

SOLANO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**SOLANO COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' 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 fiduciary activities of the Solano Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, we consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified

Basis for Qualified Opinion on Business-Type Activities

As more fully discussed in Note 6 to the financial statements and Finding 2021-001, the District does not have a detailed capital asset listing to support the cost and accumulated depreciation for the property and equipment included in the financial statements. In our opinion, the District should maintain a listing of the historical cost, if purchased, or at fair value, if donated or contributed, of property and equipment, to conform with accounting principles generally accepted in the United States of America, and those amounts should be depreciated over the estimated useful lives of the assets. Quantification of the effects on the financial statements of the preceding practices is not practicable.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the business-type activities Solano Community College District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Regarding a Change in Accounting Principle

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 13). Our auditors' opinion was not modified with respect to this matter.

Regarding Correction of an Error

The District researched the unearned revenue for restricted grants and identified errors in the recording of unearned revenue. As a result, the District reported a restatement for a correction of an error (see Note 14). Our auditors' opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned 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 an opinion on the District's financial statements as a whole. The supplementary schedules as referenced in the table of contents, including the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards and schedule of state financial assistance, are 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The history and organization has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022 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 and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
February 28, 2022

**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Using This Annual Report

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of Solano Community College District (the District) as of June 30, 2021. 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, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

Overview of the Financial Statements

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

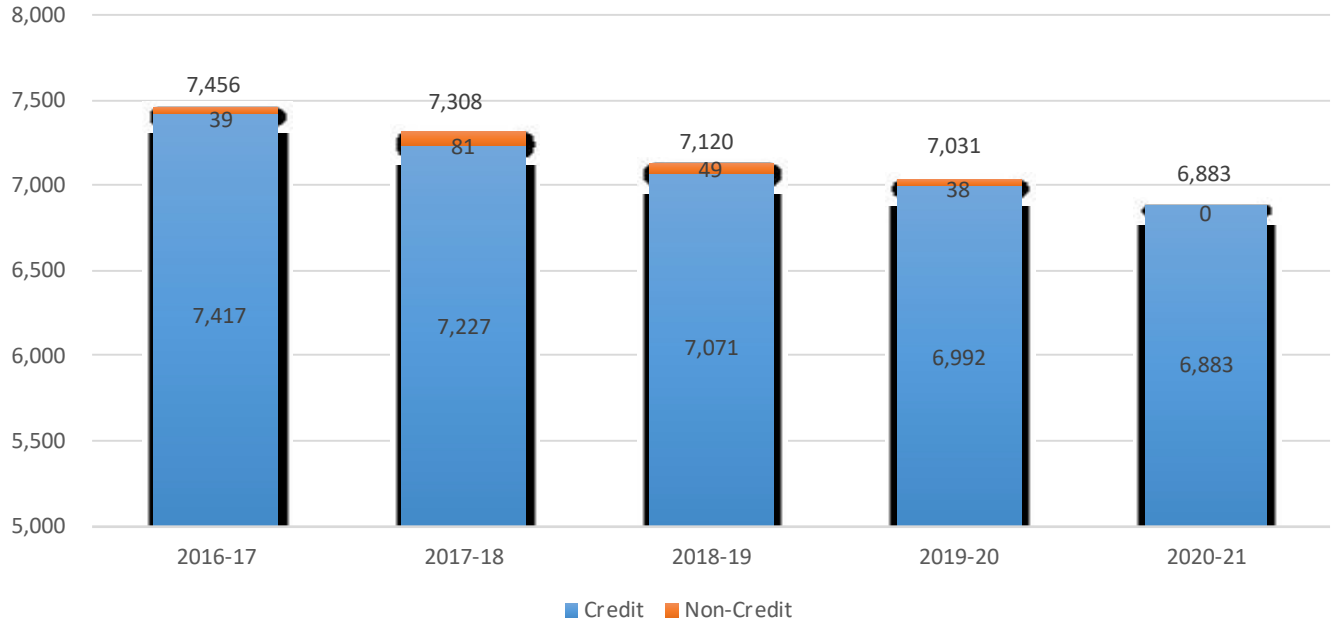
The California Community Colleges Chancellor's Office has recommended that all state community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

Attendance Highlights

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

**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

**Solano Community College District
Full Time Equivalent Students (FTES) - Residents**



**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

THE DISTRICT AS A WHOLE

Net Position

Table 1

	2021	2020*	Change
Assets			
Current Assets			
Cash and Investments	\$ 30,692,069	\$ 32,210,218	\$ (1,518,149)
Accounts Receivable, Net	21,735,015	6,410,559	15,324,456
Prepaid Expenses and Other Current Assets	819,127	172,221	646,906
Total Current Assets	<u>53,246,211</u>	<u>38,792,998</u>	<u>14,453,213</u>
Noncurrent Assets			
Restricted Cash Equivalents and Investments	71,582,079	45,616,873	25,965,206
Capital Assets, Net	<u>293,276,558</u>	<u>293,038,567</u>	<u>237,991</u>
Total Noncurrent Assets	<u>364,858,637</u>	<u>338,655,440</u>	<u>26,203,197</u>
Total Assets	<u><u>\$ 418,104,848</u></u>	<u><u>\$ 377,448,438</u></u>	<u><u>\$ 40,656,410</u></u>
Deferred Outflows of Resources	<u><u>\$ 13,166,555</u></u>	<u><u>\$ 14,931,213</u></u>	<u><u>\$ (1,764,658)</u></u>
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	\$ 13,179,574	\$ 9,406,120	\$ 3,773,454
Unearned Revenue	8,224,560	3,673,746	4,550,814
Long-Term Liabilities Due Within One Year	<u>12,494,565</u>	<u>11,725,000</u>	<u>769,565</u>
Total Current Liabilities	<u>33,898,699</u>	<u>24,804,866</u>	<u>9,093,833</u>
Long-Term Liabilities	<u>377,343,704</u>	<u>357,648,263</u>	<u>19,695,441</u>
Total Liabilities	<u><u>\$ 411,242,403</u></u>	<u><u>\$ 382,453,129</u></u>	<u><u>\$ 28,789,274</u></u>
Deferred Inflows of Resources	<u><u>\$ 8,269,771</u></u>	<u><u>\$ 9,508,496</u></u>	<u><u>\$ (1,238,725)</u></u>
Net Position			
Net Investment in Capital Assets	\$ 18,609,786	\$ 16,461,299	\$ 2,148,487
Restricted	17,371,331	21,376,175	(4,004,844)
Unrestricted Deficit	<u>(24,221,888)</u>	<u>(37,419,448)</u>	<u>13,197,560</u>
Total Net Position	<u><u>\$ 11,759,229</u></u>	<u><u>\$ 418,026</u></u>	<u><u>\$ 11,341,203</u></u>

* June 30, 2020 amounts have been restated for adoption of GASB Statement No. 84. See note 15. Certain reclassifications to the June 30, 2020 information have been made to conform with the June 30, 2021 presentation.

**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Assets

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

Cash equivalents and investments and restricted cash equivalents and investments increased by approximately \$25.4 million due principally to the recent bond sale. Restricted cash equivalents and investments includes amounts restricted for debt service.

Receivables and prepaid expenses increased by approximately \$19 million due to unreceived grant funds.

Capital assets were similar to the prior year

Liabilities

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

Accounts payable and accrued liabilities increased by approximately \$3.8 million primarily due to timing in construction activities and therefore payments due to vendors at year-end.

Unearned revenue increased by approximately \$4.6 million primarily due to unspent grant funds.

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

Increased by approximately \$20.4 million primarily due to issuance of new bonds net of paying down the principle.

The negative unrestricted net position decreased by approximately \$16 million, giving the district a total net position of approximately \$14.8 million.

**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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

	2021	2020*	Change
Operating Revenues			
Tuition and Fees	\$ 3,879,167	\$ 3,178,462	\$ 700,705
Grants and Contracts, Noncapital	13,464,246	15,109,262	(1,645,016)
Total Operating Revenues	<u>17,343,413</u>	<u>18,287,724</u>	<u>(944,311)</u>
Operating Expenses			
Salaries	34,024,147	36,474,271	(2,450,124)
Employee Benefits	18,647,299	17,302,839	1,344,460
Supplies, Materials, Other Operating Expenses and Services	21,417,552	21,518,171	(100,619)
Depreciation	26,900,611	8,725,822	18,174,789
Total Operating Expenses	<u>100,989,609</u>	<u>84,021,103</u>	<u>16,968,506</u>
Operating Loss	(83,646,196)	(65,733,379)	(17,912,817)
Nonoperating Revenues			
Federal Grants	14,503,191	8,014,746	6,488,445
State Apportionments, Noncapital	32,106,670	25,634,552	6,472,118
Local Property Taxes	20,799,221	19,722,976	1,076,245
State Grants	3,003,673	2,083,866	919,807
Investment Income	585,578	478,408	107,170
Other Nonoperating Revenues (Expenses)	1,111	42,164	(41,053)
Total Nonoperating Revenues (Expenses)	<u>70,999,444</u>	<u>55,976,712</u>	<u>15,022,732</u>
Loss Before Capital Revenues	(12,646,752)	(9,756,667)	(2,890,085)
Other Revenues and Expenses, Capital	23,987,955	3,364,974	20,622,981
Increase (Decrease) in Net Position	<u>11,341,203</u>	<u>(6,391,693)</u>	<u>17,732,896</u>
Net Position, Beginning of Year	418,026	(471,801)	889,827
Cumulative Effect of Change in Accounting Principles (see Note 13)	-	203,196	(203,196)
Prior Period Restatement (see Note 13)	-	7,078,324	(7,078,324)
Net Position, Beginning of Year [as Restated] After Cumulative Effect	<u>418,026</u>	<u>6,809,719</u>	<u>(6,391,693)</u>
Net Position - End of Year	<u>\$ 11,759,229</u>	<u>\$ 418,026</u>	<u>\$ 11,341,203</u>

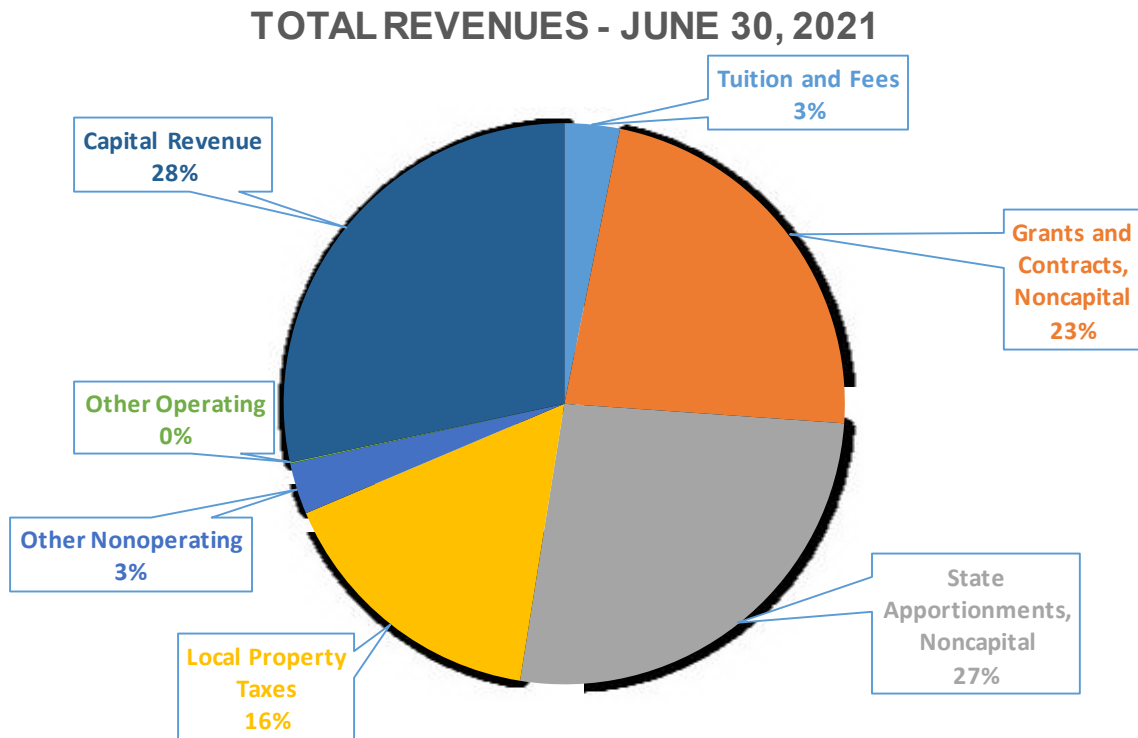
* June 30, 2020 amounts have been restated for adoption of GASB Statement No. 84. See note 15. Certain reclassifications to the June 30, 2020 information have been made to conform with the June 30, 2021 presentation.

**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Significant revenue changes between 2020 and 2021 include:

Federal grants increased approximately \$5.6 million, State Apportionment increased approximately \$9.6 million, and Local Property Taxes increased approximately \$1.1 million.

Year ended June 30, 2021:

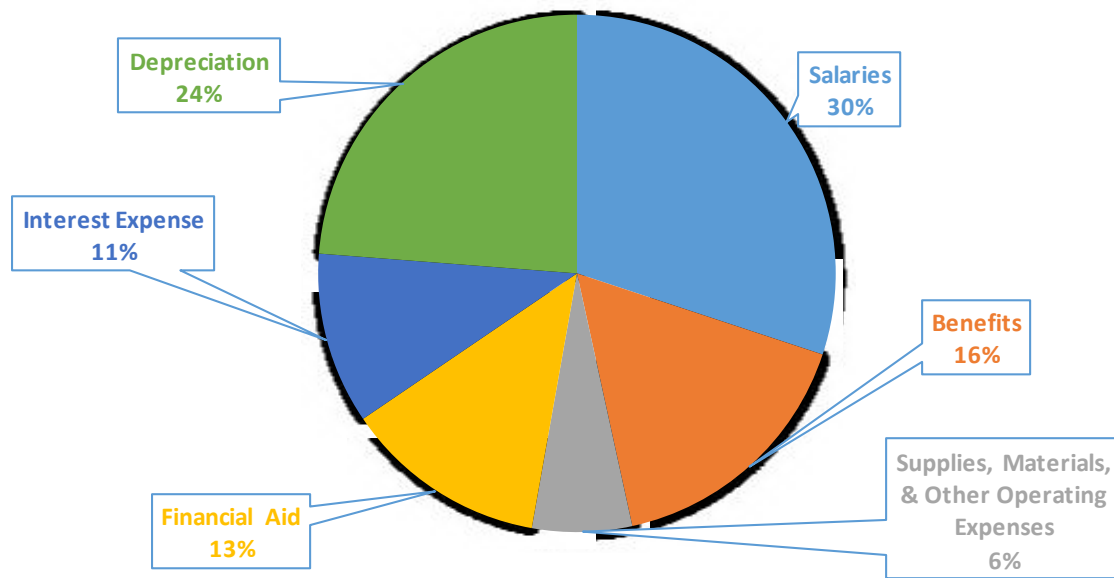


**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Significant expenditure variances include:

Salaries decreased approximately \$2.5 million, but benefits increased by approximately \$1.4 million. Depreciation increased approximately \$18.2 million.

TOTAL EXPENSES - JUNE 30, 2021



Changes in Cash Position

Table 4

	2021	2020*	Change
Cash Provided (Used) by			
Operating Activities	\$ (53,236,973)	\$ (44,898,928)	\$ (8,338,045)
Noncapital Financing Activities	61,369,931	56,275,042	5,094,889
Capital Financing Activities	15,884,854	(25,511,202)	41,396,056
Investing Activities	451,577	1,406,179	(954,602)
Net Increase (Decrease) in Cash	24,469,389	(12,728,909)	37,198,298
Cash - Beginning of Year	77,827,091	90,556,000	(12,728,909)
Cash - End of Year	\$ 102,296,480	\$ 77,827,091	\$ 24,469,389

* June 30, 2020 amounts have been restated for adoption of GASB Statement No. 84. See note 15. Certain reclassifications to the June 30, 2020 information have been made to conform with the June 30, 2021 presentation.

**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

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

Table 5

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Land and Construction in Progress	\$ 57,508,369	\$ 18,632,595	\$ 648,823	\$ 75,492,141
Buildings and Improvements	294,823,619	1,469,342	-	296,292,961
Equipment and Furniture	36,389,926	7,685,488	-	44,075,414
Subtotal	388,721,914	27,787,425	648,823	415,860,516
Accumulated Depreciation	95,683,347	26,900,611	-	122,583,958
Total	<u>\$ 293,038,567</u>	<u>\$ 886,814</u>	<u>\$ 648,823</u>	<u>\$ 293,276,558</u>

The capital assets were similar to the prior year.

Long Term Liabilities

Long-term liabilities include general obligation bonds outstanding, employee compensated absences, pension and retirement obligations. General obligation bonds outstanding increased \$20 million during 2020-21 primarily due to issuance of refunding bonds net of bond payments during the year. Pension liabilities changed as a result of the unfunded status of the PERS and STRS pension plans. Retirement plan liabilities increased approximately \$1.9 million.

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

Table 6

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
General Obligation Bonds, Accreted				
Interest and Bond Premiums	\$ 303,927,484	\$ 33,957,116	\$ 13,870,867	\$ 324,013,733
Compensated Absences	1,558,426	-	66,440	1,491,986
OPEB Aggregate Net	8,469,297	-	1,522,303	6,946,994
Aggregate Net Pension Liability	55,418,053	1,967,503	-	57,385,556
Total Long-Term Liabilities	<u>\$ 369,373,260</u>	<u>\$ 35,924,619</u>	<u>\$ 15,459,610</u>	<u>\$ 389,838,269</u>
Amount Due Within One Year				<u>\$ 12,395,000</u>

**SOLANO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

NET PENSION LIABILITY (NPL)

At year-end, the District has a net pension liability of \$57.4 million versus \$55.4 million last year, an increase of \$1.97 million or 3.6%.

BUDGETARY HIGHLIGHTS

Budget Overview

In March 2020, the nation entered a shelter-in-place order due to Corona Virus COVID19. As of the preparation of this report, the impacts of the pandemic seem to be less impactful on the economy and the government finances are recovering. In addition, The Federal Government has provided substantial one-time resources through the CARES/HEERF programs. As a result, the final California State budget for 2021-22 offered a combination of continuing and one-time revenue improvements for California Community Colleges.

The 2020-21 budget included a provision that withheld five of the twelve monthly cash payments that the state was obligated to pay K-14 Districts, including Solano. This required Districts to draw down their own cash and/or borrow to support operations. The 2021-22 California budget includes a provision to fully repay those deferrals early in 2021-22.

Solano CCD is expected to remain a "hold harmless" district for the next four years. The District receives more funding than earned under the funding formula, generating temporary revenues. The hold harmless temporary revenues indicated by the most recent apportionment reports from the CCCCCO are \$3,768,803. The District has implemented a plan to gradually reduce operations in anticipation of the loss of this funding. If the deficit is not moderated by the end of the hold harmless period, the District will need to reduce expenditures by approximately 6.6% (based on current projections).

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 Susan Wheet, Vice President of Finance & Administration; 707-864-7209; susan.wheet@solano.edu.

BASIC FINANCIAL STATEMENTS

**SOLANO COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Primary Governmental</u>
ASSETS	
CURRENT ASSETS	
Cash, Cash Equivalents, and Investments	\$ 30,692,069
Accounts Receivable, Net	21,735,015
Prepaid Expenses and Other	<u>819,127</u>
Total Current Assets	53,246,211
NONCURRENT ASSETS	
Restricted Cash, Cash Equivalents, and Investments	71,582,079
Capital Assets, Net of Depreciation	<u>293,276,558</u>
Total Noncurrent Assets	<u>364,858,637</u>
 Total Assets	 418,104,848
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	750,870
Deferred Outflows - Pension	<u>12,415,685</u>
Total Deferred Outflows of Resources	<u>13,166,555</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 431,271,403</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021**

	<u>Primary Governmental</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 2,588,409
Accrued Interest Payable	6,046,883
Accrued Liabilities	4,544,282
Unearned Revenue	8,224,560
Current Portion of Long-Term Debt	<u>12,494,565</u>
Total Current Liabilities	<u>33,898,699</u>
NONCURRENT LIABILITIES	
General Obligation Bonds Payable - Noncurrent Portion	311,618,733
Compensated Absences Payable	1,392,421
Net OPEB and MPP Liability	6,946,994
Net Pension Liability	<u>57,385,556</u>
Total Noncurrent Liabilities	<u>377,343,704</u>
Total Liabilities	411,242,403
DEFERRED INFLOWS OF RESOURCES	
Deferred Charge on Refunding	734,462
Deferred Inflows of Resources Related to Pensions	4,655,643
Deferred Inflows of Resources Related to OPEB	<u>2,879,666</u>
Total Deferred Inflows of Resources	<u>8,269,771</u>
NET POSITION	
Net Investment in Capital Assets	18,609,786
Restricted for:	
Debt Service	6,696,501
Capital Projects	7,054,412
Scholarships and Loans	26,777
Other Special Services	3,593,641
Unrestricted Deficit	<u>(24,221,888)</u>
Total Net Position (Deficit)	<u>11,759,229</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 431,271,403</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Primary Governmental
OPERATING REVENUES	
Student Tuition and Fees	\$ 8,021,035
Less: Scholarship Discounts and Allowance	<u>(4,141,868)</u>
Net Tuition and Fees	3,879,167
Grants and Contracts, Noncapital:	
Federal	59,272
State	13,306,324
Local	69,659
Sales and Commissions	<u>28,991</u>
Total Operating Revenues	17,343,413
OPERATING EXPENSES	
Salaries	34,024,147
Employee Benefits	18,647,299
Supplies, Materials, and Other Operating Expenses and Services	5,096,446
Financial Aid	14,360,320
Utilities	1,960,786
Depreciation	<u>26,900,611</u>
Total Operating Expenses	100,989,609
OPERATING LOSS	(83,646,196)
NONOPERATING REVENUES	
Federal Grants and Contracts	14,503,191
State Apportionments, Noncapital	32,106,670
Local Property Taxes	20,799,221
States Taxes and Other Revenue	3,003,673
Interest and Investment Income	585,578
Other Nonoperating Revenues	<u>1,111</u>
Total Nonoperating Revenues	70,999,444
LOSS BEFORE OTHER REVENUES AND EXPENSES	(12,646,752)
OTHER REVENUES AND EXPENSES	
Local Property Taxes and Revenues, Capital	19,147,149
Interest and Investment Income, Capital	15,323,427
Interest Paid on Capital Related Debt	<u>(12,134,941)</u>
Total Other Revenues and Expenses	23,987,955
CHANGES IN NET POSITION	11,341,203
Net Position, Beginning of Year as Previously Reported	(11,281,743)
Cumulative Effect of Change in Accounting Principles (see Note 13)	4,621,445
Prior Period Restatement (see Note 13)	<u>7,078,324</u>
Net Position, Beginning of Year After Cumulative Effect	418,026
NET POSITION - END OF YEAR	<u><u>\$ 11,759,229</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Primary Governmental
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 6,737,371
Federal Grants and Contracts	618,417
State Grants and Contracts	12,388,716
Local Grants and Contracts	69,659
Sales and Commissions	28,991
Payments to Suppliers	(7,705,257)
Payments to/On-Behalf of Employees	(51,123,654)
Payments to/On-Behalf of Students	(14,251,216)
Net Cash Used by Operating Activities	<u>(53,236,973)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Apportionments and Receipts	26,610,870
Federal Grants and Contracts	10,525,288
State Taxes and Other Revenue	3,434,552
Local Property Taxes	20,799,221
Net Cash Provided by Noncapital Financing Activities	<u>61,369,931</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Local Revenue for Capital Purposes	34,809,373
Proceeds of Debt Issuance	30,992,731
Interest on Investments, Capital Funds	(2,265,586)
Net Purchase and Sale of Capital Assets	(27,334,716)
Principal Paid on Capital Related Debt	(12,564,560)
Interest Paid on Capital Related Debt	(7,752,388)
Net Cash Provided by Capital Financing Activities	<u>15,884,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received from Investments	451,577
Net Cash Provided by Investing Activities	<u>451,577</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,469,389
Cash and Cash Equivalents - Beginning of Year	<u>77,804,759</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 102,274,148</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	<u>Primary Governmental</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (83,646,196)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	26,900,611
Changes in Assets and Liabilities:	
Receivables, Net	(3,684,674)
Prepaid Expenses	(646,906)
Deferred Outflows of Resources - Pensions	1,681,227
Accounts Payable	688,102
Accrued Liabilities	499,580
Due to Fiduciary	410,235
Unearned Revenue	5,176,195
Compensated Absences	(66,443)
Net Other Postemployment Retiree Benefits (OPEB)	(1,522,303)
Net Pension Liabilities	1,967,503
Deferred Inflows of Resources - Pensions	(1,740,128)
Deferred Inflows of Resources - OPEB	746,224
Net Cash Used by Operating Activities	<u><u>\$ (53,236,973)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR TO AMOUNTS IN THE STATEMENT OF NET POSITION	
Cash, Cash Equivalents, and Investments	30,692,069
Restricted Cash, Cash Equivalents, and Investments	71,582,079
Total	<u><u>\$ 102,274,148</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Amortization of Deferred Charges	\$ (83,431)
Amortization of Debt Premiums	(1,306,307)

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	<u>Retiree Benefits Trust</u>
ASSETS	
Investments	<u>\$ 5,609,597</u>
Total Assets	<u><u>\$ 5,609,597</u></u>
NET POSITION	
Restricted for Postemployment Benefits	<u>\$ 5,609,597</u>
Total Net Position	<u><u>\$ 5,609,597</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021**

	<u>Retiree Benefits Trust</u>
ADDITIONS	
Interest and Investment Income	<u>\$ 942,207</u>
NET INCREASE IN NET POSITION	942,207
Net Position - Beginning of Year	<u>4,667,390</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,609,597</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Reporting Entity

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other. The three components used to determine the presentation are: providing a "direct benefit," the "environment and ability to access/influence reporting," and the "significance" criterion. The District has determined that it does not have any component units meeting all three of these criteria.

Measurement Focus and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Retiree Benefit Trust Fund, are included from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Financial Statement Presentation (Continued)

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Restricted Assets

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

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable include amounts due from the federal, state and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$4,326,492 for the year ended June 30, 2021.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased. The District paid facility rent and workers' compensation insurance prior to June 30, 2021.

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Liabilities

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items and for OPEB items. The deferred charges on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB related items relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension related changes. These amounts are deferred and amortized as detailed in the Notes to the financial statements.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability (Continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

The District's OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, OPEB expense, and information about the fiduciary net position have been determined on the same basis as they are reported by the Retiree Health Benefit OPEB Trust (the Retiree Benefit Trust). For this purpose, the Retiree Benefit Trust recognizes benefit payments when due and payable in accordance with the benefit terms. The Retiree Benefit Trust reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Medicare Premium Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no significant deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements. The plan is not material and additional disclosures are not included.

Unearned Revenue

Unearned revenue arises when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from federal and state grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds, compensated absences, the aggregate net OPEB liability, and the aggregate pension liability, with maturities greater than one year.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net position – nonexpendable.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the Governing Board, as designated, to meet current expenses for specific future purposes.

Operating Revenues and Expenses

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenue according to the following criteria:

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

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as state apportionments, property taxes, investment income, gifts and contributions, and other revenue sources that are defined as nonoperating resources by GASB.

Classification of Expenses

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

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

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

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Apportionments

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

Property Taxes

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

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

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits – Custodial Credit Risk

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2020, approximately \$6.2 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Cash in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Solano County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2021 is measured at the amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash in County Treasury (Continued)

The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds, except for the student financial aid fund and the restricted general fund, in which case interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from Solano County-Auditor/Controller's Office 675 Texas Street Suite 2810, Fairfield CA 94533

Investments – The Retiree Benefits Trust

Policies

Investments held by the Retiree Health Benefit OPEB Trust (the Retiree Benefit Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Government Code Section 53620 through 53622. The Retiree Benefit Trust did not violate any provisions of the investment policy during the fiscal year ended June 30, 2021. See Note 9.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments 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 Retiree Benefit Trust investment policy follows California Government Code Section 53601 and limits investment maturities to 5 years.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Retiree Benefit Trust's investments are in master trusts which are not rated.

The Retiree Benefit Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53600.5 and, in particular, its emphasis on preservation of capital.

SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – The Retiree Benefits Trust (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. In accordance with GASB, the Retiree Benefit Trust is exposed to concentration of credit risk whenever investments in any one issuer exceed 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

The Retiree Benefit Trust's investment policy limits investments in any single equity security to be not more than 10%. This limitation is not intended to apply to the percentage of the Retiree Benefit Trust assets invested in an external investment pools. Nor does the limitation apply to obligations of the U.S. government and its agencies, U.S. agency mortgage-backed pass-through securities or to a mutual fund that invests in such obligations or securities. At June 30, 2021, the Retiree Benefit Trust had not invested more than 10% of its portfolio in one issuer.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Retiree Benefit Trust will not be able to recover the value of its investments that are in possession of an outside party. As of June 30, 2021, the District's investment balance of \$5,609,597 was exposed to custodial credit risk because it was uninsured, unregistered, and held by the brokerage firm which is also the counterparty for those securities. The Retiree Benefit Trust does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 consist of the following:

Federal and State	\$ 6,529,423
Apportionment	5,495,800
Miscellaneous	8,901,638
Student Receivables	5,134,646
Less: Allowance for Bad Debt	(4,326,492)
Student Receivables, Net	<u>\$ 21,735,015</u>

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2021, was as follows:

	Balance July 01, 2020	Additions/ Adjustments	Deductions/ Adjustments	Balance June 30, 2021
Capital Assets:				
Not Being Depreciated:				
Land	\$ 21,663,979	\$ -	\$ -	\$ 21,663,979
Construction in Progress	35,844,390	18,632,595	648,823	53,828,162
Total Not Being Depreciated	57,508,369	18,632,595	648,823	75,492,141
Being Depreciated:				
Land Improvements	11,832,827	-	-	11,832,827
Buildings	232,503,514	-	-	232,503,514
Building Improvements	50,487,278	1,469,342	-	51,956,620
Furniture and Equipment	36,389,926	7,685,488	-	44,075,414
Total Being Depreciated	331,213,545	9,154,830	-	340,368,375
Total Capital Assets	388,721,914	27,787,425	648,823	415,860,516
Less Accumulated Depreciation:				
Land Improvements	6,847,288	788,855	-	7,636,143
Buildings	57,362,056	23,243,300	-	80,605,356
Building Improvements	13,891,534	1,750,641	-	15,642,175
Furniture and Equipment	17,582,469	1,117,815	-	18,700,284
Total Accumulated Depreciation	95,683,347	26,900,611	-	122,583,958
Net Capital Assets Being Depreciated	235,530,198	(17,745,781)	-	217,784,417
Net Capital Assets	<u>\$ 293,038,567</u>	<u>\$ 886,814</u>	<u>\$ 648,823</u>	<u>\$ 293,276,558</u>

Depreciation expense for the year was \$26,900,611.

The District does not have a detailed capital asset listing to support the cost and accumulated depreciation for the property and equipment included in the financial statements. See the independent auditors' report and finding 2021-001.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM LIABILITIES

Summary

The changes in the District's long-term liabilities during the June 30, 2021 fiscal year consisted of the following:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Bonds and Notes Payable:					
General Obligation Bonds	\$ 279,775,698	\$ 30,000,000	\$ 11,725,000	\$ 298,050,698	\$ 7,559,560
Accreted Interest	11,550,220	2,964,385	839,560	13,675,045	4,835,440
Bond Premiums	12,601,566	992,731	1,306,307	12,287,990	-
Total Bonds Payable	303,927,484	33,957,116	13,870,867	324,013,733	12,395,000
Other Liabilities:					
Compensated Absences	1,558,426	-	66,440	1,491,986	99,565
Other Postemployment Benefit Plan	8,243,774	-	1,504,435	6,739,339	-
Medicare Premium Payment (MPP) Program	225,523		17,868	207,655	-
Net Pension Liability	55,418,053	1,967,503	-	57,385,556	-
Total Long-Term Liabilities	<u>\$ 369,373,260</u>	<u>\$ 35,924,619</u>	<u>\$ 15,459,610</u>	<u>\$ 389,838,269</u>	<u>\$ 12,494,565</u>

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, net pension liability, net OPEB obligations and supplemental employee retirement plan. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP). The District's proportionate share of the liability is 0.049%. As the plan activity and the District's proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements.

NOTE 7 GENERAL OBLIGATION BONDS

General Obligation Bonds – Measure G (2002)

General obligation bonds were approved by a local election in 2002. The total amount approved by the voters was \$124,500,000. The bonds were authorized for the purpose of construction and repairing college education facilities.

In May 2003, the District issued 2002 General Obligation Bonds, Series A in the amount of \$80,000,000.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 GENERAL OBLIGATION BONDS (CONTINUED)

General Obligation Bonds – Measure G (2002) (Continued)

In March 2005, the District issued \$81,349,812 of General Obligation Refunding to advance refund the outstanding portion of the 2002 General Obligation Bonds, Series A. Proceeds associated with refundings were deposited into an irrevocable escrow account for future repayments. The outstanding balance of the defeased debt was paid by the escrow agent. The refunded bonds have been fully defeased and are not recorded on the financial statements.

In August 2006, the District issued 2002 General Obligation Bonds, Series B in the amount of \$44,495,279.

In March 2014, the District issued \$10,645,000 and \$41,165,000 of General Obligation Refunding Bonds, Series A and B, to advance refund a portion of the 2002 General Obligation Bonds, Series B and 2005 Refunding, Series A. Proceeds associated with refundings were deposited into an irrevocable escrow account for future repayments. The outstanding balance of the defeased debt was paid by the escrow agent on August 1, 2016. The refunded bonds have been fully defeased and are not recorded on the financial statements.

In September 2015, The District issued \$47,677,452 of General Obligation Refunding Bonds to advance refund a portion of the 2002 General Obligation Bonds, Series B. Proceeds associated with refundings were deposited into an irrevocable escrow account for future repayments. The outstanding balance of the defeased debt was paid by the escrow agent on August 1, 2016. The refunded bonds have been fully defeased and are not recorded on the financial statements.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$1,251,540 and was accrued as deferred outflow for 2015 Refunding. Existing carrying value of the refunded debt exceeded the payments to the refunding escrow agent by \$2,448,210 and was accrued as deferred inflow for 2014 Refunding Series A. Net amortization of \$161,391 was recognized during the fiscal year ended June 30, 2021.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The collective Measure G (2002) Bonds included total premiums of \$12,747,667. This amount will be amortized using the straight-line method. Amortization of \$779,559 was recognized during the fiscal year ended June 30, 2021.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 GENERAL OBLIGATION BONDS (CONTINUED)

General Obligation Bonds – Measure Q (2012)

General obligation bonds were approved by a local election in 2012. The total amount approved by the voters was \$348,000,000. The bonds were authorized for the purpose of construction and repairing college education facilities.

In June 2013, the District issued 2012 General Obligation Bonds, Series A in the amount of \$89,996,899 and Series B for \$30,000,000.

In April 2017, the District issued 2012 General Obligation Bonds, Series C in the amount of \$90,000,000.

In November 2019, the District issued \$112,650,000 of General Obligation Refunding Bonds to advance refund a portion of the 2012 General Obligation Bonds Series A and Series B. Proceeds associated with refundings were deposited into an irrevocable escrow account for future repayments. The outstanding balance of the defeased debt, to be paid by the escrow agent has an expected redemption date of August 1, 2023. The refunded bonds have been fully defeased and are not recorded on the financial statements.

In November 2020, the District issued 2012 General Obligation Bonds, Series D in the amount of \$30,000,000.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The collective Measure Q (2012) Bonds included total premiums of \$11,625,187. This amount will be amortized using the straight-line method. Amortization of \$526,748 was recognized during the fiscal year ended June 30, 2021.

General Obligation Bonds – Measure G (2002) and Measure Q (2012)

The outstanding general obligation bonded debt was as follows:

General Obligation Bonds Date	Date of Issue	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2021
<i>2002 Election</i>					
2005 Refunding	3/1/2005	8/1/2022	3.0%-5.0%	\$ 81,349,812	\$ 1,584,812
2014 Refunding Bonds, Series A	4/08/2014	8/1/2023	4.0%-5.0%	10,645,000	8,665,000
2014 Refunding Bonds, Series B	4/08/2014	8/1/2022	0.462%-3.504%	41,165,000	6,270,000
2015 Refunding Bonds	10/06/2015	8/1/2031	2.0%-5.0%	47,677,453	47,562,453
Subtotal					64,082,265
<i>2012 Election</i>					
Series A	6/18/2013	8/1/2041	2.0%-5.49%	89,996,899	11,283,433
Series B	6/18/2013	8/1/2023	2.8%-5.5%	30,000,000	1,390,000
Series C	4/26/2017	8/1/2047	2.0%-5.25%	90,000,000	80,725,000
2019 Refunding Bonds	11/27/2019	8/1/2047	3.094%-3.194%	112,650,000	110,570,000
Series D	11/17/2020	8/1/2050	4.0%	30,000,000	30,000,000
Subtotal					233,968,433
Total					<u>\$ 298,050,698</u>

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 GENERAL OBLIGATION BONDS (CONTINUED)

General Obligation Bonds – Measure G (2002) and Measure Q (2012) (Continued)

The annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2022	\$ 7,559,560	\$ 4,835,441	\$ 9,210,737
2023	7,285,252	4,914,748	8,977,646
2024	12,130,000	-	10,284,807
2025	5,668,306	1,281,694	11,542,765
2026	6,262,796	1,437,204	11,195,711
2027-2031	41,596,350	9,858,650	49,522,914
2032-2036	37,300,000	-	38,756,580
2037-2041	46,365,183	3,594,817	30,823,378
2042-2046	77,813,251	3,031,749	16,921,606
2047-2051	56,070,000	-	3,415,501
Total	298,050,698	<u>\$ 28,954,302</u>	<u>\$ 190,651,644</u>
Accretions to Date	13,675,045		
Total	<u>\$ 311,725,743</u>		

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY

Plan Administration

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

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

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive Employees or Beneficiaries Currently Receiving	
Benefits Payments	104
Active Employees	<u>296</u>
Total	<u><u>400</u></u>

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY (CONTINUED)

Health Benefit OPEB Trust

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the bargaining units. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits are based on the availability of funds. For fiscal year 2020-21, the District contributed \$1,054,795 to the Plan all of which was used for current premiums with no additional contributions to the Retiree Benefit Trust.

Investment

Investment Policy

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

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY (CONTINUED)

Investment (Continued)

Investment Policy (Continued)

The following was the Governing Board's adopted asset allocation policy as of June 30, 2021:

	Target Allocation
U.S. Large Cap	29 %
U.S. Small Cap	13
All Foreign Stock	9
Other Fixed Income	49
Total	100 %

Rate of Return

For the year ended June 30, 2021, the rate of return on investments, net of investment expense, was 5.75%.

Net OPEB Liability of the District

The District's net OPEB liability of \$6,739,339 was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB Liability	\$ 12,348,936
Plan Fiduciary Net Position	(5,609,597)
District's Net OPEB Liability	<u>\$ 6,739,339</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.75%, Average, including Inflation
Investment Rate of Return	5.75%, Net of OPEB Plan Investment Expense, Including Inflation
Healthcare Cost Trend Rates	4.00%

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY (CONTINUED)

Net OPEB Liability of the District (Continued)

Actuarial Assumptions (Continued)

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	7.545 %
U.S. Small Cap	7.545 %
All Foreign Stock	7.545 %
Other Fixed Income	3.000 %

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY (CONTINUED)

Changes in the Net OPEB Liability

OPEB Plan	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance - June 30, 2020	\$ 12,911,164	\$ 4,667,390	\$ 8,243,774
Service Cost	570,933	-	570,933
Interest	760,154	-	760,154
Employer Contributions as Benefit Payments	-	1,054,795	(1,054,795)
Expected Investment Income	-	279,833	(279,833)
Investment Gains/(Losses)	-	669,373	(669,373)
Experience (Gains)/Losses	(762,696)	-	(762,696)
Changes in Assumptions	(75,824)	-	(75,824)
Benefit Payments	(1,054,795)	(1,054,795)	-
Administrative Expense	-	(6,999)	6,999
Net Change in Total OPEB Liability	(562,228)	942,207	(1,504,435)
Balance - June 30, 2021	<u>\$ 12,348,936</u>	<u>\$ 5,609,597</u>	<u>\$ 6,739,339</u>

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 (4.75%) or 1-percentage-point higher (6.75%) than the current discount rate:

Discount Rate	Net OPEB Liability
1% Decrease (4.75%)	\$ 7,650,562
Current Discount Rate (5.75%)	6,739,339
1% Increase (6.75%)	5,919,405

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%) or 1-percentage-point higher (5%) than the current health care cost trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% Decrease (3.00%)	\$ 5,650,887
Current Healthcare Cost Trend Rate (4.00%)	6,739,339
1% Increase (5.00%)	8,001,271

SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY (CONTINUED)

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$296,584.

At June 30, 2021, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,488,224
Changes of Assumptions	878,960
Investment Gains and Losses	512,482
Total	<u>\$ 2,879,666</u>

The deferred inflows of resources related to the difference between expected and actual earnings on pension plan investments and changes in assumptions will be amortized over a six-year period while investment gains and losses will be amortized over a five-year period. Deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	Deferred Inflows of Resources
2022	\$ 761,667
2023	753,135
2024	626,018
2025	449,792
2026	201,458
Thereafter	87,596
Total	<u>\$ 2,879,666</u>

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the state of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 31,979,970	\$ 8,204,928	\$ 4,138,291	\$ 5,988,552
CalPERS	25,405,586	4,210,757	517,352	4,599,422
Total	<u>\$ 57,385,556</u>	<u>\$ 12,415,685</u>	<u>\$ 4,655,643</u>	<u>\$ 10,587,974</u>

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or Before December 31, 2012	On or After January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	60	62
Monthly Benefits as a percentage of Eligible Compensation	2.0% to 2.4%	2.0% to 2.4%
Required Employee Contributions Rate	10.25%	10.205%
Required Employer Contributions Rate	17.10	17.10
Required State Contribution Rate	10.38%	10.328%

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$2,986,309.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's Proportionate Share of Net Pension Liability	\$ 31,979,970
State's Proportionate Share of the Net Pension Liability Associated with the District	16,485,545
Total	<u>\$ 48,465,515</u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0330% and 0.0342%, respectively, resulting in a net decrease in the proportionate share of 0.0012%.

For the year ended June 30, 2021, the District recognized pension expense of \$5,988,552. In addition, the District recognized pension expense and revenue of \$3,093,252 for support provided by the state.

SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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

At June 30, 2021, 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	\$ 2,986,309	\$ -
Changes in Proportions	1,284,029	3,236,401
Net Differences Between Projected and Actual Earnings on Pensions Plan Investments	759,660	-
Differences Between Expected and Actual Experience	56,430	901,890
Changes of Assumptions	3,118,500	-
Total	<u>\$ 8,204,928</u>	<u>\$ 4,138,291</u>

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSLS) of the plan participants. The EARSLS for the STRP for the June 30, 2020 measurement date is seven years.

The remaining amount will be recognized to pension expense as follows:

<u>Year Ending June 30,</u>	Deferred Outflows/ Inflows of Resources
2022	\$ (501,656)
2023	396,913
2024	1,075,359
2025	510,146
2026	(254,300)
2027	(146,134)
Total	<u>\$ 1,080,328</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Continued)

The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2015 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants and adopted by the CalSTRS Board in January 2020. Best estimates of 20-year geometrically linked 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	42 %	4.80 %
Real Estate	15	3.60
Private Equity	13	6.30
Fixed Income	12	1.30
Risk Mitigating Strategies	10	1.80
Inflation Sensitive	6	3.30
Cash/Liquidity	2	(0.4)

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that 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 of 7.10% and assume that contributions, benefit payments, and administrative expense occur 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 the 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 1% lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.10%)	\$ 48,317,280
Current Discount Rate (7.10%)	31,979,970
1% Increase (8.10%)	18,491,220

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2020, CalSTRS completed an experience study for the period starting July 1, 2015 and ending June 30, 2018. The experience study was adopted by the CalSTRS Board in January 2020. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including termination rates and service rates.

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, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

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 nonduty 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or After January 1, 2013
Hire Date		
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% to 2.5%	1.0% to 2.5%
Required Employee Contributions Rate	7.00%	7.00%
Required Employer Contributions Rate	20.70%	20.70%

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, 2021, are presented above, and the total District contributions were \$2,308,736.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$25,405,586. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0828% and 0.0841%, respectively, resulting in a net decrease in the proportionate share of 0.0013%.

For the year ended June 30, 2021, the District recognized pension expense of \$2,313,629. At June 30, 2021, 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	\$ 2,308,736	\$ -
Changes in Proportions	19,955	517,352
Net Differences Between Projected and Actual Earnings on Pensions Plan Investments	528,864	
Differences Between Expected and Actual Experience	1,260,039	-
Changes of Assumptions	93,163	-
Total	<u>\$ 4,210,757</u>	<u>\$ 517,352</u>

The deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSLS) of the plan participants. The EARSLS for the CalPERS Schools Pool Plan for the June 30, 2020 measurement date is 4.1 years.

The remaining amount will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	Deferred Outflows/ Inflows of Resources
2022	\$ 464,265
2023	342,038
2024	333,803
2025	244,563
Total	<u>\$ 1,384,669</u>

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 1997 to June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.00%
Consumer Price Inflation	2.50%
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 postretirement mortality rates, those revised rates include 15 years of mortality improvements using 90% of scale MP 2016 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 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	50 %	5.98 %
Fixed Income	28	2.62
Real Assets	13	4.93
Private Equity	8	7.23
Liquidity	1	(0.9)

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. 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 Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on plan investments 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 1% lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.15%)	\$ 36,525,164
Current Discount Rate (7.15%)	25,405,586
1% Increase (8.15%)	16,176,896

Tax Deferred Annuity/Social Security

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

On Behalf Payments

The state of California makes contributions to CalSTRS on behalf of the District. These payments consist of state general fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to \$3,093,252 (16.696%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenses. Accordingly, these amounts have been recorded in these financial statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

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 10 JOINT POWERS AGREEMENT

The District participates in two joint powers agreements (JPA) entities: Northern California Community College Pool (NCCCP) and the Schools Association for Excess Risk (SAFER). Property and Liability Insurance Coverages.

Property and 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.

During fiscal year ended June 30, 2021, 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.

SAFER provides excess liability insurance from \$5,000,000-\$50,000,000. The Board elects from its members a President, Vice-President, Secretary, Treasurer, five representatives, and nine alternates. The Board controls the operations of SAFER, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member pays an annual contribution based upon that calculated by SAFER's board of directors and shares surpluses and deficits proportionately to its participation in SAFER.

Workers' Compensation

NCCCP's intent 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."

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 JOINT POWER AUTHORITY (CONTINUED)

Workers' Compensation (Continued)

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.

Insurance and other limits are as follows:

Joint Power Authority	Type of Coverage	Limits
Northern California Community College Pool (NCCCP)	Workers' Compensation	\$1,000,000
Northern California Community College Pool (NCCCP)	Property	\$5,000,000
Schools Association for Excess Risk (SAFER)	Excess Liability	\$5,000,000 - \$50,000,000
Northern California Community College Pool (NCCCP)	Property	\$250,250,000

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. Each JPA is independently accountable for its fiscal matters. All JPAs maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. The relationships between the District and the JPAs are not considered to be that of a component unit for financial reporting purposes.

The most current condensed financial information derived from the JPAs financial statements for the fiscal year ended June 30, 2021 is as follows:

	NCCCP 6/30/2021 (Audited)	SAFER 6/30/2021 (Audited)
Total Assets and Deferred Outflows	\$ 1,315,074	\$ 43,779,353
Total Liabilities and Deferred Inflows	102,932	41,873,705
Fund Balance	<u>\$ 1,212,142</u>	<u>\$ 1,905,648</u>
Total Revenues	\$ 4,885,826	\$ 101,643,978
Total Expenditures	4,802,676	101,673,081
Change in Fund Balance	<u>\$ 83,150</u>	<u>\$ (29,103)</u>

Separate financial statements for the JPAs can be obtained through the District.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown below:

	Salaries	Employee Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Student Aid and Other Uses	Depreciation	Total
Instruction (01000-59000)	\$ 19,837,890	\$ 10,500,000	\$ 732,059	\$ -	\$ -	\$ 31,069,949
Academic Support (60000, 61100, 61300-63000)	4,933,860	2,304,089	939,421	-	-	8,177,370
Student Services (64000, 73000)	1,927,336	1,035,734	656,712	-	-	3,619,782
Operation & Maintenance (65000)	2,189,142	1,417,193	3,585,344	-	-	7,191,679
Institutional Support (66000, 67000, 71000)	4,223,544	2,893,219	584,736	-	-	7,701,499
Public Service (68000, 69000)	880,581	485,447	483,634	-	-	1,849,662
Auxiliary Enterprises (70000)	31,794	11,617	75,326	-	-	118,737
Scholarships & Fellowships (73000)	-	-	-	14,360,320	-	14,360,320
Depreciation	-	-	-	-	26,900,611	26,900,611
Totals by Object	<u>\$ 34,024,147</u>	<u>\$ 18,647,299</u>	<u>\$ 7,057,232</u>	<u>\$ 14,360,320</u>	<u>\$ 26,900,611</u>	<u>\$ 100,989,609</u>

NOTE 12 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, 2021.

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, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Library/Learning Resource Center	\$ 7,351,187	July 2022
Classroom Technology Upgrade - IT	47,900	August 2021
Exterior Roof Canopy	366,895	October 2021
Campus Building Exterior	52,102	August 2021
Total	<u>\$ 7,818,084</u>	

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments (Continued)

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

Coronavirus Pandemic

The District continues to be impacted by the effects of the world-wide coronavirus pandemic, primarily as it relates to enrollment management and increased cash flow monitoring due to state apportionment deferrals. The District continues to closely monitor its operations, liquidity, and capital resources and continues to actively work to minimize the impact of this unprecedented situation.

NOTE 13 RESTATEMENT TO BEGINNING NET POSITION AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Adjustment for Restatement

The beginning net position of the financial statements has been restated by an increase of \$7,078,324 in the governmental funds for errors in the recognition of unearned revenue. During the fiscal year, the District researched and reconciled the unearned revenue for restricted grants and identified errors in the recording of unearned revenue for several grants. The cause of these errors occurred as a result of unbalanced journal entries which occurred six to eight years ago. System controls are now in place to prevent these types of transactions from occurring in the future.

Fiduciary Funds

The beginning net position of the financial statements has been restated by an increase of \$4,621,445 in the governmental funds to recognize the beginning net position of the Fiduciary Activities as Business-Type Activities resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and Statement of Cash Flows to maintain consistency between periods presented.

NOTE 14 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued pronouncements prior to June 30, 2021, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

Statement No. 87 – Leases

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement effective date has been postponed to fiscal year 2021-22.

Statement No. 91 – Conduit Debt Obligations

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement effective date has been postponed to fiscal year 2022-23.

Statement No. 92 – Omnibus 2020

This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The statement effective date been postponed to fiscal year 2022-23.

Statement No. 93 – Replacement of Interbank Offered Rates (IBOR)

This statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The statement effective date has been postponed to fiscal year 2022-23.

**Statement No. 94 – Public-Private & Public-Public Partnerships and Availability
Payment Arrangements**

This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement is effective for the fiscal year 2022-23.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

Statement No. 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for the fiscal year 2022-23.

NOTE 15 SUBSEQUENT EVENTS

The District sold \$50 million in General Obligation Bonds, Measure Q (2012), Series E on September 15, 2021. The bonds were sold with an interest rate ranging from 2.625% to 4.000% and maturity dates from August 1, 2024 through August 1, 2050. The proceeds of the Series E Bonds will be used to finance certain capital improvements of the District and to pay the costs of issuance of the Bonds.

In addition, the District sold 2021 Refunding Bonds Series A, B and C on September 15, 2021 to refund certain outstanding maturities of the District's General Obligation 2012 General Obligation Bonds.

Refunding Series	Amount Sold	Interest Rates	Maturity Dates	Refunded Series	Refunded Principal
2021 Refunding Series A	\$ 56,915,000	0.183% - 2.819%	August 1, 2022 - August 1, 2041	2012 Election, Series A	\$ 45,435,000
2021 Refunding Series B	49,440,000	1.025% - 1.861%	August 1, 2026 - August 1, 2031	2002 Election, 2015 Refunding	37,591,350
2021 Refunding Series C	18,825,000	1.861% - 2.819%	August 1, 2038 - August 1, 2041	2012 Election, Series A	9,908,433

REQUIRED SUPPLEMENTARY INFORMATION

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE POSTEMPLOYMENT HEALTHCARE
BENEFITS LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2021**

Total OPEB Liability	2017	2018	2019	2020	2021
Service Cost	\$ 962,203	\$ 988,664	\$ 1,015,852	\$ 555,653	\$ 570,933
Interest	590,814	874,856	800,703	747,113	760,154
Experience (Gains)/Losses	-	-	(1,411,659)	-	(762,696)
Changes of Assumptions	-	(2,067,466)	-	-	(75,824)
Benefit Payments	(1,044,653)	(1,086,439)	(1,004,606)	(1,131,324)	(1,054,795)
Net Change in Total OPEB Liability	508,364	(1,290,385)	(599,710)	171,442	(562,228)
Total OPEB Liability - Beginning	14,121,453	14,629,817	13,339,432	12,739,722	12,911,164
Total OPEB Liability - Ending (a)	\$ 14,629,817	\$ 13,339,432	\$ 12,739,722	\$ 12,911,164	\$ 12,348,936
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,044,653	\$ 1,406,528	\$ 1,324,606	\$ 1,451,324	\$ 1,054,795
Net Investment Income	263,321	229,336	234,826	200,006	279,833
Benefit Payments	(1,044,653)	(1,086,439)	(1,004,606)	(1,131,324)	(1,054,795)
Investment Gains/(Losses)					669,373
Administrative Expense	(5,029)	-	(6,494)	(6,636)	(6,999)
Net Change in Plan Fiduciary Net Position	258,292	549,425	548,332	513,370	942,207
Plan Fiduciary Net Position - Beginning	2,797,971	3,056,263	3,605,688	4,154,020	4,667,390
Plan Fiduciary Net Position - Ending (b)	\$ 3,056,263	\$ 3,605,688	\$ 4,154,020	\$ 4,667,390	\$ 5,609,597
Net OPEB Liability- Ending (a) - (b)	\$ 11,573,554	\$ 9,733,744	\$ 8,585,702	\$ 8,243,774	\$ 6,739,339
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	20.89%	27.03%	32.61%	36.15%	45.43%
Covered Employee Payroll	\$ 24,660,729	\$ 28,120,651	\$ 25,918,991	\$ 26,729,239	\$ 26,012,336
Net OPEB Liability as a Percentage of Covered-Employee Payroll	46.93%	34.61%	33.13%	30.84%	25.91%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See accompanying Note to Required Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE POSTEMPLOYMENT HEALTHCARE
BENEFITS CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021**

OPEB Contributions	2017	2018	2019	2020	2021
Actuarially Determined Contribution (ADC)	\$ 1,044,653	\$ 1,406,528	\$ 1,324,606	\$ 1,451,324	\$ 1,054,795
Contributions in Relation to the ADC	1,044,653	1,406,528	1,324,606	1,451,324	1,054,795
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 24,660,729	\$ 28,120,651	\$ 25,918,991	\$ 26,729,239	\$ 26,012,336
Contributions as a Percentage of Covered-Employee Payroll	4.24%	5.00%	5.11%	5.43%	4.05%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
YEAR ENDED JUNE 30, 2021**

	2017	2018	2019	2020	2021
Annual Money-Weighted Rate of Return, Net of Investment Expense	Not Determined	Not Determined	6.00%	6.00%	5.75%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019	2020	2021
District's Proportion of the Net Pension Liability	0.0405%	0.0394%	0.0332%	0.0317%	0.0345%	0.0342%	0.0330%
District's Proportionate Share of The Net Pension Liability	\$ 23,649,968	\$ 26,512,169	\$ 29,062,671	\$ 29,295,937	\$ 31,725,887	\$ 30,918,568	\$ 31,979,970
State's Proportionate Share of the Net Pension Liability Associated with the District	14,280,872	14,022,015	16,544,860	17,331,229	18,164,554	16,868,143	16,485,545
Total	<u>\$ 37,930,840</u>	<u>\$ 40,534,184</u>	<u>\$ 45,607,531</u>	<u>\$ 46,627,166</u>	<u>\$ 49,890,441</u>	<u>\$ 47,786,711</u>	<u>\$ 48,465,515</u>
District's Covered Payroll	\$ 16,407,382	\$ 16,914,388	\$ 17,309,532	\$ 16,730,462	\$ 19,389,388	\$ 18,881,543	\$ 18,741,009
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	144.14%	156.74%	167.90%	175.11%	163.63%	163.75%	170.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77%	74%	70%	69%	71%	73%	72%
California Public Employees' Retirement System - Schools Pool Plan							
District's Proportion of the Net Pension Liability	0.1085%	0.1048%	9.6000%	0.0861%	0.0865%	0.0841%	0.0828%
District's Proportionate Share of the Net Pension Liability	<u>\$ 12,322,720</u>	<u>\$ 15,451,644</u>	<u>\$ 18,955,292</u>	<u>\$ 20,545,045</u>	<u>\$ 23,058,683</u>	<u>\$ 24,499,485</u>	<u>\$ 25,405,586</u>
District's Covered Payroll	\$ 11,365,881	\$ 11,747,308	\$ 11,535,397	\$ 10,977,418	\$ 11,406,864	\$ 11,704,107	\$ 11,640,226
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	108.42%	131.53%	164.32%	186.79%	202.15%	209.32%	218.26%
Plan Fiduciary Net Position as a Percentage of The Total Pension Liability	83%	79%	74%	72%	71%	70%	70%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See accompanying Note to Required Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
YEAR ENDED JUNE 30, 2021**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contribution	\$ 1,508,056	\$ 1,846,655	\$ 2,111,185	\$ 2,806,691	\$ 3,082,822	\$ 3,203,865	\$ 2,986,309
Contributions in Relation to the Contractually Required Contribution	1,508,056	1,846,655	2,111,185	2,806,691	3,082,822	3,203,865	2,986,309
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 16,914,388	\$ 17,309,532	\$ 16,730,462	\$ 19,389,388	\$ 18,881,543	\$ 18,741,009	\$ 18,525,752
Contributions as a Percentage of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%
California Public Employees' Retirement System - Schools Pool Plan							
Contractually Required Contribution	\$ 1,357,277	\$ 1,367,714	\$ 1,524,484	\$ 1,771,599	\$ 2,108,935	\$ 2,313,629	\$ 2,308,736
Contributions in Relation to the Contractually Required Contribution	1,357,277	1,367,714	1,524,484	1,771,599	2,108,935	2,313,629	2,308,736
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 11,747,308	\$ 11,535,397	\$ 10,977,418	\$ 11,406,864	\$ 11,704,107	\$ 11,640,226	\$ 11,179,672
Contributions as a Percentage of Covered Payroll	11.771%	11.847%	13.888%	15.531%	18.062%	19.721%	20.700%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See accompanying Note to Required Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

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, 10 years of information will be presented.

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

Changes in Assumptions – The discount rate was changed from 6.00% to 5.75% since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, 10 years of information will be presented.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plan's fiduciary net position. In the future, as data becomes available, 10 years of information will be presented.

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

Changes in Assumptions – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the state's proportionate share of the NPL associated with the District. In the future, as data becomes available, 10 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 – Are as detailed below:

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of the District's Proportionate Share of the Net Pension Liability (continued)

2019-20

CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates.

2018-19

CalPERS Board adopted new mortality assumptions for the plan. Assumption for inflation rate was reduced from 2.75% to 2.50%. Assumption for individual salary increases and overall payroll growth was reduced from 3.00% to 2.75%.

2017-18

CalSTRS Board adopted new mortality assumptions and new mortality tables for the plan. Assumption for inflation rate was reduced from 3.00% to 2.75%. Assumption for payroll growth was reduced from 3.75% to 3.50%.

CalPERS applied a new discount rate decreasing the rate from 7.65% to 7.15%.

2015-16

CalPERS applied a new discount rate increasing the rate from 7.50% to 7.65%.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

**SOLANO COMMUNITY COLLEGE DISTRICT
HISTORY AND ORGANIZATION
YEAR ENDED JUNE 30, 2021**

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.

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2021 were as follows:

BOARD OF TRUSTEES

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

ADMINISTRATION

Celia Esposito-Noy, Ed.D	Superintendent-President / Board Secretary
Robert Diamond	Vice President of Finance and Administration
Vacant	Vice President of Student Services
David Williams	Vice president of Academic Affairs
Vacant	Dean, External Relations
Vacant	Dean, human Resources
Vacant	Interim Dean, Planning and Research

AUXILIARY ORGANIZATION IN GOOD STANDING

None

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Program Name	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
Direct:			
Student Financial Assistance Cluster:			
Supplemental Educational Opportunities Grant (SEOG)	84.007	(1)	\$ 217,830
Pell Grant	84.063	(1)	6,427,261
Student Financial Aid Administrative Allowance	84.063	(1)	2,386
Federal Work Study (FWS)	84.033	(1)	160,928
William D. Ford Direct Loan Program	84.268	(1)	499,506
Total Student Financial Assistance Cluster			<u>7,307,911</u>
COVID-19 Higher Education Emergency Relief Funds (HEERF):			
COVID-19 HEERF- Institutional	84.425F	(1)	4,695,207
COVID-19 HEERF - Student Aid	84.425E	(1)	3,078,842
Total COVID-19 Higher Education Emergency Relief Funds (HEERF)			<u>7,774,049</u>
Pass-Through Program from the California Community College Chancellor's Office:			
Career Technical Education:			
Perkins Title I-C (Basic Grants to States)	84.048	(2)	430,770
Career Technical Education - To States - CTE Transitions	84.048	(2)	2,695
Total Career Technical Education			<u>433,465</u>
Total U.S. Department of Education			15,515,425
U.S. Department of Agriculture			
Pass-Through California Department of Education:			
Child Care Food Program	10.558	(2)	25,312
Department of Treasury			
Pass-Through California Department of Education:			
Coronavirus Relief Fund - COVID-19 Response Block Grant	21.019	(1)	301,881
U.S. Department of Health and Human Services			
Pass-Through California Department of Education:			
Child Care and Development Block Grant	93.575	(2)	75,306
Pass-Through Program from the California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(2)	42,719
Foster-Kinship Care Education	93.658	(2)	81,863
Total U.S. Department of Health and Human Services			<u>199,888</u>
U.S. National Science Foundation			
Direct:			
National Science Foundation - AMCTP	47.046	(1)	15,683
U.S. Department of Veteran's Affairs			
Direct:			
Veteran Assistance Title 38	64.028	(1)	919
Total Federal Grants			<u>\$ 16,059,108</u>

(1) Pass-through number not applicable

(2) Pass-through number not available

See accompanying Note to Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE – GRANTS
YEAR ENDED JUNE 30, 2021**

Program Name	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivables	Unearned Revenue	Total Revenue	
State Categorical Aid Programs:								
Adult Education Block Grant - AB104	\$ 76,018	\$ 31,606	\$ 107,624	\$ 69,613	\$ -	\$ 33,412	\$ 36,201	\$ 36,201
BFAP-SFAA	295,034	-	295,034	498,758	-	203,724	295,034	295,034
CA College Promise	1,247,711	501,936	1,749,647	1,288,578	2,000	603,715	686,863	686,863
Campus Safe	-	17,581	17,581	17,581	-	17,581	-	-
Cal Works	228,328	21,714	250,042	236,793	13,250	37,338	212,705	212,705
CASCADE II Project 13	-	261,409	261,409	133,942	73,432	10,600	196,774	196,774
COVID-19 Relief Block Grant (20-21 FY)	370,563	-	370,563	370,563	-	-	370,563	370,563
CARE	82,987	-	82,987	75,787	7,200	26,747	56,240	56,240
California State Preschool Program (CSPP)	546,759	-	546,759	501,899	27,820	4,644	525,075	525,075
Disabled Students Programs and Services	537,410	19,715	557,125	557,125	-	48,575	508,550	508,550
Extended Opportunity Program and Services	436,123	13,108	449,231	503,416	-	86,883	416,533	416,533
Financial Aid Technology	-	143,875	143,875	192,206	-	48,374	143,832	143,832
Foster Care Education	120,006	-	120,006	120,018	-	14,101	105,917	105,917
General Child Care and Development (CCTR)	237,339	-	237,339	204,285	-	-	204,285	204,285
Guided Pathways Program	89,721	298,254	387,975	387,975	-	294,409	93,566	93,566
Innovation & Effectiveness	-	200,000	200,000	200,000	-	137,480	62,520	62,520
Instruction Equipment (one time)	-	175,548	175,548	175,549	-	174,502	1,047	1,047
Lottery Prop 20	573,578	170,071	743,649	161,187	89,030	-	250,217	250,217
Mental Health Services	7,937	-	7,937	7,937	-	877	7,060	7,060
Nursing Enroll Growth	210,200	210,200	420,400	210,200	-	-	210,200	210,200
Student Success Completion	459,070	-	459,070	427,335	31,735	2,000	457,070	457,070
Staff Diversity - Equal Employment Opportunity	50,000	71,804	121,804	121,805	-	54,381	67,424	67,424
Strong Workforce Program	1,259,891	1,465,372	2,725,263	2,917,600	330,789	1,783,017	1,465,372	1,465,372
Strong Workforce Regional Venture	692,940	1,629,621	2,322,561	-	992,160	-	992,160	992,160
Student Equity & Achievement Program	2,963,494	1,411,013	4,374,507	1,676,896	2,697,611	2,667,207	1,707,300	1,707,300
Student Hunger @ Community College	-	35,438	35,438	20,244	-	15,195	5,049	5,049
Veterans Resource Center	162,442	126,769	289,211	126,769	-	37,568	89,201	89,201
Total State Categorical Aid Programs	\$ 10,647,551	\$ 6,805,035	\$ 17,452,586	\$ 11,204,061	\$ 4,265,027	\$ 6,302,330	\$ 9,166,758	\$ 9,166,758

See accompanying Note to Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2021**

Categories	Annual - Factored FTES		
	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit ¹	-	-	-
2. Credit	556.38	-	556.38
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit ¹	-	-	-
2. Credit	1.63	-	1.63
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,217.59	-	2,217.59
(b) Daily Census Contact Hours	131.44	-	131.44
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	-	-	-
(b) Credit	147.97	-	147.97
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	3,264.00	-	3,264.00
(b) Daily Census Contact Hours	235.19	-	235.19
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>6,554.20</u>	<u>-</u>	<u>6,554.20</u>
Supplemental Information (Subset of Above Information)			
E. In-service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
(a) Noncredit ¹	-	-	-
(b) Credit	47.61	-	47.61
CCFS 320 Addendum			
CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit ¹	-	-	-
(b) Credit	2,316.02	-	2,316.02

¹ Including Career Development and College Preparation (CDCP) FTES

See accompanying Note to Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF 50 PERCENT LAW CALCULATION
YEAR ENDED JUNE 30, 2021**

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Object/TOP Codes		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries - Contract or Regular	1100	\$ 10,540,315	\$ -	\$ 10,540,315	\$ 10,626,849	\$ -	\$ 10,626,849
Instructional Salaries - Other	1300	6,084,061	-	6,084,061	6,096,777	-	6,096,777
Total Instructional Salaries		16,624,376	-	16,624,376	16,723,626	-	16,723,626
Non-Instructional Salaries - Contract or Regular	1200	-	-	-	3,262,084	-	3,262,084
Non-Instructional Salaries - Other	1400	-	-	-	194,719	-	194,719
Total Non-Instructional Salaries		-	-	-	3,456,803	-	3,456,803
Total Academic Salaries		16,624,376	-	16,624,376	20,180,429	-	20,180,429
<u>Classified Salaries</u>							
Non-Instructional Salaries - Regular Status	2100	-	-	-	8,273,686	-	8,273,686
Non-Instructional Salaries - Other	2300	-	-	-	152,120	-	152,120
Total Non-Instructional Salaries		-	-	-	8,425,806	-	8,425,806
Instructional Aides - Regular Status	2200	822,407	-	822,407	844,801	-	844,801
Instructional Aides - Other	2400	77,539	-	77,539	77,539	-	77,539
Total Instructional Aides		899,946	-	899,946	922,340	-	922,340
Total Classified Salaries		899,946	-	899,946	9,348,146	-	9,348,146
Employee Benefits	3000	10,402,159	-	10,402,159	16,040,868	-	16,040,868
Supplies and Materials	4000	-	-	-	239,011	-	239,011
Other Operating Expenses	5000	135,772	-	135,772	5,204,528	-	5,204,528
Equipment Replacement	6420	-	-	-	19,033	-	19,033
Total Expenditures Prior to Exclusions		28,062,253	-	28,062,253	51,032,015	-	51,032,015
<u>Exclusions</u>							
<u>Activities to Exclude</u>							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	-	-	-	-	-	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<u>Objects to Exclude</u>							
Rents and Leases	5060	-	-	-	100,770	-	100,770
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	1,640,379	-	1,640,379	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies and Materials	4400	-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,640,379	-	1,640,379	100,770	-	100,770
Total for ECS 84362, 50% Law		26,421,874	-	26,421,874	50,931,245	-	50,931,245
Percent of CEE (Instructional Salary Cost/Total CEE)		51.88%	-	51.88%	100%	-	100%
50% of Current Expense of Education					25,465,623	-	25,465,623

See accompanying Note to Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
YEAR ENDED JUNE 30, 2021**

[illegible]

**SOLANO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Unrestricted General Fund Balance	\$ 26,775,754
Restricted General Fund Balance	3,536,497
Bond Interest and Redemption Fund Balance	12,912,067
Capital Projects Fund Balance	7,054,412
Revenue Bond Construction	48,596,091
Child Development Fund Balance	144,226
Internal Service Fund Balance (Retiree Benefits)	762,711
Associated Students Fund Balance	193,226
Investment Trust Fund - OPEB	5,257,475
Student Center Fee Fund Balances	193,612
Student Financial Aid and Trust Fund Balance	26,778
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	<u>105,452,849</u>

Student Center Fee Fund - Included on CCFS-311 as fund balance but represents due to other funds and is eliminated for financial statement presentation purposes.	(193,612)
Bank Accounts - Included in financial statements but not on CCFS-311	(14,936)
Investment Trust Fund - Post Closing Journal Entries for OPEB Investment Income	352,122
Other Debt Service - Post Closing Journal Entries for interest payable	(168,681)
Unrestricted General Fund - Post Closing Journal Entries for unearned revenue applied to restatement	50,781
Restricted General Fund - Post Closing Journal Entries for unearned revenue applied to restatement	2,067,913
Child Development Fund - Post Closing Journal Entries for unearned revenue applied to restatement	(4,669)
Total Ending Fund Balance	<u>\$ 107,541,767</u>
Business Type Activity Funds	\$ 101,932,170

See accompanying Note to Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Total Fund Balances as Reported on the Annual Financial and Budget Report (CCFS-311) - Business Type Activity Funds	\$ 101,932,170
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	293,276,558
Deferred outflows associated with advanced refunding of debt increases total net position reported.	750,870
Deferred outflows associated with pension costs result from pension contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	12,415,685
Liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(324,013,733)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(57,385,556)
Deferred inflows associated with advanced refunding of debt increases total net position reported.	(734,462)
Deferred inflows of resources associated with other postemployment retirement benefits result from actuarially determined adjustments. These amounts will be amortized to other postemployment retirement benefits expense in subsequent periods.	(2,879,666)
Deferred inflows of resources associated with pensions result from actuarially determined adjustments. These amounts will be amortized to pension expense in subsequent periods.	(4,655,643)
The liability associated with other postemployment retirement benefits, is recognized as a liability, which reduces the total net position reported.	(6,739,339)
The liability associated with Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP), is recognized as a liability, which reduces the total net position reported.	(207,655)
Total Net Position	<u>\$ 11,759,229</u>

See accompanying Note to Supplementary Information.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's Governing Board members, administration members, and auxiliary organizations as of June 30, 2021.

Schedule of Expenditures of Federal Awards

Basis of Presentation

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 10-percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance. No federal financial assistance has been provided to a subrecipient.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net position – primary government and the related expenditures reported on the schedule of expenditures of federal awards that have not been expended as of June 30, 2021.

<u>Program Name</u>	<u>Federal Assistance Listing Number</u>	<u>Amount</u>
Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position Primary Government:		
Operating Federal Revenues		\$ 59,272
Nonoperating Federal Revenues		<u>14,503,191</u>
Total Federal Revenues		14,562,463
William D. Ford Direct Loan Program	84.268	499,506
COVID-19 HEERF- Institutional - accounts receivable	84.425F	<u>997,175</u>
Total Expenditures of Federal Awards		<u><u>\$ 16,059,144</u></u>

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowable costs.

**SOLANO COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Expenditures of Federal Awards (Continued)

Summary of Significant Accounting Policies (Continued)

Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. The District uses an indirect cost rate, approved by the U.S. Department of Health and Human Services, as allowed under the Uniform Guidance. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Schedule of Expenditures of State Awards

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

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

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Government Funds to the Statement of Net Position

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

OTHER INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
Solano Community College District
Fairfield, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Solano Community College District (the District) as of and for the year ended June 30, 2021, 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 28, 2022. Our report qualifies an opinion on the governmental activities because the District was unable to provide support for the opening balances related to capital assets.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a bases for designing procedures that are appropriate in the circumstances 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

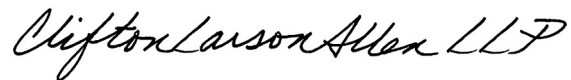
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

District's Responses to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
February 28, 2022



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

Board of Trustees
Solano Community College District
Fairfield, California

Report on Compliance for Each Major Federal Program

We have audited Solano Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, 2021-008 and 2021-009. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 a 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, 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, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, 2021-008 and 2021-009, that we consider to be significant deficiencies.

The Districts' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
February 28, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the Solano Community College District's (the District) compliance with the types of compliance requirements described in the *2020-21 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the fiscal year ended June 30, 2021. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 *2020-21 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

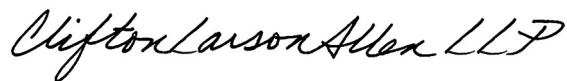
<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
411	SCFF Data Management Control Environment	Yes
412	SCFF Supplemental Allocation Metrics	Yes
413	SCFF Success Allocation Metrics	Yes
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded from Other Sources	Not applicable
424	Student Center Funding Formula Base Allocation: FTES	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment - College and Career Access Pathways (CCAP) and Non-CCAP	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D and 51 State Bond Funded Projects	Yes
491	Education Protection Account (EPA) Funds	Yes
499	COVID-19 Response Block Grant Expenditures	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2020-21 Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
February 28, 2022

FINDINGS AND QUESTIONED COSTS

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Qualified
2. Internal control over financial reporting:
 - Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

Assistant Listing Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.425F, 84.425E	COVID-19 Higher Education Emergency Relief Funds
21.019	COVID-19 Coronavirus Relief Fund – COVID-19 Response Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

- Auditee qualified as low-risk auditee? yes x no

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section I – Summary of Auditors’ Results (Continued)

State Awards

1. Internal control over state programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

2. Type of auditors’ report issued on
compliance for state programs:

Unmodified

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section II – Financial Statement Findings

Finding 2021-001: Capital Assets

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Criteria or specific requirement: Property and equipment should be recorded at cost, if purchased, or at fair value, if donated or contributed, to conform with accounting principles generally accepted in the United States of America, and those amounts should be depreciated over the estimated useful lives of the assets.

Condition: The District does not have a detailed capital asset listing to support the historical cost and accumulated depreciation for the property and equipment included in the financial statements. The District had implemented a capital assets software during the fiscal year. Although additions since the implementation are detailed, historical information prior to the implementation were recognized as beginning balances by assets type. Detailed information had once existed in the previous software; however, these records are no longer accessible. We were unable to audit the beginning balance and the appropriateness of current year depreciation as of June 30, 2021. The effect on the District's financial statements and disclosures due to the above omissions cannot be readily determined. As a result, the opinion on the financial statements has been modified.

Effect: The effect on the District's financial statements and disclosures due to the above omissions cannot be readily determined.

Cause: The District does not have a detailed capital asset listing to support the historical cost and accumulated depreciation for the property and equipment included in the financial statements.

Repeat Finding: Yes, see finding 2020-001.

Recommendation: Create and maintain a detailed historical data base of the District's assets. The District may want to consider engaging a third party to perform a physical inventory and create the historical data base.

Views of responsible officials: There is no disagreement with the audit finding. The District is developing a job description and position for an employee to perform a physical inventory of capital assets, as well as being responsible for the tracking of said assets. This position will be in place by the end of the 2021-22 fiscal year. In addition, the District is in the process of the five-year property insurance appraisal. Please refer to the attached corrective action plan.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs

Finding 2021 – 002: Gramm-Leach-Bliley Act – Student Information Security

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063, 84.268

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or specific requirement: The Gramm-Leach-Bliley Act (Pub. L. No. 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data (16 CFR 314). The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act because they appear to be significantly engaged in wiring funds to consumers (16 CFR 313.3(k)(2)(vi)).

Condition: Under an institution’s Program Participation Agreement with the ED and the Gramm-Leach-Bliley Act, institutions must protect student financial aid information, with particular attention to information provided to institutions by ED or otherwise obtained in support of the administration of the federal student financial aid programs.

Questioned costs: None.

Context: During our audit procedures, we noted that the District did not perform a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b) which are (Area 1) Employee training and management; (Area 2) Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (Area 3) Detecting, preventing, and responding to attacks, intrusions, or other systems failures. The District is also required to document safeguards for each identified risk from the risk assessment.

Cause: The District did not perform an IT risk assessment as required by the Gramm-Leach-Bliley Act.

Effect: Personal information could be vulnerable.

Repeat Finding: No.

Recommendation: We recommend that the District engage a third party to perform the risk assessment for the three required areas as required by the Gramm-Leach-Bliley Act and ensure that there are documented safeguards for identified risks.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 003: Return of Title IV Funds

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

Assistance Listing Number: 84.063, 84.268

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or specific requirement: In accordance with 34 CFR 668.22 (j)(2), for an institution that is not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the - (i) Payment period or period of enrollment, as appropriate, in accordance with paragraph (e)(5) of this section; (ii) Academic year in which the student withdrew; or (iii) Educational program from which the student withdrew.

In addition, Title IV funds may be expended only towards the education of the students who can be proven to have been in attendance at the institution. In a distance education context, documenting that a student has logged into an online distance education platform or system is not sufficient, by itself, to demonstrate attendance by the student. To avoid returning all funds for a student that did not begin attendance, an institution must be able to document “attendance at any class.” To qualify as a last date of attendance for Return of Title IV purposes, an institution must demonstrate that a student participated in class or was otherwise engaged in an academically related activity, such as by contributing to an online discussion or initiating contact with a faculty member to ask a course-related question.

Condition: During our testing of R2T4 calculations, we noted that the College did not determine the withdrawal date within 30 days of the end of the period of enrollment for 9 out of the 40 students tested, which is a statistically valid sample.

In addition, we noted 9 out of the 40 students tested, which is a statistically valid sample, who did not academically participate in the enrolled distance education courses prior to withdrawing from their respective term. Students are required to academically participate in the enrolled distance education courses in order to earn the Title IV aid.

Questioned costs: None.

Context: Nine exceptions were noted out of the 40 students tested, which is a statistically valid sample, as stated in the condition above.

Cause: The College’s internal controls did not identify the errors for compliance with the criteria mentioned above.

Effect: The College did not determine the withdrawal date within the required timeframe and did not verify academic participation resulting in noncompliance with the applicable title IV regulations.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 003: Return of Title IV Funds (Continued)

Repeat Finding: No.

Recommendation: We recommend the College review the R2T4 requirements and implement procedures to ensure compliance with the applicable title IV regulations.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

Finding 2021 – 004: Exit Counseling

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

Assistance Listing Number: 84.268

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or specific requirement: In accordance with 34 CFR 685.304 (b)(3), if a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required, be provided either through interactive electronic means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials.

Condition: During our audit procedures, we noted that the College did not notify students of the requirement to complete exit counseling within 30 days of the date the institution determined that the student withdrew for 1 out of the 40 students tested, which is a statistically valid sample.

Questioned costs: None.

Context: One exception was noted out of the 40 students tested, which is a statistically valid sample.

Cause: The College's internal controls did not identify the errors for compliance with the criteria mentioned above.

Effect: Students are not receiving the proper loan counseling which may contribute to a higher default rate.

Repeat Finding: No.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 004: Exit Counseling (Continued)

Recommendation: We recommend the College review its policies and procedures around sending exit counseling information to students to ensure students are receiving proper counseling and that documentation of letters sent is maintained as required by regulations.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

Finding 2021 – 005: NSLDS Enrollment Reporting

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063, 84.268

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or specific requirement: In accordance with 34 CFR 685.309(b) and the National Student Loan Data System (NSLDS) Enrollment Reporting Guide published by the Department of Education, schools must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website. In addition, schools must report enrollment status changes within 30 days of becoming aware of the status change or in its next scheduled enrollment submission if the scheduled submission is within 60 days.

Condition: During our testing of 40 students, which is a statistically valid sample, we noted 7 instances of late reporting of student status changes, 7 instances of improper student status reporting at the campus-level and program-level, 11 instances where the effective date of a student status change was improperly reported at the campus-level record, 2 instances where the effective date of a student status change was improperly reported at both the campus-level and program-level record, and 1 instance where the program begin date was not properly reported to the NSLDS system.

Questioned costs: None.

Context: Twenty-eight exceptions were noted out of the 40 students tested, which is a statistically valid sample.

Cause: The District's internal controls did not identify the errors for compliance with the criteria mentioned above.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 005: NSLDS Enrollment Reporting (Continued)

Effect: Inaccurate information is reflected on the NSLDS database. A student's enrollment data protects the rights of borrowers by ensuring that loan interest subsidies are based on accurate enrollment data, ensures loan repayment dates are accurately based on the last data of attendance, allows in-school deferments to be automatically granted using NSLDS enrollment data, and provides vast amounts of critical data about the effectiveness of Title IV aid programs, including completion data.

Repeat Finding: No.

Recommendation: We recommend the District review its reporting procedures to ensure that enrollment and program information is accurately reported to NSLDS as required by regulations.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

Finding 2021 – 006: Reporting

Federal agency: U.S. Department of Education

Federal program title: COVID-19 Higher Education Emergency Relief Fund

Assistance Listing Number: 84.425E, 84.425F

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria: In accordance with the compliance supplement issued by the Executive Office of the President Office of Management and Budget in July 2021, there is a public reporting requirement on the Student Aid Portion and the Institutional Portion of HEERF.

The CARES, CRRSAA, and ARP institutional quarterly portion reporting requirements involve publicly posting completed forms on the institution's website. The forms must be conspicuously posted on the institution's primary website on the same page the reports of the IHE's activities as to the emergency financial aid grants to students (Student Aid Portion) are posted. A new, separate form must be posted covering aggregate amounts spent for HEERF I, HEERF II, and HEERF III funds each quarterly reporting period (September 30, December 31, March 31, June 30), concluding after an institution has expended and liquidated all (a)(1) Institutional Portion, (a)(2), and (a)(3) funds and checks the "final report" box. IHEs must post this quarterly report form no later than 10 days after the end of each calendar quarter (October 10, January 10, April 10, July 10) apart from the first report, which was due October 30, 2020, and the report covering the first quarter of 2021, which is due July 10, 2021.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021-006: Reporting (Continued)

In addition, the CARES, CRRSAA, and ARP student aid quarterly portion reporting requirements involve publicly posting completed forms on the institution's website. Institutions must publicly post their report as soon as possible, but no later than 30 days after the publication of the notice or 30 days after the date ED first obligated funds under HEERF I, II, or III to the institution for Emergency Financial Aid Grants to Students, whichever comes later. The report must be posted no later than 10 days after the end of each calendar quarter (September 30, and December 31, March 31, June 30). The student quarterly reports must contain the required items noted in the Federal Register, Volume 85, No. 169 & Volume 86, No. 91 - Department of Education, Notice of Public Posting Requirement of Grant Information for Higher Education Emergency Relief Fund (HEERF) Grantees:

1. An acknowledgement that the institution signed and returned to the Department the Certification and Agreement and the assurance that the institution has used, or intends to use, no less than 50 percent of the funds received under Section 18004(a)(1) of the CARES Act to provide Emergency Financial Aid Grants to Students.
2. The total amount of funds that the institution will receive or has received from the Department pursuant to the institution's Certification and Agreement for Emergency Financial Aid Grants to Students.
3. The total amount of Emergency Financial Aid Grants distributed to students under Section 18004(a)(1) of the CARES Act as of the date of submission (i.e., as of the initial report and every calendar quarter thereafter).
4. The estimated total number of students at the institution eligible to participate in programs under Section 484 in Title IV of the Higher Education Act of 1965 and thus eligible to receive Emergency Financial Aid Grants to Students under Section 18004(a)(1) of the CARES Act.
5. The total number of students who have received an Emergency Financial Aid Grant to students under Section 18004(a)(1) of the CARES Act.
6. The method(s) used by the institution to determine which students receive Emergency Financial Aid Grants and how much they would receive under Section 18004(a)(1) of the CARES Act.
7. Any instructions, directions, or guidance provided by the institution to students concerning the Emergency Financial Aid Grants.

Condition: During our audit procedures, we noted 2 institutional quarterly reports (January 1st – March 31st, 2021 and April 1st – June 30, 2021), which is a statistically valid sample, were not submitted within 10 days after the end of each calendar quarter. In addition, we noted 2 student aid quarterly reports (January 1st – March 31st, 2021 and April 1st – June 30, 2021), which is a statistically valid sample, were not posted to the College's website.

Questioned Costs: None.

Context: Two institutional quarterly reports were not submitted within the required timeframe and two student aid quarterly reports were not posted to the College's website.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021-006: Reporting (Continued)

Cause: The College's internal controls did not identify the errors for compliance with the criteria mentioned above.

Effect: The case identified resulted in noncompliance with the HEERF reporting compliance requirements.

Repeat Finding: No.

Recommendation: We recommend the College review its reporting procedures and put a process in place to ensure compliance with the HEERF reporting requirements as required by regulations.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

Finding 2021 – 007: Procurement and Suspension and Debarment

Federal agency: U.S. Department of Education

Federal program title: COVID-19 Higher Education Emergency Relief Fund

Assistance Listing Number: 84.425F

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or specific requirement: Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. A non-federal entity must:

1. Meet the general procurement standards in 2 CFR section 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.
2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR section 200.319.
3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a) (1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed \$10,000 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold (\$250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-federal entity considers the price to be

**SOLANO COMMUNITY COLLEGE DISTRICT
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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 007: Procurement and Suspension and Debarment (Continued)

reasonable (2 CFR section 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)).

4. For acquisitions exceeding the simplified acquisition threshold, the non-federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(b); the competitive proposals method under the conditions specified in 2 CFR section 200.320((b) (2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(c)).
5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR section 200.323(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR section 200.323(b)).
6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. These provisions are described in Appendix II to 2 CFR Part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."

In addition, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.beta.sam.gov/> (click on Search Record, then click on Advanced Search-Exclusions) (**Note:** The OMB guidance at 2 CFR Part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition: During our audit procedures, we noted that the District's purchasing policy was not updated to meet the required procurement and suspension and debarment standards contained in the Uniform Guidance.

Context: We noted that the District did not follow the required procurement standards for 8 procurement transactions tested, which is a statistically valid sample. In addition, the District did not follow the required suspension and debarment standards for 5 procurement transactions tested, which is a statistically valid sample.

Questioned Costs: None.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 007: Procurement and Suspension and Debarment (Continued)

Cause: The District's purchasing policy was not updated to meet the required procurement and suspension and debarment standards contained in the Uniform Guidance.

Effect: Non-compliance with federal regulations.

Repeat Finding: No.

Recommendation: We recommend the District update its purchasing policy and procedures to ensure compliance with the procurement and suspension and debarment standards as required by federal regulations.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

Finding 2021 – 008: Allowable Costs/Cost Principles - Indirect Costs

Federal agency: U.S. Department of Education

Federal program title: COVID-19 Higher Education Emergency Relief Fund

Assistance Listing Number: 84.425F

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or specific requirement: In accordance with the compliance supplement issued by the Executive Office of the President Office of Management and Budget in July 2021, reasonable direct administrative costs and indirect costs at an institution's approved negotiated indirect cost rate may be charged against Assistance Listing 84.425F (the Institutional portion). This indirect cost rate will be the on-campus rate specified in an institution's negotiated indirect cost rate agreement as stated in the HEERF II FAQ. All administrative costs must be reasonable and necessary and conform to Cost Principles described in 2 CFR Part 200 Subpart E of the Uniform Guidance.

Condition: During our audit procedures, we noted that \$94,210 of equipment purchased over \$5,000 and rental costs of \$11,955 were included in the indirect cost calculation when they should have been excluded from the base during the year ending June 30, 2021. In addition, the District claimed indirect costs of \$60,833 during the year ending June 30, 2021 based on \$198,155 of HEERF expenditures incurred during the year ending June 30, 2020, which is unallowable.

Questioned costs: \$93,426.

Context: The District overclaimed indirect costs of \$32,593 calculated based on \$106,165 of unallowable direct costs applied to the base. In addition, the District claimed indirect costs of \$60,833 during the year ending June 30, 2021 based on \$198,155 of HEERF expenditures that were incurred during the year ending June 30, 2020.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 008: Allowable Costs/Cost Principles - Indirect Costs (Continued)

Cause: The District's internal controls did not identify the errors for compliance with the criteria mentioned above.

Effect: Non-compliance with federal regulations.

Repeat Finding: No.

Recommendation: We recommend the District review the institution's approved negotiated indirect cost rate and implement procedures to ensure compliance with federal regulations.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

Finding 2021 – 009: Reporting

Federal agency: U.S. Department of the Treasury

Federal program title: COVID-19 Coronavirus Relief Fund – COVID-19 Response Block Grant

Assistance Listing Number: 21.019

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or specific requirement: In accordance with the compliance supplement issued by the Executive Office of the President Office of Management and Budget in July 2021, there is a reporting requirement for prime recipients of the Coronavirus Relief Fund (CRF).

Each prime recipient of the Fund shall provide a quarterly Financial Progress Report that contains COVID-19 related costs incurred during the covered period (the period beginning on March 1, 2020; and ending on December 31, 2021) to Treasury OIG. Each prime recipient shall report this quarterly information mentioned above into the GrantSolutions portal. The prime recipient's quarterly Financial Progress Report submissions should be supported by the data in the prime recipient's accounting system.

Beginning September 21, 2020, prime recipients were required to submit via the GrantSolutions portal the first detailed quarterly Financial Progress Report, which cover the period March 1 through June 30, 2020 (with exception to the September 21 first quarter deadline and the October 13 second quarter reporting deadlines for those prime recipients using the GrantSolutions' upload feature, which was available December 1, 2020). Thereafter, quarterly reporting will be due no later than ten days after each calendar quarter. If the 10th calendar day falls on a weekend or a federal holiday, the due date will be the next working day. Reporting shall end with either the calendar quarter after the COVID-19 related costs and expenditures have been liquidated and paid or the calendar quarter ending September 30, 2022, whichever comes first. The prime recipient's quarterly Financial Progress Report submission should be supported by the data in the prime recipient's accounting system.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Finding 2021 – 009: Reporting (Continued)

Condition: During our audit procedures, we noted the 1 quarterly financial progress report due during the year was not submitted within the required timeframe as mentioned in the criteria above.

Questioned costs: None.

Context: One quarterly financial progress report was not submitted within the required timeframe.

Cause: The College's internal controls did not identify the errors for compliance with the criteria mentioned above.

Effect: The case identified resulted in noncompliance with the CRF reporting compliance requirement.

Repeat Finding: No.

Recommendation: We recommend the College review its reporting procedures and put a process in place to ensure compliance with the CRF reporting requirement as required by regulations.

Views of responsible officials: There is no disagreement with the audit finding. Please refer to the attached corrective action plan.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
JUNE 30, 2021**

Section IV – Findings and Questioned Costs – State Award

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2021.

**SOLANO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
JUNE 30, 2021**

Except as specified in previous sections of this report, summarized below is the status of all audit findings reported in the prior year's schedule of audit findings and questioned costs and of any other unresolved audit finding from previous years.



Solano Community College District respectfully submits the following corrective action plan for the year ended June 30, 2021.

Audit period: July 01, 2020 – June 30, 2021

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2021-001 Capital Assets

Recommendation: Create and maintain a detailed historical data base of the District's assets. The District may want to consider engaging a third party to perform a physical inventory and create the historical data base.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District is developing a job description and position for an employee to perform a physical inventory of capital assets, as well as being responsible for the tracking of said assets. This position will be in place by the end of the 2021-22 fiscal year. In addition, the District is in the process of the five-year property insurance appraisal.

Name(s) of the contact person(s) responsible for corrective action: Shannon Beckham, Controller.

Planned completion date for corrective action plan: June 30, 2022

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

U.S. Department of Education

2021-002 Gramm-Leach-Bliley Act – Student Information Security

Student Financial Assistant Cluster – Assistance Listing No. 84.007, 84.003, 84.063, 84.268

Recommendation: We recommend that the District engage a third party to perform the risk assessment for the three required areas as required by the Gramm-Leach-Bliley Act and ensure that there are documented safeguards for identified risks.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District will contract with CliftonLarsonAllen LLP (CLA) to perform the required IT security risk assessments as required by the Gramm-Leach-Bliley-Act.

Name(s) of the contact person(s) responsible for corrective action: Jim Petromilli, Interim Chief Technology Officer and James Calilan, Director of Information Systems.

Planned completion date for corrective action plan: FY 2021-2022

U.S. Department of Education

2021-003 Return of Title IV Funds

Student Financial Assistant Cluster – Assistance Listing No. 84.063, 84.268

Recommendation: We recommend the College review the R2T4 requirements and implement procedures to ensure compliance with the applicable title IV regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: This audit finding was the result of a training issue that was inherited from the previous Financial Aid director. Staff was not informed that during our campus closure over holidays in Dec/Jan, the 30-day clock is still ticking. It was assumed that if the college was closed, the clock did not tick, which is not correct. If the break was not counted, the 9/40 that were in the audit finding would have been processed correctly. Staff have been retrained and changes were implemented in Spring 2021.

Participation in Online Classes – In a sample of 40, it was determined by the auditor that while students were dropped by faculty and R2T4 calculations were correct for the dates that the students were dropped from the class, the College could not demonstrate that there was participation in Canvas (Online) for 9/40 in the sample. In order to give faculty more control over the way they drop students, the College has added an option in the Census roster for no show (in addition to the normal instructor drop option). This will allow for a faculty to use no show for students that do not attend/participate at all and use drop for students that were attending/participating and then stop.

- Added a No Show drop option to our electronic drop roster for faculty.
- 202210 moving forward is option enabled.
- How-to instructions created and sent to Faculty and Deans prior to start of 202210.

Name(s) of the contact person(s) responsible for corrective action: Alysa Borelli, Dean of Enrollment and Student Services.

Planned completion date for corrective action plan: complete for R2T4 item prior to the start of 202180 (8/16/2021) and for the Online Participation finding prior to the start of 202210 (1/16/2022).

U.S. Department of Education

2021-004 Exit Counseling

Student Financial Assistant Cluster – Assistance Listing No. 84.268

Recommendation: We recommend the College review its policies and procedures around sending exit counseling information to students to ensure students are receiving proper counseling and that documentation of letters sent is maintained as required by regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: For 1 of the 40 students selected, we could not produce documentation showing that we performed exit counseling. The staff that was responsible for Direct Loans retired before our sample was selected and sadly, we have no way to confirm that the task was done. We have done our own internal audit of our business process to confirm that this task is being done moving forward.

Name(s) of the contact person(s) responsible for corrective action: Alysa Borelli, Dean of Enrollment and Student Services.

Planned completion date for corrective action plan: Corrective action was complete prior to the start of 202180 (8/16/2021).

U.S. Department of Education

2021-005 NSLDS Enrollment Reporting

Student Financial Assistant Cluster – Assistance Listing No. 84.007, 84.003, 84.063, 84.268

Recommendation: We recommend the District review its reporting procedures to ensure that enrollment and program information is accurately reported to NSLDS as required by regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: a thorough examination of how staff processed the National Clearinghouse report will be done. Additionally, additional staff will be cross trained so that we eliminate the chances that the report will be sent late due to staff absences.

Name(s) of the contact person(s) responsible for corrective action: Alysa Borelli, Dean of Enrollment and Student Services.

Planned completion date for corrective action plan: We work to have this corrected starting 202260 and forward

U.S. Department of Education

2021-006 Reporting

COVID-19 Higher Education Emergency Relief Fund – Assistance Listing No. 84.425E, 84.425F

Recommendation: We recommend the College review its reporting procedures and put a process in place to ensure compliance with the HEERF reporting requirements as required by regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Multiple personnel are now aware of the reporting timelines and will work together to ensure that all reports are submitted timely.

Name(s) of the contact person(s) responsible for corrective action: Shannon Beckham, Controller.

Planned completion date for corrective action plan: January 1, 2022

U.S. Department of Education

2021-007 Procurement and Suspension and Debarment

COVID-19 Higher Education Emergency Relief Fund – Assistance Listing No. 84.425F

Recommendation: We recommend the District update its purchasing policy and procedures to ensure compliance with the procurement and suspension and debarment standards as required by federal regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The district is establishing a procurement, suspension, and debarment procedure to ensure compliance with federal regulations.

Name(s) of the contact person(s) responsible for corrective action: Shannon Beckham, Controller.

Planned completion date for corrective action plan: March 31, 2022

U.S. Department of Education

2021-008 Allowable Costs/Cost Principles - Indirect Costs

COVID-19 Higher Education Emergency Relief Fund – Assistance Listing No. 84.425F

Recommendation: We recommend the District review the institution's approved negotiated indirect cost rate and implement procedures to ensure compliance with federal regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: All indirect cost calculations will be reviewed for accuracy and completeness prior to posting.

Name(s) of the contact person(s) responsible for corrective action: Shannon Beckham, Controller.

Planned completion date for corrective action plan: February 28, 2022.

U.S. Department of the Treasury

2021-009 Reporting

COVID-19 Coronavirus Relief Fund – COVID-19 Response Block Grant – Assistance Listing No. 21.019

Recommendation: We recommend the College review its reporting procedures and put a process in place to ensure compliance with the CRF reporting requirement as required by regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Multiple personnel are now aware of the reporting timelines and will work together to ensure that all reports are submitted timely

Name(s) of the contact person(s) responsible for corrective action: Shannon Beckham, Controller.

Planned completion date for corrective action plan: January 1, 2022.

If the U.S. Department of Education or the U.S. Department of the Treasury has questions regarding this plan, please call Susan Wheet, VP of Finance and Administration at 707-864-7209.



Solano Community College District respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2021.

Audit period: July 1, 2019 – June 30, 2020

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2020 – 001: Financial Reporting – Accounting Records

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

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

Status: Partially corrected, see current year finding 2021-001.

Reason for finding's recurrence:

- Capital assets - The District's records for property, plant, and equipment have not been properly maintained for many years, resulting in errors in assets balances and depreciation. These errors had not been detected by prior management or auditors. Prior to the audit, management evaluated recordkeeping and counted all equipment. The District continues work in this area and expects further improvement in record keeping during 2020-21. The District is developing a job description and position for an employee to perform a physical inventory of capital assets, as well as being responsible for the tracking of said assets. This position will be in place by the end of the 2021-22 fiscal year. In addition, the District is in the process of the five-year property insurance appraisal.
- Long-term accruals in the CCFS-311 report – This was not a recurring finding.
- Federal and state schedules – This was not a recurring finding.

Corrective Action: The District is developing a job description and position for an employee to perform a physical inventory of capital assets, as well as being responsible for the tracking of said assets. This position will be in place by the end of the 2021-22 fiscal year. In addition, the District is in the process of the five-year property insurance appraisal.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program audit findings in the prior year.

FINDINGS— STATE AWARD AUDITS

2020 – 002: Section 479 – To Be Arranged Courses

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

Status: Corrective action was taken.

2020 – 003: Section 431 – GANN Limit Calculation

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

Status: Corrective action was taken.

If the anyone has questions regarding this schedule, please call Susan Wheet, VP of Finance and Administration at 707-864-7209.

