt refundings are recognized on the modified accrual basis but on the accrual basis are amortized over the shorter of the life of the old bond or the new bond		(1,958,567)
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.		(9,812,219)
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	221,515,135	
Revenue bonds payable	10,572,509	
Bond premiums	7,457,903	
Compensated absences	1,177,276	
OPEB liability	7,946,109	
Aggregate net pension liability	41,963,813	(290,632,745)
Total Net Assets		**$ 33,192,157**

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position – Primary Government, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent, or funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2016.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 11,872,657
Pell Administration - Use of Fund Balance	84.063	1,321
Small Business Development Centers - Use of fund balance	59.037	27,226
Total Expenditures of Federal Awards		$ 11,901,204

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

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

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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

Board of Trustees
Solano Community College District
Fairfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of Solano Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 to 2016-003 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2016.

Solano Community College District's Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Solano Community College District
Pleasanton, 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, 2016. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2016

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Solano Community College District
Pleasanton, California

Report on State Compliance

We have audited Solano Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding 2016-001 State General Apportionment Funding System, 2016-002 Concurrent Enrollment, and 2016-003 Student Success and Support Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

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Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2016, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2016

Schedule of Findings and Questioned Costs

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

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

Name of State Program
Section 424 State General Apportionment Funding System
Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 429 Student Success and Support Program

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

None noted.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None noted.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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

2016-001 Finding – State General Apportionment Funding System – Daily Courses

Criteria or Specific Requirement
CCR, Title 5 Regulations and the Student Attendance Accounting Manual (SAAM), including SAAM Addendum Concerning Academic Calendars, Course Scheduling, and Related Topics, specify how to compute contact hours claimed for apportionment.

Condition – *Significant Deficiency*
Contact hours for 7 of 25 daily courses reviewed were reported based on hours listed in the course outline instead of actual hours scheduled.

Questioned Costs
This caused an overstatement of 982.2 daily course contact hours, or 1.87 FTES.
The extrapolated overstatement is 41.99 FTES.

Context
Daily course contact hours were not appropriately calculated.

Effect
Daily course contact hours claimed for apportionment were overstated.

Cause
Daily course contact hours were claimed based on the course outline hours instead of the scheduled hours.

Recommendation
We recommend the District review all contact hour calculations for daily courses and ensure that the hours claimed are limited to the hours the course is in session per the course schedule.

Management's Response and Corrective Action Plan

The District agrees and will task its Academic Affairs, Enrollment Services and Curriculum Offices to review all contact hour calculations for daily courses and ensure that the hours claimed are limited to the hours the course is in session per the course schedule.

2016-002 Finding – Concurrent Enrollment

Criteria or Specific Requirement

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

Condition – *Significant Deficiency*
A student appeared to be improperly classified as a concurrent student for the Summer session even though they already graduated from High School in the Spring term. Documentation from the K-12 District that the students could benefit from advanced scholastic or vocational work was unable to be located. In addition, data reported on the CCFS-320 for P.E. courses with concurrent enrollment exceeding 5% was not accumulated correctly.

Questioned Costs
Enrollment fees associated with the four students.

Context
One out of the 25 students appeared to be improperly classified as a concurrent student for the Summer session even though they already graduated from High School in the Spring term. Additionally, documentation from the K-12 District that the students could benefit from advanced scholastic or vocational work was unable to be located for three students selected for testing. After correcting for the P.E. courses omitted from the 5% calculation, the District remained in compliance with that part of the requirements for concurrent enrollment.

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

Cause
Student's status was not updated after graduation and records on ability to benefit were either not obtained or not retained. In addition, not all P.E. courses were identified as such in data used to accumulate totals on the CCFS-320.

Recommendation
VTD recommends that the one student misclassified as a concurrent student be reclassified and charged enrollment fees for units the student enrolled as of their K-12 graduation date. Additionally, the District should review the concurrent student process to verify all have a special admit form on file, and/or college enrollment fees from any students not qualifying as concurrent.

Management's Response and Corrective Action Plan
The District agrees and will charge its Vice President of Student Services and the newly hired Dean of Enrollment Services to rectify the situation and strengthen the college's concurrent enrollment process.

2016-003 Finding – Student Success and Support Program (SSSP)

Criteria or Specific Requirement
First time, nonexempt students are required, within a reasonable timeframe, to identify an educational goal, a career goal, and a course of study and to participate in core services. Community college districts may elect to exempt certain students from participation in these services in accordance with CCR, title 5, section 55532. The Student Success and Support Program (SSSP) provides the following core services to credit and noncredit students:

- Orientation
- Assessment for placement
- Counseling, advising, and education planning
- Follow up services for at risk students
- Other services

Condition – *Significant Deficiency*
The District had no support for two students counted as receiving "Other Services"

Questioned Costs
None

Context
Reporting of services provided to students has been significantly revised in the 2015-16 fiscal year. Of the 40 students tested for services received, two appeared to be inappropriately included in the Other Services category.

Effect
Reported data was not accurate.

Cause
Services reported were not supported by documentation maintained by the College.

Recommendation
We recommend the District provide additional training to individuals providing information for the reporting of student services.

Management's Response and Corrective Action Plan
The District agrees and will develop staff trainings specific to SSSP reporting.

SOLANO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.