

SOLANO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE Q (2012)
FINANCIAL AND PERFORMANCE AUDITS
YEAR ENDED JUNE 30, 2021



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**SOLANO COMMUNITY COLLEGE DISTRICT
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YEAR ENDED JUNE 30, 2021**

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**FINANCIAL AUDIT OF
BOND CONSTRUCTION FUND
MEASURE Q (2012)**



INDEPENDENT AUDITORS' REPORT

Board of Trustees and
Citizens Bond Oversight Committee
Solano Community College District
Fairfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Bond Construction Fund – Measure Q (2012) 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, 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 statement 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Trustees and
Citizens Bond Oversight Committee
Solano Community College District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Construction Fund – Measure Q (2012) of the District as of June 30, 2021, and the changes in their respective financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present fairly only the Bond Construction Fund – Measure Q (2012), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021, or the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 the Bond Construction Fund – Measure Q (2012) 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 the Bond Construction Fund – Measure Q (2012) 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 the Bond Construction Fund – Measure Q (2012) financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
February 28, 2022

**SOLANO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND – MEASURE Q (2012)
BALANCE SHEET
JUNE 30, 2021**

ASSETS

Cash and Cash Equivalents	<u>\$ 51,659,007</u>
Total Assets	<u><u>\$ 51,659,007</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts Payable	<u>\$ 3,062,916</u>
Total Liabilities	3,062,916

Fund Balance:

Restricted	<u>48,596,091</u>
Total Liabilities and Fund Balance	<u><u>\$ 51,659,007</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
 BOND CONSTRUCTION FUND – MEASURE Q (2012)
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2021**

REVENUES	
Interest Income	\$ 365,469
EXPENDITURES	
Salaries	351,313
Benefits	142,699
Supplies	672
Services and Operating Expenditures	352,988
Capital Outlay	<u>7,557,621</u>
Total Expenditures	8,405,293
OTHER FINANCING SOURCES	
Proceeds from Sale of Bonds	<u>30,120,000</u>
Total Other Financing Sources	<u>30,120,000</u>
NET CHANGE IN FUND BALANCE	22,080,176
Fund Balance - Beginning of Year	<u>26,515,915</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 48,596,091</u></u>

See accompanying Notes to Financial Statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND – MEASURE Q (2012)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the *Governmental Accounting Standards* Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

Financial Reporting Entity

The financial statements include only the Bond Construction Fund – Measure Q (2012) of the Solano Community College District. This fund was established to account for the proceeds of general obligation bonds issued under the General Obligation bond election of July 2012 and to account for the project expenditures authorized under Measure Q. These financial statements are not intended to present fairly the financial position and results of operations of the Solano Community College District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Bond Construction Fund – Measure Q (2012) is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the county treasury is recorded at cost, which approximates fair value.

Fund Structure

The statements of revenues, expenditures, and change in fund balance is a statement of financial activities of the Bond Construction Fund – Measure Q related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**SOLANO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND – MEASURE Q (2012)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

The Bond Construction Fund – Measure Q (2012) utilize an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted.

The fund balances of the Bond Construction Fund – Measure Q (2012) is therefore classified as restricted.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Construction Fund – Measure Q (2012) are determined by its measurement focus. The Bond Construction Fund – Measure Q (2012) are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources.” Thus, the capital assets and long-term liabilities associated with the Bond Construction Fund – Measure Q (2012) are accounted for in the government activities financial statements of the District.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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
BOND CONSTRUCTION FUND – MEASURE Q (2012)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS

Cash in County

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.

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

**SOLANO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND – MEASURE Q (2012)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 BONDED DEBT

On July 18, 2012, the District voters authorized through Measure Q (2012) the issuance and sale of general obligation bonds totaling \$348,000,000 which provides that proceeds of the bonds will be used to finance the acquisition and improvement of real property.

The outstanding general obligation bonded debt of the District at June 30, 2021 is:

General Obligation Bonds	Date of Issue	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding 6/30/2021
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
Total					<u>\$ 233,968,433</u>

*2019 Refunding Bonds refunded certain portions of Series A and Series B.

The repayment of the debt related to the general obligation bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the District's basic financial statements. The recognition of premiums on bonds is recorded as long-term liabilities in the basic financial statements of the District.

NOTE 4 COMMITMENTS AND CONTINGENCIES

As of June 30, 2021, the Bond Construction Fund - Measure Q (2012) had the following commitments with respect to unfinished 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>	

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's Bond Construction Fund – Measure Q (2012) financial statements.

**SOLANO COMMUNITY COLLEGE DISTRICT
 BOND CONSTRUCTION FUND – MEASURE Q (2012)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 5 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



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

Governing Board and
Citizens Bond Oversight Committee
Solano Community College District
Fairfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Solano Community College District (the District) Bond Construction Fund – Measure Q (2012) as of and for the year ended June 30, 2021, and the related notes of the financial statements, and have issued our report thereon dated February 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Solano Community College District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solano Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Solano Community College 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Bond Construction Fund – Measure Q (2012) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solano Community College District’s Bond Construction Fund – Measure Q (2012) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California
February 28, 2022

**SOLANO COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND – MEASURE Q (2012)
FINANCIAL STATEMENT FINDINGS AND RESPONSES
JUNE 30, 2021**

There were no findings related to the financial audit of the Bond Construction Fund – Measure Q (2012), for the years ended June 30, 2021 and June 30, 2020.

**PERFORMANCE AUDIT OF
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE Q (2012)**



INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
Solano Community College District
Fairfield, California

We have conducted a performance audit of the Solano Community College District (the District) Measure Q (2012) bond fund for the year ended June 30, 2021.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed within this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure Q (2012) General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure Q (2012) bond funds for the fiscal year ended June 30, 2021, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
February 28, 2022

**SOLANO COMMUNITY COLLEGE DISTRICT
PERFORMANCE AUDIT OF
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE Q (2012)
JUNE 30, 2021**

BACKGROUND INFORMATION

In November 2000, the voters of the state of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions.

On July 18, 2012, a general obligation bond proposition Measure Q (2012) of the District was approved by the voters of that District. Measure Q (2012) authorized the District to issue up to \$348,000,000 of general obligation bonds to finance specific construction and renovation projects, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Trustees of the District established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure Q bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure Q Bond Construction Fund have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Bond Construction Fund, Measure Q (2012).
- Determine whether expenditures charged to the Bond Construction Fund, Measure Q (2012), have been made in accordance with the bond project list developed by the District's Board of Trustees and approved by the voters through the approval of Measure Q in July 2012.
- Determine that amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure Q (2012) bond projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**SOLANO COMMUNITY COLLEGE DISTRICT
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
BOND CONSTRUCTION FUND – MEASURE Q (2012)
JUNE 30, 2021**

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2020 to June 30, 2021. The sample of expenditures tested included object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2021, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures for supplies, services and capital outlay considering all projects for the year ended June 30, 2021. The District expended \$8,405,293 of Measure Q (2012) Bond Construction funds for the year ended June 30, 2021.

We selected a sample of 40 non-salary expenditures totaling \$5,581,076, which is 66% of total non-salary expenditures of \$7,911,281, for Measure Q (2012) Bond Construction funds.

- We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Properly expended on the authorized bond projects as listed on the voter-approved bond project list.

Our testing of expenditures of the \$494,012 for salaries and benefits included an analysis of the employees charged to the Measure Q (2012) Bond Construction funds.

- We reviewed the payroll expenditure activity and job descriptions to determine that the amounts expended on salaries and benefits were only to the extent employees perform work associated with the Measure Q, July 2012 bond projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure Q (2012) bond funds and that such expenditures were made on authorized bond projects.

Further, it was noted that the funds held in Measure Q (2012) bond funds and expended by the District were used for salaries and benefits only to the extent allowable.

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