SOLANO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SOLANO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2017

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Solano Community College District
Fairfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of Solano Community College District (the District) as of and for the year ended June 30, 2017, 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 2016-2017 *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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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, 2017, 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 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, 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 February 8, 2018, 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
February 8, 2018

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of Solano Community College District (the District) as of June 30, 2017. 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, 2017. 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

2016-17 California Budget Act

California's General Fund budget for 2016-17 of $122.5 billion represented a 2.6% increase over the prior year, providing an opportunity for increased revenues to K-14 education. The adopted budget reflected the Governor's continued emphasis on conservative budgeting estimates.

Highlights of the 2016-17 budget package for community colleges included:

- Student enrollment fees remained at $46 per unit, among the most affordable in the nation.
- An increase of $75 million for increased college operating expenses.
- A provision for 2% enrollment growth, or $114.3 million.
- No cost of living adjustment.

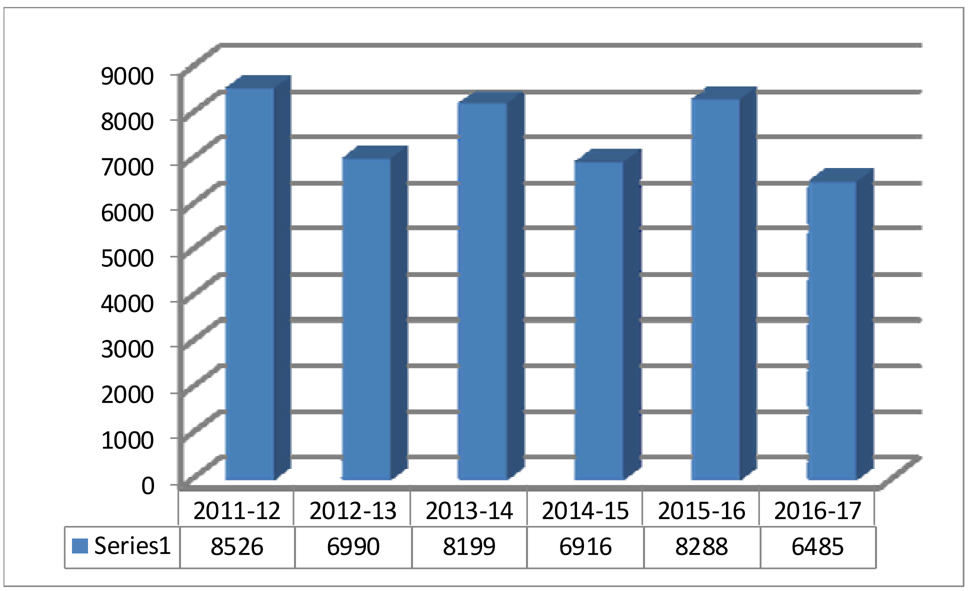
- Up to $31.7 million to replace revenue shortfalls from redevelopment agency property tax apportionments.
- $200 million to establish a new “Strong Workforce Program” to increase training in career technical education.
- A one-time payment of $48 million to develop a “Career technical Education Pathways Program” to support student success in technical education.
- $30 million one-time payment for basic skills programs for implementing practices that increase students’ transition to college-level courses.
- One time support of $25 million for innovation awards focusing on innovations in curriculum and instruction, assessment prior learning and experiences, and access to financial aid.
- College Promise Innovation one-time grants of $15 million.
- An increase of $10 million to support the Intuitional Effectiveness Partnership Initiative.
- $20 million for technology to develop online courses that will be available through the online course exchange.
- Funding of $15 million, including $7 million one-time, support data security efforts and expand broadband capacity on campus.
- Up to $5 million to support zero cost textbook programs.
- $14.7 million to restore services for CalWORKS students, part-time faculty office hours, and student success categorical programs.
- Funding to promote equal opportunity employment and promotional opportunities of $4.3 million.
- $300,000 for the state-wide Academic Senate in their efforts to promote student success.
- Deferred maintenance funds of $184.6 million
- $105.5 million for prior mandated costs as discretionary funding.
- Proposition 39 funding of $49.3 million to support energy efficiency.

ATTENDANCE HIGHLIGHTS

Due to declining enrollments, Solano Community College has utilized stability funding to maintain roughly level funding. Stability funding provides the district with predictable funding in a year of declining enrollment. The District continues to engage in various outreach, retention, and student success strategies to increase enrollments. The following chart demonstrates the history of credit and non-credit FTES from 2011-12 through 2016-17:

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	2017	2016	Change
Current Assets			
Cash and investments	$ 27,535,779	$ 20,270,859	$ 7,264,920
Restricted cash and cash equivalents	139,628,073	80,990,485	58,637,588
Accounts receivable (net)	4,650,618	5,177,274	(526,656)
Prepaid expenses and other current assets	649,158	389,683	259,475
Total Current Assets	172,463,628	106,828,301	65,635,327
Noncurrent Assets:			
Capital assets (net)	282,870,165	232,367,140	50,503,025
Total Noncurrent Assets	282,870,165	232,367,140	50,503,025
Total Assets	**$ 455,333,793**	**$ 339,195,441**	**$ 116,138,352**
DEFERRED OUTFLOWS OF RESOURCES	**$ 15,244,517**	**$ 9,892,153**	**$ 5,352,364**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 15,621,609	$ 8,305,434	$ 7,316,175
Unearned revenue	7,512,925	5,186,472	2,326,453
Deferred bond premium	1,335,539	807,704	527,835
Long-term liabilities due within one year	10,510,911	9,953,776	557,135
Total Current Liabilities	34,980,984	24,253,386	10,727,598
Long-term liabilities	379,872,436	279,871,265	100,001,171
Total Liabilities	**$ 414,853,420**	**$ 304,124,651**	**$ 110,728,769**
DEFERRED INFLOWS OF RESOURCES	**$ 11,485,647**	**$ 11,770,786**	**$ (285,139)**
NET POSITION			
Net investment in capital assets	80,319,062	62,956,172	17,362,890
Restricted	27,490,633	16,258,230	11,232,403
Unrestricted	(63,570,452)	(46,022,245)	(17,548,207)
Total Net Position	**$ 44,239,243**	**$ 33,192,157**	**$ 11,047,086**

Assets

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

Cash increased by approximately $66 million due principally to the new bond issuance during the year. Restricted cash includes amounts restricted for debt service.

Receivables and prepaid expenses did not change significantly.

Capital assets increased by approximately $50.5 million due principally to the expenditure of Measure Q Bond funds for ongoing projects.

Liabilities

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

Accounts payable and accrued liabilities increased by approximately $7.3 million primarily due to increased construction activities and therefore payments due to vendors at year end.

Unearned revenue increased by approximately $2.3 million primarily due to unspent state grants.

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

General obligation bonds increased by $91.4 million primarily due to new bond issued during the year.

The aggregate net pension liability increased $6.1 million, which along with deferred inflows and outflows related to pensions, and the unfunded other post employment benefits of $11.6 million, contributes to the negative unrestricted net position of $63.6 million.

This year, the District implemented GASB 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension (OPEB).* OPEB liability was approximately $11.6 million at the end of the fiscal year.

Operating Results for the Year

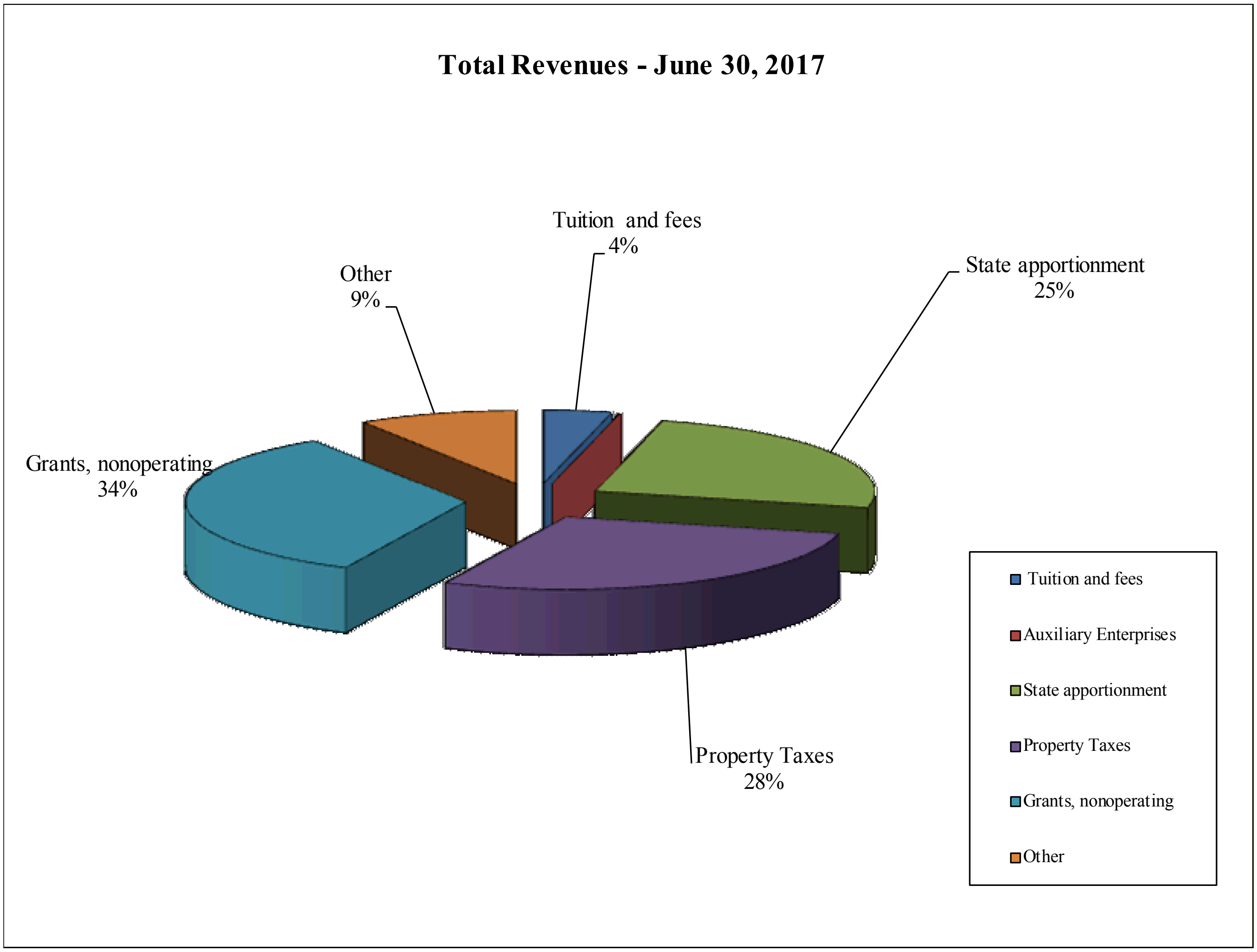
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Table 2

	2017	2016	Change
Operating Revenues			
Tuition and fees	$ 4,239,012	$ 4,092,233	$ 146,779
Operating Expenses			
Salaries	32,367,078	34,368,029	(2,000,951)
Employee benefits	13,618,694	15,171,250	(1,552,556)
Supplies, Materials, Other Operating Expenses and Services	31,729,162	21,080,797	10,648,365
Depreciation	7,032,755	6,729,162	303,593
Total Operating Expenses	84,747,689	77,349,238	7,398,451
Loss on Operations	(80,508,677)	(73,257,005)	(7,251,672)
Nonoperating Revenues			
State apportionments, noncapital	26,822,986	29,570,153	(2,747,167)
Local property taxes	30,801,899	31,223,181	(421,282)
Federal grants	10,497,298	11,840,523	(1,343,225)
State grants	20,865,811	18,819,094	2,046,717
Local grants and other	5,357,867	3,033,483	2,324,384
State taxes and other revenues	(63,941)	1,582,239	(1,646,180)
Investment income	9,941,487	137,456	9,804,031
Interest Expense on Capital Asset-Related Debt	(6,720,715)	(6,652,360)	(68,355)
Other nonoperating revenues (expenses)	228,415	580,851	(352,436)
Total Nonoperating Revenue	97,731,107	90,134,620	7,596,487
GAIN (LOSS) BEFORE CAPITAL REVENUES	17,222,430	16,877,615	344,815
INCREASE (DECREASE) IN NET POSITION	17,222,430	16,877,615	344,815
NET POSITION BEGINNING OF YEAR, restated	27,016,813	16,314,542	10,702,271
NET POSITION END OF YEAR	$ 44,239,243	$ 33,192,157	$ 11,047,086

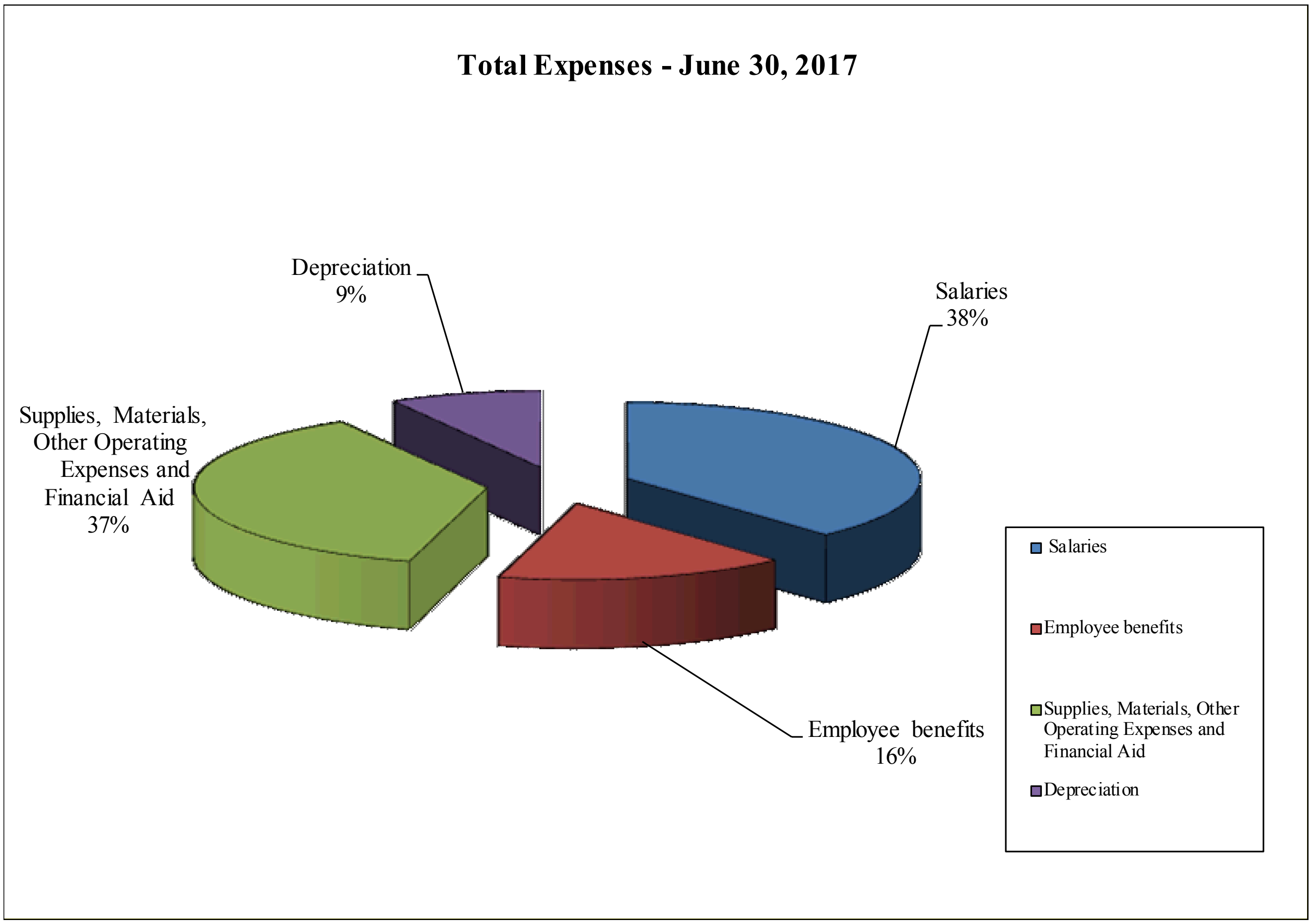
Significant revenue changes between 2016 and 2017 include:

- State apportionment decreased about $2.7 million and a decrease in property tax receipts of approximately $421 thousand.



Significant expenditure variances include:

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



Changes in Cash Position

Table 4

	2017	2016	Change
Cash Provided by (Used in)			
Operating activities	$ (59,726,775)	$ (66,441,420)	$ 6,714,645
Noncapital financing activities	83,148,257	81,188,227	1,960,030
Capital financing activities	32,311,124	(31,380,326)	63,691,450
Investing activities	10,169,902	718,307	9,451,595
Net Increase (Decrease) in Cash	65,902,508	(15,915,212)	81,817,720
Cash, Beginning of Year	101,261,344	117,176,556	(15,915,212)
Cash, End of Year	$ 167,163,852	$ 101,261,344	$ 65,902,508

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets increased approximately $50.5 million, and includes approximately $95 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	$ 61,784,026	$ 56,748,570	$ 1,771,727	$ 116,760,869
Buildings and improvements	203,380,447	1,771,727	-	205,152,174
Equipment and furniture	30,563,463	787,210	-	31,350,673
Subtotal	295,727,936	59,307,507	1,771,727	353,263,716
Accumulated depreciation	63,360,796	7,032,755	-	70,393,551
	$ 232,367,140	$ 52,274,752	$ 1,771,727	$ 282,870,165

Obligations

Long-term debt includes general obligation bonds outstanding, revenue bonds, employee compensated absences, and retirement obligations. General obligation bonds outstanding increased $91 million during 2016-17 primarily due to new bond issued. 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	$ 239,545,547	$ 102,277,938	$ 10,919,829	$ 330,903,656
Compensated absences	1,177,276	46,437	-	1,223,713
OPEB liability, restated	14,121,453	-	2,547,899	11,573,554
Net pension liability	41,963,813	6,054,150	-	48,017,963
Total Long-Term Debt	$ 296,808,089	$ 108,378,525	$ 13,467,728	$ 391,718,886
Amount due within one year				$ 11,846,450

BUDGETARY HIGHLIGHTS, 2017-18 CALIFORNIA ADOPTED BUDGET

In June, 2017, Governor Edmund G. Brown Jr. signed the budget for 2017-18 that continued a funding formula for community colleges that is primarily based on enrollments, supplemented by “categorical programs” for specific initiatives.

The adopted budget provided the following for California Community Colleges:

- An increase of $183.6 million to support increased community college operating expenses in areas such as employee benefits, facilities, professional development, converting faculty from part-time to full-time, and other general expenses.
- An increase of $97.6 million Proposition 98 General Fund for a 1.56-percent cost-of-living adjustment.
- An increase of $76 million Proposition 98 General Fund to reflect the amounts earned back by community college districts that declined in enrollment during the previous three years.
- An increase of $57.8 million Proposition 98 General Fund for enrollment growth of 1-percent.
- A decrease of $33 million Proposition 98 General Fund to reflect unused growth provided in 2015-16.
- Guided Pathways Grant Program—An increase of $150 million one-time Proposition 98 General Fund and settle-up for grants to community colleges to develop an integrated, institution-wide approach to student success.
- Chancellor’s Office State Operations—$618,000 General Fund and $458,000 in reimbursement authority, for six new positions and funding for a second Deputy Chancellor, to support the Chancellor’s priorities to provide greater leadership and technical assistance to community colleges and improve student outcomes.
- Financial Aid—An increase of $50 million Proposition 98 General Fund to provide financial aid to community college students, which includes the following:
    - An increase of $25 million Proposition 98 General Fund for the Community College Completion Grant to provide grants of up to $2,000, to students who meet specified criteria.
    - An increase of $25 million Proposition 98 General Fund to the Full-Time Student Success Grant.

- Innovation Awards—An increase of $20 million one-time Proposition 98 General Fund to provide funding for the development and implementation of innovative practices.
- Compton Community College—An increase of $11.3 million one-time Proposition 98 General Fund to the Compton Community College District for the transition of Compton Community College from a learning center back to a community college.
- Services for Veterans—An increase of $10 million Proposition 98 General Fund (of which $5 million is one-time) to develop and enhance veterans' resource centers. Additionally, a one-time increase of $2 million for allocation to Norco College to expand the capacity of its student veterans' service center and establish articulation agreements, policies, and processes related to awarding course credit for prior military service.
- Online Education Initiative—An increase of $10 million Proposition 98 General Fund to provide system-wide access to the Initiative's learning management system.
- Integrated Library System—An increase of $6 million one-time Proposition 98 General Fund to facilitate the development of an integrated library system that, once operational, will allow California community college students access to a cloud-based library system.
- Deferred Maintenance—An increase of $76.9 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects.
- Community College Facilities—A total of $16.9 million Proposition 51 bond funds for initial design activities for 15 community college facilities projects.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 27,535,779
Restricted cash and cash equivalents	139,628,073
Accounts receivable, net	4,650,618
Prepaid expenses and other	649,158
Total Current Assets	172,463,628
Noncurrent Assets	
Nondepreciable capital assets	116,760,869
Depreciable capital assets, net of depreciation	166,109,296
Total Noncurrent Assets	282,870,165
TOTAL ASSETS	455,333,793
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,084,591
Deferred outflows of resources related to pensions	14,159,926
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,244,517
Current Liabilities	
Accounts payable	11,970,151
Interest payable	2,389,915
Due to fiduciary funds	1,261,543
Unearned revenue	7,512,925
Deferred bond premium - current portion	1,335,539
Revenue bonds payable - current portion	720,911
Bonds payable - current portion	9,790,000
Total Current Liabilities	34,980,984
Noncurrent Liabilities	
Deferred bond premium	15,151,115
Compensated absences payable - noncurrent portion	1,223,713
OPEB liability - noncurrent portion	11,573,554
Revenue bonds payable - noncurrent portion	9,141,725
General obligation bonds payable - noncurrent portion	294,764,366
Aggregate net pension obligation	48,017,963
Total Noncurrent Liabilities	379,872,436
TOTAL LIABILITIES	414,853,420
DEFERRED INFLOWS OF RESOURCES	
Deferred charges on bond refunding	1,713,746
Deferred inflows of resources related to pensions	9,771,901
TOTAL DEFERRED INFLOWS OF RESOURCES	11,485,647
NET POSITION	
Net investment in capital assets	80,319,062
Restricted for:	
Debt service	25,729,312
Educational programs	1,712,882
Other activities	48,439
Unrestricted	(63,570,452)
TOTAL NET POSITION	$ 44,239,243

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, 2017

OPERATING REVENUES	
Student Tuition and Fees	$ 8,945,876
Less: Scholarship discount and allowance	(4,706,864)
TOTAL OPERATING REVENUES	4,239,012
OPERATING EXPENSES	
Salaries	32,367,078
Employee benefits	13,618,694
Supplies, materials, and other operating expenses	31,729,162
Depreciation	7,032,755
TOTAL OPERATING EXPENSES	84,747,689
OPERATING LOSS	(80,508,677)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	26,822,986
Local property taxes, levied for general purposes	14,254,407
Taxes levied for other specific purposes	16,547,492
Federal grants	10,497,298
State grants	20,865,811
Local grants and other revenues	5,357,867
State taxes and other revenues	(63,941)
Investment income	9,941,487
Interest expense on capital related debt	(6,720,715)
Investment income on capital asset-related debt, net	228,415
TOTAL NONOPERATING REVENUES (EXPENSES)	97,731,107
CHANGE IN NET POSITION	17,222,430
NET POSITION, BEGINNING OF YEAR, restated	27,016,813
NET POSITION, END OF YEAR	$ 44,239,243

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,732,796
Payments to vendors for supplies and services	(18,425,802)
Payments to or on behalf of employees	(35,412,495)
Payments to students for scholarships and grants	(10,621,274)
Net Cash Flows From Operating Activities	(59,726,775)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	26,822,986
Grant and contracts	41,381,292
Property taxes - nondebt related	14,254,407
State taxes and other apportionments	(63,941)
Other nonoperating	753,513
Net Cash Flows From Noncapital Financing Activities	83,148,257
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(57,535,780)
Proceeds from issuance of debt	90,000,000
Property taxes - related to capital debt	16,547,492
Principal paid on capital debt	(9,979,873)
Interest paid on capital debt	(6,720,715)
Net Cash Flows From Capital Financing Activities	32,311,124
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	10,169,902
Net Cash Flows From Investing Activities	10,169,902
NET CHANGE IN CASH AND CASH EQUIVALENTS	65,902,508
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	101,261,344
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 167,163,852

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (80,508,677)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	7,032,755
On behalf payments	1,386,176
Changes in Assets and Liabilities:	
Receivables	(337,173)
Prepaid expenses	(259,475)
Accounts payable and accrued liabilities	6,542,637
Unearned revenue	2,326,453
Compensated absences	46,437
Pension obligation and related deferred resources	416,647
Other post employment benefits	3,627,445
Total Adjustments	20,781,902
Net Cash Flows From Operating Activities	$ (59,726,775)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,448,790
Cash equivalents, County Cash	165,715,062
Total Cash and Cash Equivalents	$ 167,163,852

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Retiree OPEB Trust	Trust	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 1,676,173	$ 180,810
Investments	3,056,263	-	-
Accounts receivable, net	-	63,961	7,781
Prepaid expenses	-	659	-
Total Assets	3,056,263	1,740,793	$ 188,591
LIABILITIES			
Accounts payable	-	10,840	$ 435
Unearned revenue	-	48,304	-
Due to student groups	-	-	188,156
Total Liabilities	-	59,144	$ 188,591
NET POSITION			
Restricted for postemployment benefits	3,056,263	-	
Unrestricted	-	1,681,649	
Total Net Position	$ 3,056,263	$ 1,681,649	

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, 2017

	Retiree OPEB Trust	Trust
ADDITIONS		
Federal revenues	$ -	$ 6,390
Local revenues	258,792	552,322
Total Additions	258,792	558,712
DEDUCTIONS		
Classified salaries	-	32,283
Employee benefits	-	190
Books and supplies	-	81,599
Services and operating expenditures	500	334,391
Total Deductions	500	448,463
	258,292	110,249
Change in Net Position	258,292	110,249
Net Position - Beginning	2,797,971	1,571,400
Net Position - Ending	$ 3,056,263	$ 1,681,649

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, 2017 and 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $2,545,853 and $1,893,566 for the years ended June 30, 2017 and 2016, 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 $27,490,633 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, 2017, was $1,386,176 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

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

Interfund Activity

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

Change in Accounting Principles

In June 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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017, 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.

New Accounting Pronouncements

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.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged. The District has implemented the provisions of this Statement as of June 30, 2017. As a result of the implementation, the District restated beginning net position for governmental activities as noted below:

Statement of Net Position	
Net Position - Beginning as previously reported	$ 33,192,157
Net OPEB Liability as of the measurement date of June 30, 2016	(6,175,344)
Net Position - Beginning as Restated	$ 27,016,813

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

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

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

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Business-type activities	$ 167,163,852
Fiduciary funds	3,971,793
Total Deposits and Investments	$ 171,135,645

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 2,332,544
Cash in revolving	31,776
Investments	168,771,325
Total Deposits and Investments	$ 171,135,645

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	$ 165,715,062	1.0 year
Retirement Plan Master Trust	3,056,263	Less than one
Total	$ 168,771,325	

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, 2017.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA	Aa	Unrated
County Pool	$ 165,715,062	$ 165,715,062	$ -	$ -	$ 165,715,062
Retirement Plan Master Trust	3,056,263	3,056,263	-	-	3,056,263
Total	$ 168,771,325	$ 168,771,325	$ -	$ -	$ 168,771,325

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, 2017, approximately $2,091,000 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, 2017:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Pool	$ 165,715,062	$ -	$ -	$ -	$ 165,715,062
Retirement Plan Master Trust	3,056,263	-	-	3,056,263	-
Total	$ 168,771,325	$ -	$ -	$ 3,056,263	$ 165,715,062

	Level 3
Beginning of year	$ 2,797,971
Purchases	320,089
Earnings (loss)	(61,797)
End of Year	$ 3,056,263

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	$ 414,427
State Government	
Categorical aid	490,695
Unrestricted lottery	202,480
Local Sources	
Student receivables, net	1,874,688
Other local sources	1,668,328
Total	$ 4,650,618

Student receivables	$ 4,420,541
Less allowance for bad debt	(2,545,853)
Student receivables, net	$ 1,874,688

Fiduciary Funds

	Fiduciary Funds
Local Sources	
Student receivables, net	$ 71,742

NOTE 6 - PREPAID EXPENSES AND OTHER ASSETS

The District paid facility rent and workers compensation insurance prior to June 30, 2017.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance Beginning of Year	Additions / Adjustments	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 21,663,979	$ -	$ -	$ 21,663,979
Construction in progress	40,120,047	56,748,570	1,771,727	95,096,890
Total Capital Assets Not Being Depreciated	61,784,026	56,748,570	1,771,727	116,760,869
Capital Assets Being Depreciated				
Land improvements	11,832,827	-	-	11,832,827
Buildings	162,717,814	-	-	162,717,814
Building improvements	28,829,806	1,771,727	-	30,601,533
Furniture and equipment	30,563,463	787,210	-	31,350,673
Total Capital Assets Being Depreciated	233,943,910	2,558,937	-	236,502,847
Total Capital Assets	295,727,936	59,307,507	1,771,727	353,263,716
Less Accumulated Depreciation				
Land improvements	5,344,908	394,241	-	5,739,149
Buildings	37,037,052	3,756,546	-	40,793,598
Building improvements	8,360,603	1,449,504	-	9,810,107
Furniture and equipment	12,618,233	1,432,464	-	14,050,697
Total Accumulated Depreciation	63,360,796	7,032,755	-	70,393,551
Net Capital Assets Being Depreciated	170,583,114	(4,473,818)	-	166,109,296
Net Capital Assets	$ 232,367,140	$ 52,274,752	$ 1,771,727	$ 282,870,165

Depreciation expense for the year 2017 was $7,032,755.

Interest expense on capital related debt for the year ended June 30, 2017, was $6,720,715. Of this amount, $1,409,239 was capitalized.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Accrued payroll and related liabilities	$ 1,057,789
Construction projects	9,989,297
Categorical aid	532,932
Vendor payables	390,133
Total	$ 11,970,151

Fiduciary Funds

	Fiduciary Funds
Vendor Payable	$ 11,275

NOTE 9 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 77,731
State categorical aid	4,676,820
State unearned restricted lottery	528,220
Enrollment fees	2,169,646
Other local	60,508
Total	$ 7,512,925

Fiduciary Funds

	Fiduciary Funds
Other local	$ 48,304

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 2017 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, 2017 fiscal year consisted of the following:

	Balance Beginning of Year (Restated)	Additions/ Accretion	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 221,515,135	$ 92,309,231	$ 9,270,000	$ 304,554,366	$ 9,790,000
Revenue bonds	10,572,509	-	709,873	9,862,636	720,911
Bond premiums	7,457,903	9,968,707	939,956	16,486,654	1,335,539
Total Bonds and Notes Payable	239,545,547	102,277,938	10,919,829	330,903,656	11,846,450
Other Liabilities					
Compensated absences	1,177,276	46,437	-	1,223,713	-
Other post employment benefits (OPEB)	14,121,453	-	2,547,899	11,573,554	-
Aggregate net pension obligation	41,963,813	6,054,150	-	48,017,963	-
Total Other Liabilities	57,262,542	6,100,587	2,547,899	60,815,230	-
Total Long-Term Debt	$ 296,808,089	$ 108,378,525	$ 13,467,728	$ 391,718,886	$ 11,846,450

Description of Debt

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

General Obligations Bonds

Measure G

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

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

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

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

In September 2015, The District issued $47,677,452 of General Obligation Refunding Bonds with interest rates ranging from 2 percent to 5 percent to advance refund a portion of the 2002 Series B outstanding term bonds with a remaining obligation of $46,426,002. The redemption date of the bonds is August 1, 2016. After payment of issuance and related costs of $409,257, the net proceeds of the bond sale were $49,529,801, which was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid in full. The advanced refunding met the requirements of a legal debt defeasance and the prior bond issuance is removed from the District's government wide financial statements. The premium from the bond issuance was $2,221,605, and deferred charge on the defeasance of $1,251,451 are capitalized and amortized over the shorter of the life of the old bond or the new bond.

Measure Q

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

In June 2013, the District issued 2012 General Obligation Bonds, Series A in the amount of $89,996,899, Series B for $30,000,000. In April 2017, the District issued 2012 General Obligation Bonds, Series C in the amount of $90,000 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, 2016	Issued / Accreted	Redeemed	Bonds Outstanding June 30, 2017
2002 Election							
Mar-05	8/1/2022	3.0%-5.0%	$ 81,349,812	$ 5,643,055	$ 697,494	$ -	$ 6,340,549
Sep-06	8/1/2031	4.0%-5.0%	44,495,279	334,901	20,099	355,000	-
Mar-14	8/1/2023	4.0%-5.0%	10,645,000	10,645,000	-	140,000	10,505,000
Mar-14	8/1/2022	0.462%-3.504%	41,165,000	40,170,000	-	6,090,000	34,080,000
Sep-15	8/1/2031	2.0%-5.0%	47,677,452	48,124,014	1,432,208	115,000	49,441,222
Subtotal				104,916,970	2,149,801	6,700,000	100,366,771
2012 Election							
Jun-13	8/1/2047	2.0%-5.49%	89,996,899	86,598,165	159,430	2,570,000	84,187,595
Jun-13	8/1/2040	2.8%-5.5%	30,000,000	30,000,000	-	-	30,000,000
Apr-17	8/1/2038	2.0%-5.25%	90,000,000	-	90,000,000	-	90,000,000
Subtotal				116,598,165	90,159,430	2,570,000	204,187,595
				$ 221,515,135	$ 92,309,231	$ 9,270,000	$ 304,554,366

Debt Maturity

Fiscal Year	Principal	Interest	Total
2018	$ 9,790,000	$ 1,722,868	$ 11,512,868
2019	11,125,000	1,595,462	12,720,462
2020	12,090,000	1,428,919	13,518,919
2021	9,645,000	1,215,003	10,860,003
2022	4,474,560	1,046,950	5,521,510
2023-2027	27,374,348	2,957,054	30,331,402
2028-2032	49,767,706	2,023,875	51,791,581
2033-2037	24,852,452	-	24,852,452
2038-2042	41,831,847	-	41,831,847
2043-2047	93,273,251	-	93,273,251
2048	13,155,000	-	13,155,000
Total	297,379,164	$ 11,990,131	$ 309,369,295
Accretions to date	7,175,202		
Total	$ 304,554,366		

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
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	766,809	303,075	1,069,884
2023-2027	4,016,653	983,697	5,000,350
2028-2030	2,127,569	144,670	2,272,239
	$ 9,862,636	$ 2,980,401	$ 12,843,037

Compensated Absences

At June 30, 2017, the liability for compensated absences was $1,223,713.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to $48,017,963. See Note 14 for additional information.

Other Postemployment Benefits (OPEB)

At June 30, 2017, the liability for OPEB amounted to $11,573,554. See Note 12 for additional information.

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

Plan Description

Plan administration. The District administers the Postemployment Benefits Plan (the Plan) — a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

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

Plan membership. At June 30, 2017, Plan membership consisted of the following:

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

Benefits provided. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. The District is a member of the California Community College League Retiree Health Benefit Program, which is an investment program used to set aside funds for future retiree benefits. Separate financial statements for the Investment Trust can be obtained by contacting the California Community College League Retiree Health Benefit Program at 2017 O Street, Sacramento, CA 95811. The Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District and the bargaining units. For fiscal year 2016-2017, the District paid $1,044,653 in pay-as-you-go health premiums and no additional contributions to the JPA Investment Trust.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Governing Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Governing Board's adopted asset allocation policy as of June 30, 2017:

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

Rate of return. For the year ended June 30, 2017, the rate of return on investments, net of investment expense, was 4.2 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The component of the net OPEB liability of the District as of June 30, 2017, was as follows:

Total OPEB liability	$ 14,629,817
Plan fiduciary net position	3,056,263
District's net OPEB liability	11,573,554
Plan fiduciary net position as a percentage of the total OPEB liability	21%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	4.2 percent, net of OPEB plan investment expense
Health care cost trend rates	4.0 percent

Mortality rates were based on the Mortality Tables by employee type.

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

The long-term expected rate of return on OPEB plan investments was determined based on assumed long-term return on employer assets and plan assets assuming 30% funding through CCLC. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

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

Discount rate. The discount rate used to measure the total OPEB liability was 4.2 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.2 percent) or 1-percentage-point higher (5.2 percent) than the current discount rate:

	1% Decrease 3.2%	Discount Rate 4.2%	1% Increase 5.2%
Net OPEB liability	$ 12,809,345	$ 11,573,554	$ 10,505,801

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

	1% Decrease 3%	Health Care Cost Trend Rates 4%	1% Increase 5%
Net OPEB liability	$ 10,571,692	$ 11,573,554	$ 12,680,108

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, 2017, 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 2016-2017, the District participated in the Northern Community Colleges Self Insurance Authority Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

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

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 29,062,671	$ 7,007,006	$ 6,046,523	$ 2,262,679
CalPERS	18,955,292	7,152,920	3,725,378	1,951,030
Total	$ 48,017,963	$ 14,159,926	$ 9,771,901	$ 4,213,709

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, 2015, 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, 2017, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were $2,111,185.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$	29,062,671
State's proportionate share of the net pension liability associated with the District		16,544,860
Total	$	45,607,531

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015 was 0.0359 percent and 0.0394 percent, respectively, resulting in a net decrease in the proportionate share of 0.0035 percent.

For the year ended June 30, 2017, the District recognized pension expense of $2,262,679. In addition, the District recognized pension expense and revenue of $1,386,176 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,111,185	$ -
Net change in proportionate share of net pension liability	-	2,752,220
Difference between projected and actual earnings on pension plan investments	4,895,821	2,585,353
Differences between expected and actual experience in the measurement of the total pension liability	-	708,950
Total	$ 7,007,006	$ 6,046,523

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 50,407
2019	50,408
2020	1,343,083
2021	866,570
Total	$ 2,310,468

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (607,007)
2019	(607,007)
2020	(607,007)
2021	(607,007)
2022	(607,005)
Thereafter	(426,137)
Total	$ (3,461,170)

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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%)	$ 41,827,738
Current discount rate (7.60%)	$ 29,062,671
1% increase (8.60%)	$ 18,461,108

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above, and the total District contributions were $1,524,484.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $18,955,292. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0960 percent and 0.1048 percent, respectively, resulting in a net decrease in the proportionate share of 0.0088 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,951,030. At June 30, 2017, 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	$ 1,524,484	$ -
Net change in proportionate share of net pension liability	-	1,283,959
Difference between projected and actual earnings on pension plan investments	4,813,177	1,871,925
Differences between expected and actual experience in the measurement of the total pension liability	815,259	-
Changes of assumptions	-	569,494
Total	$ 7,152,920	$ 3,725,378

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
2018	$ 412,549
2019	412,550
2020	1,348,512
2021	767,641
Total	$ 2,941,252

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (415,383)
2019	(398,740)
2020	(224,071)
Total	$ (1,038,194)

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

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%)	$ 28,281,401
Current discount rate (7.65%)	$ 18,955,292
1% increase (8.65%)	$ 11,189,471

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, 2017, 2016, and 2015, which amounted to $1,386,176, $1,152,578, and $1,232,900 respectively. The 2017 contribution rate was 8.828 percent of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contributions rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2017, 2016, and 2015. 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, 2017, the District made payments of approximately $1,070,139 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, 2017.

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, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the capital projects:

CAPITAL PROJECT	Construction Funds Committed	Expected Date of Completion
Autotechnology building	$ 204,770	November-17
Biotechnology and science building	13,300,860	December-17
Classroom building renovation	1,833,329	August-18
Upgrade HVAC system VV and VJ	21,324	September-18
FF campus entry side walk improvements	7,530	March-18
Utility infrastructure upgrade - solar voltaic	132,997	December-18
Vallejo center HVAC improvements	955,654	September-18
Performing arts building	680,982	January-18
FF substation #1 & #2 replacement	112,146	April-18
Science building (Phase 1)	1,666,507	January-19
Program management consultant	35,067	May-18
Professional services Bond	105,107	On-going
EMP/FMP/District standards Bond	8,755	On-going
	$ 19,065,028	

Accreditation

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

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
2018	$ 198,579

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Total OPEB Liability	
Service cost	$ 962,203
Interest	590,814
Benefit payments	(1,044,653)
Net changes in total OPEB liability	508,364
Total OPEB Liability - beginning, restated	14,121,453
Total OPEB Liability - ending (a)	**14,629,817**
Plan fiduciary net position	
Contributions - employer	1,044,653
Net investment income	263,321
Benefit payments	(1,044,653)
Administrative expense	(5,029)
Net change in plan fiduciary net position	258,292
Plan fiduciary net position - beginning	2,797,971
Plan fiduciary net position - ending (b)	**3,056,263**
District's net OPEB liability - ending (a) - (b)	**$ 11,573,554**
Plan fiduciary net position as a percentage of the total OPEB liability	**20.89%**
Covered-employee payroll	**$ 32,367,138**
District's net OPEB liability as a percentage of covered-employee payroll	**36%**

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Actuarially determined contribution	Not Available
Contributions in relations to the actuarially determined contribution	$ 1,044,653
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 32,367,138
Contribution as a percentage of covered-employee payroll	3.23%

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

See accompanying note to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Annual money-weighted rate of return, net of investment expense	Not Available

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

Measurement Date	2016	2015	2014
CalSTRS			
District's proportion of the net pension liability	0.0359%	0.0394%	0.0405%
District's proportionate share of the net pension liability	$ 29,062,671	$ 26,512,169	$ 23,649,968
State's proportionate share of the net pension liability associated with the District	16,544,860	14,022,015	14,280,872
Total	$ 45,607,531	$ 40,534,184	$ 37,930,840
District's covered - employee payroll	$ 17,309,532	$ 16,914,388	$ 16,407,382
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	167.90%	156.74%	144.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.0960%	0.1048%	0.1085%
District's proportionate share of the net pension liability	$ 18,955,292	$ 15,451,644	$ 12,322,720
District's covered - employee payroll	11,535,397	11,747,308	11,365,881
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	164.32%	131.53%	108.42%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

CalSTRS	2017	2016	2015
Contractually required contribution	$ 2,111,185	$ 1,846,655	$ 1,508,056
Contributions in relation to the contractually required contribution	2,111,185	1,846,655	1,508,056
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 16,730,462	$ 17,309,532	$ 16,914,388
Contributions as a percentage of covered - employee payroll	12.62%	10.67%	8.92%

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

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

Change in assumptions – The changes in assumptions occurred due to many assumptions changing such as a re-evaluation of the discount rate using current GASB 74 standards, updated mortality table, trend schedules, and actuarial cost methods. The remainder of the changes are due to accrual of benefits and the passage of time.

Schedule of District Contributions for OPEB

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Not available
Amortization period	Not available
Asset Valuation method	Fair market value
Inflation	2.75 percent
Healthcare cost trend rates	4.0 percent
Salary increases	2.75 percent per annum
Investment rate of return	4.2 percent
Retirement age	Based on the retirement system to which an employee participates.
Mortality	Based on the Mortality Table by employee type

Schedule of Investment Returns

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

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

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

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

***Changes in Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2017

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
Rosemary Thurston	President	2020
Sarah E. Chapman, Ph.D.	Vice President	2018
Denis Honeychurch, J.D.	Member	2018
Pam Keith	Member	2018
Michael A. Marti	Member	2020
Quinten R. Voyce	Member	2020
A. Marie Young	Member	2018
Jacob Hinkle	Student Trustee	2018

ADMINISTRATION

Celia Esposito-Noy	Superintendent- President / Board Secretary
Robert Diamond	Vice President, Finance and Administration
Gregory Brown	Vice President of Student Services
David Williams	Vice President of Academic Affairs
Adil Ahmed	Accounting Manager

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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]	$ 197,440
Pell Grant	84.063	[1]	7,325,851
Student Financial Aid Administrative Allowance	84.063	[1]	6,210
Federal Work Study Program	84.033	[1]	124,749
Federal Direct Student Loans	84.268	[1]	1,419,768
Subtotal Student Financial Aid Cluster			9,074,018
Veteran Assistance Title 38	84.111	[1]	180,775
Passed through California State Chancellors Office			
Perkins Title I-C Reserve	84.048	[2]	500,311
Career and Technical Education - Basic Grants to States - CTE Transitions	84.048	[2]	38,644
Subtotal			538,955
Total U.S. Department of Education			9,793,748
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	[2]	63,236
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TANF CLUSTER			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	45,475
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorps	94.023		101,827
TRIO-SSS	94.023		179,558
Subtotal			281,385
SMALL BUSINESS ADMINISTRATION			
Passed through Humboldt State University			
Small Business Development Centers	59.037	[2]	93,065
SBDC-CDBG	59.037		148,188
Subtotal			241,253
			$ 10,425,097

[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, 2017

	Program Entitlements			Program Revenues					
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
AB 104 Adult Education Block Grant	22,854	27,575	50,429	60,864	-	-	56,783	4,081	$ 4,081
Baccalaureat Pilot Degree Program	-	350,000	350,000	365,000	-	-	340,692	24,308	24,308
Basic Skills - On Going	90,000	-	90,000	90,000	-		2,467	87,533	87,533
Basic Skills Transformation	358,626	-	358,626	358,626	-	-	221,238	137,388	137,388
BS Sector Navigator	372,500	-	372,500	149,000	223,500	-	-	372,500	372,500
CA Carrer Pathways Trust Funding	-	2,697	2,697	2,697	-	-	-	2,697	2,697
CA CPT Diablo Gateway Funding - Year 2	-	43,249	43,249	43,249	-	-	15,902	27,347	27,346
CA CPT Diablo Gateway Funding - Year 3	-	19,050	19,050	19,050	-	-	19,050	-	-
Cal Works	232,111	-	232,111	232,111	-	-	-	232,111	232,111
Cal Grants	647,940	-	647,940	647,940	419	-	-	648,359	648,359
CARE	75,444	-	75,444	75,444	-	-	-	75,444	75,444
CSEC Foster & Kinship Care	6,500	-	6,500	3,900	2,595	-	-	6,495	6,495
CTE Enhancement Fund	92,894	-	92,894	81,650	6,027	-	-	87,677	87,677
CTE Data Unblock	40,000	-	40,000	40,000	-	-	13,872	26,128	26,128
Disabled Students Programs and Services	531,955	-	531,955	531,955	-	-	-	531,955	531,955
Extended Opportunity Program and Services	497,054	-	497,054	497,054	-	-	-	497,054	497,054
Foster and Kinship Care	201,017	-	201,017	105,932	94,995	-	-	200,927	200,927
Full Time Student Success Grant	189,170	26,566	215,736	215,736	-	-	26,736	189,000	189,000
Industry Driven Regional Career Pathways Alliance	13,250	-	13,250	4,586	1,757	-	-	6,343	6,343
Innovation & Effectiveness	200,000	-	200,000	200,000	-		52,985	147,015	147,015
Instructional Equipment, one time	459,891	57,691	517,582	517,582	-	-	152,080	365,502	365,502
Lottery - Prop. 20	324,936	603,271	928,207	800,523	46,883	-	528,220	319,186	319,186
Student Support Service Program (SSSP)	1,729,631	-	1,729,631	1,729,631	-	-	315,626	1,414,005	1,414,005
NCCPA Career Pathway - Year 1	-	136,595	136,595	136,595	-	-	121,049	15,546	15,546
NCCPA Career Pathway - Year 2	-	99,705	99,705	99,705	-	-	28,517	71,188	71,188
Nurse Education	222,400	-	222,400	204,608	-	100,022	-	104,586	104,586
Scheduled Maintenance, on going	878,678	631,281	1,509,959	1,509,959	-	-	1,213,306	296,653	296,653
Staff Diversity	60,000	-	60,000	60,000	-	31,482	-	28,518	28,518
Strong Workforce Program	1,416,804	-	1,416,804	1,416,804	-	-	1,057,484	359,320	359,320
Strong Workforce Regional Venture	401,428	-	401,428	401,428	-	401,428	-	-	-
Student Financial Aid Administrative Allowance	328,187	-	328,187	328,187	-	-	-	328,187	328,187
Student Equity	1,025,127	281,518	1,306,645	1,311,145	-	-	510,813	800,332	800,332
Vallejo Career Pathway Trust VCUSD	-	152,795	152,795	9,942	78,646	-	-	88,588	88,588
Work Base Learning Grant	42,495	-	42,495	6,622	35,873	-	-	42,495	42,495
Subtotal	$ 10,460,892	$ 2,431,993	$ 12,892,885	$ 12,257,525	$ 490,695	$ 532,932	$ 4,676,820	$ 7,538,468	$ 7,538,467

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit **	1.63	-	1.63
2. Credit	13.25	-	13.25
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit **	-	-	-
2. Credit	1.51	-	1.51
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,052.53	-	5,052.53
(b) Daily Census Contact Hours	210.65	-	210.65
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	35.85	-	35.85
(b) Credit	191.55	-	191.55
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Contact Hours	886.09	-	886.09
(b) Daily Census Contact Hours	91.94	-	91.94
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	6,485.00	-	6,485.00

SUPPLEMENTAL INFORMATION (Subset of Above Information)	Annual Reported Data	Audit Adjustments	Audited Data
E. In Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	24.33	-	24.33
2. Credit	482.80	-	482.80

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, 2017

		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	$ 9,681,249	$ -	$ 9,681,249	$ 9,681,249	$ -	$ 9,681,249
Other	1300	6,504,290	-	6,504,290	6,524,715	-	6,524,715
Total Instructional Salaries		16,185,539	-	16,185,539	16,205,964	-	16,205,964
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,268,452	-	3,268,452
Other	1400	-	-	-	224,701	-	224,701
Total Noninstructional Salaries		-	-	-	3,493,153	-	3,493,153
Total Academic Salaries		16,185,539	-	16,185,539	19,699,117	-	19,699,117
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,137,825	-	7,137,825
Other	2300	-	-	-	432,557	-	432,557
Total Noninstructional Salaries		-	-	-	7,570,382	-	7,570,382
Instructional Aides							
Regular Status	2200	898,488	-	898,488	898,488	-	898,488
Other	2400	215,075	-	215,075	214,463	-	214,463
Total Instructional Aides		1,113,563	-	1,113,563	1,112,951	-	1,112,951
Total Classified Salaries		1,113,563	-	1,113,563	8,683,333	-	8,683,333
Employee Benefits	3000	7,545,684	-	7,545,684	13,863,695	-	13,863,695
Supplies and Material	4000	-	-	-	552,181	-	552,181
Other Operating Expenses	5000	-	-	-	6,563,938	-	6,563,938
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		24,844,786	-	24,844,786	49,362,264	-	49,362,264

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, 2017

		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	$ 606,639	$ -	$ 606,639	$ 606,639	$ -	$ 606,639
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,009,860	-	1,009,860
Objects to Exclude							
Rents and Leases	5060		-	-	124,217	-	124,217
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	187,676	-	187,676
Classified Salaries	2000	-	-	-	121,943	-	121,943
Employee Benefits	3000	-	-	-	158,923	-	158,923
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	686	-	686
Total Supplies and Materials		-	-	-	686	-	686

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, 2017

		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	$ -	$ -	$ -	$ 38,567	$ -	$ 38,567
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		606,639	-	606,639	2,248,511	-	2,248,511
Total for ECS 84362, 50 Percent Law		$ 24,238,147	$ -	$ 24,238,147	$ 47,113,753	$ -	$ 47,113,753
Percent of CEE (Instructional Salary Cost/Total CEE)		51.45%		51.45%	100.00%		100.00%
50% of Current Expense of Education					$ 23,556,877		$ 23,556,877

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2017

Activity Classification	**Object Code**			**Unrestricted**	
EPA Proceeds:	8630				$ 6,618,256
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 6,618,256			$ 6,618,256
					-
Total Expenditures for EPA		$ 6,618,256	-	-	$ 6,618,256
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	Revenue Bond Contruction Fund	Capital Outlay Fund
June 30, 2017, Annual Financial and Budget Report (CCFS-311)		
Reported Fund Balance	$ 109,390,000	$ 4,831,440
Adjustments to Increase (Decrease) Fund Balance		
Increase in:		
Accounts payable	(4,411,017)	(190,818)
Balance, June 30, 2017, Audited.	$ 104,978,983	$ 4,640,622

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 14,762,757	
Special Revenue Funds	48,439	
Capital Project Funds	109,619,605	
Debt Service Funds	25,729,312	
Enterprise Funds	971,115	
Proprietary Funds	523,060	
Student Financial Aid and Scholarship Fund	64,721	
Total Fund Balance - All District Funds		**$ 151,719,009**
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	$ 353,263,716	
Accumulated depreciation is	(70,393,551)	282,870,165
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		1,084,591
Deferred outflows related to pensions: Pension contributions subsequent to the measurement date and the difference between projected and actual earnings on pension plan investments, and expected and actual experience are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense or the remaining service life of members receiving benefits.		14,159,926
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.		(2,389,915)
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		(1,713,746)
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.		(9,771,901)
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	304,554,366	
Revenue bonds payable	9,862,636	
Bond premiums	16,486,654	
Compensated absences	1,223,713	
OPEB liability	11,573,554	
Aggregate net pension liability	48,017,963	(391,718,886)
Total Net Position		**$ 44,239,243**

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, 2017.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 10,497,298
Federal Direct Student Loans - Use of Fund Balance	84.268	(57,527)
Pell Administration - Use of Fund Balance	84.063	(14,674)
Total Expenditures of Federal Awards		$ 10,425,097

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

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

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

Board of Trustees
Solano Community College District
Fairfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Solano Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 8, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying financial statement finding and recommendations finding # 2017-001, we identified certain deficiencies in internal control that we consider to be a material weakness.

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated February xx, 2018.

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 Financial Statement Findings and Recommendations. 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
February 8, 2018

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
Fairfield, California

Report on Compliance for Each Major Federal Program

We have audited Solano Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. 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, 2017.

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
February 8, 2018

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Solano Community College District
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 March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

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 March 2017.

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 March 2017. 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 Section 428 Student Equity. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the program.

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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, 2017.

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, 2017, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
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
February 8, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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

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

STATE AWARDS

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

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

Name of State Program:
Section 428 Student Equity

The following finding represent material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2017-001 Accounts Payable Accruals

Criteria or Specific Requirement
The completeness and accuracy criteria of recording expenses in the proper time period under Generally Accepted Accounting Principles indicate that an analysis should be performed on services provided prior to the fiscal year end to determine if an expense should be recorded through the posting of an accounts payable for expenses that have not been paid by the fiscal year end. When actual values are not available, due to invoices not having been received or other situations, the District should review the facts and circumstances of the services or materials provided, consider contacting the vendor or other methods, to accrue an estimated amount based on the most current available information for any work completed or materials received by the fiscal year end.

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

Questioned Costs – Not applicable

Context
During review of payments made after year end, it was noted that invoices for services provided prior to June 30, 2017 had not been accrued.

Effect
The accounts payable and related expense accounts were understated in the Construction Bond Fund and Capital Outlay Fund, therefore the unaudited financial statements, Form 311, was not complete. The District accepted the proposed audit adjustment and the attached report reflects the inclusion of this amount.

Cause
The District process for estimating liabilities when no invoice has been received was not effective.

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

Corrective Action Plan
The District agrees with this finding and recommendation. The $4.6 million in unidentified accruals were due to late invoices received from contractors on construction projects. Such late invoices can occur in future years. To provide more accurate accruals in future years, the Executive Bond Manager will provide the Fiscal Services staff with an estimate of construction work completed but not yet billed at year-end. Fiscal Services staff will include this amount in the year-end accounts payable accrual.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None noted.

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

2017-002 Finding – Student Equity

Criteria or Specific Requirement
ED Codes 78516, 78220, and 78221, CCR Title 5 Regulations and the Student Attendance Accounting Manual (SAAM), list the only allowable expenditures which can be charged to Student Equity funds as described in the Student Equity Expenditure Guidelines unless the Chancellor's Office of California Community Colleges granted an explicit exception on a case-by-case basis.

Condition – *Significant Deficiency*
The District had five unallowable expenditures noted in the Student Equity Program out of the 25 transactions tested.

Questioned Costs
$22,927

Context
Of the 25 student equity expenditures tested, five appeared to be for non-student equity services. These five purchases were for a phone system to be used by the Admissions and Records office and not for the students.

Effect
Student Equity Program expenditures are overstated.

Cause
District categorized the expenditures as admissions and records which was incorrectly placed into the Student Equity program.

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

Management's Response and Corrective Action Plan
The District agrees that these costs should not have been charged to the Student Equity Program. To correct this error, the District will reallocate these costs to the appropriate program. To reduce future misclassifications, the District will provide training for all managers and coordinators of grant-funded programs to aid in correctly classifying expenditures.

State Award Findings

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.

Current Status
Implemented.

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.

Current Status
Implemented.

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.

Current Status
Implemented.

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

To the Audit Committee
Of Solano Community College District

In planning and performing our audit of the financial statements of Solano Community College District as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Solano Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated December 31, 2016. This letter does not affect our report dated February 8, 2018, on the financial statements of Solano Community College District.

Capital Assets

We noted that the District has implemented procedures required for inventorying equipment purchased with Federal funds. However, due to limitations of time and resources the inventory has been limited just to those items charged to Federal funds.

Recommendation

We recommend that the District follow a policy of periodically inventorying all equipment, not just that purchased with federal funds, in order to update the financial records supporting amounts reported on the entity-wide statement of net assets and to determine if any updates to insurance coverage limits are needed.

District Response

It is intent of staff to eventually develop a policy and procedures on management of fixed assets.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
February 8, 2018

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