

To the Audit Committee and Board of Trustees
Solano Community College District
Fairfield, California

We are pleased to present this letter related to the conduct of the audit of the financial statements of Solano Community College District (the "District") as of and for the year ended June 30, 2009. This report is intended to inform the Audit Committee and Board of Trustees of Solano Community College District about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities.

The following summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Solano Community College District's financial reporting process.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of Solano Community College District for the year ended June 30, 2009 was conducted in accordance with auditing standards generally accepted in the United States of America and *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, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In accordance with *Governmental Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the District's internal control or compliance with laws and regulations.

Adoption of, or Change in, Accounting Policies

The Audit Committee and Board of Trustees and management have the ultimate responsibility for the appropriateness of the accounting policies used by the District. Significant accounting policies are included in Note 1 to the financial statements. Following is a description of a significant accounting policy or its application which was either initially selected or changed during the year:

- The District adopted Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), on July 1, 2008, as more fully described in Notes 8 and 9 to the financial statements.

Adoption of, or Change in, Accounting Policies (Continued)

The following financial accounting standard has been issued but was not required to be adopted for the year ended June 30, 2009:

Fund Balance Reporting and Governmental Fund Type Definitions

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB No. 54). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. GASB No. 54 is effective for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. The District is currently assessing the potential effect of GASB No. 54 on its net assets.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.



Accounting Estimates and Management Judgments

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the apportionment revenue and related receivable and deferred revenue. You may wish to monitor throughout the year the process used to compute and record these accounting estimates.

We have evaluated the reasonableness of accounting estimates in relationship to the financial statements taken as a whole and concluded that management's approach to these estimation processes is reasonable.

Significant Audit Adjustments

There were four audit adjustments made to the original trial balance presented to us to begin our audit. The adjustments were reviewed with management and management agreed to record these adjustments in the District's accounting records. These adjustments are summarized in the accompanying schedule.

Uncorrected Misstatements

We did not identify any uncorrected misstatements to the financial statements.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited financial statements of the District.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Material Written Communications Between Management and Our Firm

Enclosed you will find copies of all material written communications between our firm and the management of Solano Community College District.

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We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Solano Community College District.

This report is intended solely for the information and use of the Audit Committee and Board of Trustees and management and is not intended to be and should not be used by anyone other than the specified parties.

Perry-Smith LLP

Sacramento, California
December 28, 2009



SOLANO COMMUNITY COLLEGE DISTRICT
SUMMARIZED SCHEDULE OF SIGNIFICANT AUDIT ADJUSTMENTS

JUNE 30, 2009

| <u>Description</u> | <u>Effect – Increase (Decrease)</u> | | | | |
|--|-------------------------------------|-----------------------------|----------------------------|----------------------------|-------------------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Equity</u> | <u>Revenue</u> | <u>Expenses</u> |
| - Overstatement of apportionment liability | | \$(1,808,627) | \$ 1,808,627 | \$ 1,808,627 | |
| - Understatement of depreciation expense | \$ (17,678) | | (17,678) | | \$ 17,678 |
| - Understatement of bookstore sales | 273,918 | | 273,918 | 273,918 | |
| - Understatement of PELL Grant revenue | 119,321 | | 119,321 | <u>119,321</u> | |
| Total Effect | | | | <u>\$ 2,201,866</u> | <u>\$ 17,678</u> |
| Balance Sheet Effect | <u>\$ 375,561</u> | <u>\$(1,808,627)</u> | <u>\$ 2,184,188</u> | | |