



May 15, 2009

<http://www.solano.edu>

Perry-Smith LLP
Sacramento, California

In connection with your audit of the basic financial statements of Solano Community College District as of and for the year ended June 30, 2008, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of May 15, 2009 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units. The Solano College Theatre Association is included as code 13 in the General Fund financial information that was provided to you.
 - b. Other organizations for which the nature and significance of their relationship with Solano Community College District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Solano Community College Education Foundation and the Solano Community College Scholarship Foundation Funds are not material to financial statements and we have not included them in the financial information provided for audit.
 - c. Jointly governed organizations in which we participated.
3. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria. We believe that all judgmentally determined major funds are particularly important to the financial statement users.

6. We are responsible for compliance with laws and regulations applicable to the District including adopting, approving and amending budgets.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
8. We have identified in the schedule of expenditures of Federal awards all such assistance received, both directly and as a subrecipient, in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations by Solano Community College District.
9. We have:
 - a. Identified to you all applicable generic compliance requirements.
 - b. Identified to you all applicable agency program requirements.
 - c. Complied with reporting requirements in connection with the expenditure of Federal awards identified in the schedule of expenditures of Federal awards.
 - d. Determined amounts claimed or used to comply with matching requirements of Federal awards identified in the schedule of expenditures of Federal awards in accordance with guidance provided by OMB Circular A-87, "Cost Principles for State and Local Governments," and the OMB's Uniform Administrative Requirements for "Grants and Cooperative Agreements to State and Local Governments."
 - e. Complied with applicable costs principles for determining the allowability of costs charged to cost pools used to support an indirect cost rate or allocated through a (state-wide) (local-wide) central services cost allocation plan.
 - f. Provided you with a summary schedule of prior audit findings consistent with the requirements of OMB Circular No. A-133, Section .315(b).
 - g. No subrecipients of Federal awards.
 - h. Identified and disclosed to you all amounts that have been questioned, and all known instances of noncompliance with statutory, regulatory and contractual requirements that could have a material effect on a major Federal financial assistance program.
10. Information presented in Federal financial reports and claims for advances and reimbursements is supported by the books and records from which the basic financial statements have been prepared.
11. We have made available to you:
 - a. All financial records and related data of all funds and activities , including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.

- b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory or contractual provisions or requirements.
 - 2) Financial reporting practices that could have a material effect on the financial statements.
12. We have no knowledge of fraud or suspected fraud affecting the entity involving:
- a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
13. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting Solano Community College District received in communications from employees, former employees, analysts, regulators, short sellers, or others.
15. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
16. We know of no violations of state or Federal statutory or regulatory provisions, grant or other contractual provisions, or of provisions of local ordinances (except for those which have been communicated to you or which are disclosed in the financial statements and/or your reports).
17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
18. The following have been properly recorded and/or disclosed in the financial statements:
- a. Related party transactions, including those with other organizations for which the nature and significance of their relationship with Solano Community College District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, joint ventures in which Solano Community College District has an interest, and jointly governed organizations in which Solano Community College District participates, as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.

- b. Guarantees, whether written or oral, under which the Government is contingently liable.
- c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
- d. Line of credit or similar arrangements.
- e. Agreements to repurchase assets previously sold.
- f. Security agreements in effect under the Uniform Commercial Code.
- g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- h. The fair value of investments.
- i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- j. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
- k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- l. Debt issue provisions.
- m. All leases and material amounts of rental obligations under long-term leases.
- n. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
- o. Authorized but unissued bonds and/or notes.
- p. Risk financing activities.
- q. Special and extraordinary items.
- r. Deposits and investment securities category of custodial credit risk.
- s. Impairment of capital assets.

19. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - d. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2006.
 - e. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - f. For any material loss to be sustained as a result of purchase commitments.
 - g. For environmental clean up obligations.
20. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
21. Unless disclosed to you, there have been no complaints filed with or concerning our compliance with the provisions of:
 - a. Davis-Bacon Act relative to payment of prevailing wage rates.
 - b. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 relative to acquisition of real property and the relocation of occupants of acquired property.

22. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
23. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private or to special assessment bondholders that is not disclosed in the financial statement.
24. We have satisfactory title to all owned assets.
25. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
26. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
27. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
28. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
29. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
30. Required supplementary information is properly measured and presented.
31. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are include in the summarized schedule of posted adjustments and we will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
32. We are aware of all significant deficiencies, including material weaknesses in the design or operation of internal controls that could adversely affect the District's ability to record, process, summarize and report financial data. We are responsible for establishing and maintaining effective internal control over financial reporting.
33. The restatement of the beginning net assets for the year ended June 30, 2008 because of the understatement of accreted interest on capital appreciation bonds, understatement of cash with fiscal agent and overstatement of appropriation revenue is appropriate. We agree with the restatement of the beginning net assets discussed in Note 13. In that regard:
 - a. The restatements correct the errors in previously issued financial statements.
 - b. We were not aware of the errors when those financial statements were issued.
 - c. We are not aware of any other errors in those financial statements.

- d. We do not believe it is necessary to recall the prior year financial statements and all users of those financial statements will receive a copy of the current year's financial statements and independent auditor's report.
- 34. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.
- 35. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
- 36. We believe that the effects of the potential adjustments aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

In connection with your audit conducted in accordance with Government Auditing Standards, we confirm:

- 37. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Solano Community College District.
 - b. Establishing and maintaining effective internal control over financial reporting.
- 38. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
- 39. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.
- 40. We have a process to track the status of audit findings and recommendations.
- 41. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.

42. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
43. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
44. We have reviewed, approved, and take full responsibility for all accrual adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

45. We are responsible for complying, and have complied, with the requirements of Circular A-133.
46. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
47. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that Solano Community College District is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
48. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of Solano Community College District's federal programs and have complied, in all material respects, with those requirements.
49. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
50. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
51. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
52. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
53. We have charged costs to federal awards in accordance with applicable cost principles.

54. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
55. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
56. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
57. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133, as applicable.
58. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions, as applicable.
59. We have accurately completed the appropriate sections of the data collection form.
60. We have disclosed all contracts or other agreements with service organizations.
61. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.

Solano Community College District



Dr. Robert Jensen
Interim Superintendent / President



Susan Rinne
Interim Director of Fiscal Services

SOLANO COMMUNITY COLLEGE DISTRICT
SUMMARIZED SCHEDULE OF AUDIT ADJUSTMENTS

JUNE 30, 2008

<u>Description</u>	<u>Effect – Increase (Decrease)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>	<u>Revenue</u>	<u>Expenses</u>
- Understatement of accrued payroll benefits in the General Fund		\$ 265,900	\$ (265,900)		\$ 265,900
- Understatement of dividends receivable in the General Fund	\$ 438,279		438,279	\$ 438,279	
- Overstatement of sales revenue in the Bookstore Fund	84,619	358,537	(273,918)	(273,918)	
- Understatement of cash in County Treasury in the General Fund	360,808		360,808		(360,808)
- Overstatement of apportionment revenue in current and prior years		<u>1,808,627</u>	<u>(1,965,055)</u>	<u>156,428</u>	
Total Effect	<u>\$ 883,706</u>	<u>\$ 2,433,064</u>	<u>\$ (1,705,786)</u>	<u>\$ 320,789</u>	<u>\$ (94,908)</u>