

**SOLANO COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS**

**WITH SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2009**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**SOLANO COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2009**

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**SOLANO COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2009**

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## INDEPENDENT AUDITOR'S REPORT

Audit Committee  
Solano Community College District  
Fairfield, California

We have audited the accompanying financial statements of the business-type activities of Solano Community College District as of and for the year ended June 30, 2009, which comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. 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 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of Solano Community College District as of June 30, 2009, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (MD&A) on pages 3 through 9 is not a required part of the financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the reported supplementary information. However, we did not audit the information and express no opinion on it.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Federal Financial Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California  
December 28, 2009



Solano Community College District  
Management's Discussion and Analysis  
June 30, 2009

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Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Solano Community College District (District) for the year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments) issued in June 1999.

As required by generally accepted accounting principles, certain comparative information between the current and the prior year is required to be presented in the MD&A. This annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows.

The focus on the Statement of Net Assets is designed to be similar to the bottom line results for the District. This statement combines and consolidates current financial resources (net short-term expendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by state revenues and local property taxes. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the College District.

Current Status of the Solano Community College District

The mission of Solano Community College is to provide the highest quality academic, occupational, cultural, developmental, and continuing education programs that are dedicated to the achievement of student learning outcomes and responsive to the needs of our community. In fulfilling our mission, we are committed to a diverse educational and cultural campus environment that prepares our students for productive participation in the 21<sup>st</sup> century.

Solano Community College is committed to excellence. We have adopted the following Core Values to guide our policies, procedures, and daily practices:

- Focus on Students
- Accountability
- Quality
- Innovation

Solano Community College District  
Management's Discussion and Analysis  
June 30, 2009

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- Diversity
- Respect
- Responsiveness to the Community
- Proactive Leadership

Budget Information

The District's budget is prepared in accordance with California law and is based on generally accepted accounting principles, utilizing the most current information and projections for forecasting cash receipts and expenditures.

The budget process begins in the spring. The preliminary budget is approved by the Board of Trustees by June 30<sup>th</sup> and the final budget is approved in September. Revenues are projected based upon the Governor's budget forecast in January and updated in May. If the California State Budget is approved by June 30<sup>th</sup> or prior to the adoption of the final District budget, the actual revenue projections are included in the final District budget in September.

The largest categories of expenditures are employee salaries and benefits, so staffing projections are a key factor in the budget development process.

The budget is revised on a regular basis and as needed to keep the Board of Trustees informed and to keep abreast of the latest California fiscal status. Variations between the final budget and the actual financial results are a direct result of actions taken by the Board of Trustees, the State financial status, or other circumstances leading to the increase/decrease in revenues and expenditures.

Financial Highlights

The total assets of Solano Community College for the year ended June 30, 2009 exceed the liabilities by \$32,034,546 (net assets).

At the close of the 2008-09 fiscal year, the Unrestricted General Fund Balance was in excess of the State Chancellor's Office guideline of five-percent of expenditures.

The majority of the District's funding is based upon Full-time Equivalent Students (FTE's). The District's FTE's funded by the State totaled 9,313.88 reflecting an increase of approximately 2.35% percent over the prior year.

Student financial aid paid to qualifying students was \$6,155,376. This aid was provided through grants and loans from the Federal Government, State Chancellor's Office and local funding.

There was a multi-year salary agreement for two of the District's bargaining units. This resulted in a 2% increase in salaries in this fiscal year.

Solano Community College District  
Management's Discussion and Analysis  
June 30, 2009

Condensed district-wide financial information is as follows:

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 9,074,335	\$ 10,123,544	\$ (1,049,209)	(10.4%)
Accounts Receivable, net	11,349,439	5,570,616	5,778,823	103.7%
Stores Inventory	769,684	756,824	12,860	1.7%
Prepaid Expenses and Other Assets	218,064	180,598	37,466	20.8%
<b>Total Current Assets</b>	<b>21,411,522</b>	<b>16,631,582</b>	<b>4,779,940</b>	<b>28.7%</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Cash Equivalents	49,765,775	74,968,566	(25,202,791)	(33.6%)
Capital Assets, Net	115,295,978	92,723,578	22,572,400	24.3%
<b>Total Noncurrent Assets</b>	<b>165,061,753</b>	<b>167,692,144</b>	<b>(2,630,391)</b>	<b>(1.6%)</b>
<b>TOTAL ASSETS</b>	<b>\$ 186,473,275</b>	<b>\$ 184,323,726</b>	<b>\$ 2,149,549</b>	<b>1.2%</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 11,014,948	\$ 6,835,831	\$ 4,179,117	61.1%
Accrued Payroll	1,155,718	1,899,622	(743,904)	(39.2%)
Deferred Revenue	5,052,353	3,255,142	1,797,211	55.2%
Amounts Held in Trust for Others	468,970	522,020	(53,050)	(10.2%)
Deferred Bond Premium	479,356	479,081	275	0.1%
Long-Term Liabilities Due Within One Year				
Compensated Absences Payable	1,275,090	1,171,065	104,025	8.9%
Long Term Debt - Current Portion	3,602,092	3,335,890	266,202	8.0%
<b>Total Current Liabilities</b>	<b>23,048,527</b>	<b>17,498,651</b>	<b>5,549,876</b>	<b>31.7%</b>
<b>Noncurrent Liabilities:</b>				
Accreted Interest	4,390,916	3,481,489	909,427	26.1%
Premium on GO bonds	6,468,451	6,949,693	(481,242)	(6.9%)
Long Term Debt - Non Current Portion	120,530,835	124,402,841	(3,872,006)	(3.1%)
<b>Total Noncurrent Liabilities</b>	<b>131,390,202</b>	<b>134,834,023</b>	<b>(3,443,821)</b>	<b>(2.6%)</b>
<b>TOTAL LIABILITIES</b>	<b>154,438,729</b>	<b>152,332,674</b>	<b>2,106,055</b>	<b>1.4%</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	33,486,496	37,621,631	(4,135,135)	(11.0%)
Designated for:				
Expendable:				
Capital Projects	2,649,095	2,014,971	634,124	31.5%
Other Special Purposes	2,401,486	2,593,324	(191,838)	(7.4%)
Unrestricted	(6,502,531)	(10,238,874)	3,736,343	(36.5%)
<b>TOTAL NET ASSETS</b>	<b>32,034,546</b>	<b>31,991,052</b>	<b>43,494</b>	<b>0.1%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 186,473,275</b>	<b>\$ 184,323,726</b>	<b>\$ 2,149,549</b>	<b>1.2%</b>

This schedule has been prepared from the District's statement of net assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.



Solano Community College District  
Management's Discussion and Analysis  
June 30, 2009

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Statement of Net Assets

The previous schedule of the Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the District.

Included in capital assets are the net values of buildings, land and equipment. The capitalization threshold is \$5,000 or higher, based upon original acquisition cost.

The 28.7% increase in total current assets is due to the State deferrals of the apportionment allotted to Community Colleges. In the 2008/09 fiscal year the State apportionment deferral was \$5,253,440, an increase of \$3,402,719 from the prior year.

To assist with the Cash flow challenge created by this State deferral Solano Community College issued two Temporary Revenue Anticipation Notes (TRANs) in the amounts of \$4,440,000 and \$2,200,000. The pay back of the \$6.6 million is reflected in the 61.1% increase in accounts payable in the current liability section of this report.

The current year accounts payable account was also affected by an adjustment to reduce a prior year payable to the State in the amount of \$1.8 million. The net of the TRANs payment and the reduction of the State payable are the components 61.1% increase in Current Liabilities, Accounts Payable account.

The State also allowed all Colleges to defer or carryover restricted funding from the 2008/09 fiscal year into the 2009/10 fiscal year to assist with some of the major reductions in funding in the 2009/10 fiscal year. Solano Community College exercised this option, which increased the amount of deferred revenue from prior year.

Long-term debt consists of compensated absences payable and the principal portion of financing capital projects. The amount due in 2009-10 is reported under current liabilities.

The increase in total net assets, reflects in part, the reversal of the prior year adjustments to the liabilities due to the FTES special audit.

Solano Community College District  
Management's Discussion and Analysis  
June 30, 2009

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	2009	2008	Change	% Change
<b>OPERATING REVENUES</b>				
Net Tuition and Fees	\$ 4,334,726	\$ 3,790,764	\$ 543,962	14.4%
Grants and Contracts, noncapital:				
Federal	6,422,503	5,531,488	891,015	16.1%
State	4,886,918	5,476,916	(589,998)	(10.8%)
Local	661,857	1,649,935	(988,078)	(59.9%)
Auxiliary Enterprise Sales and Charges	1,337,097	753,853	583,244	77.4%
<b>TOTAL OPERATING REVENUES</b>	<u>17,643,101</u>	<u>17,202,956</u>	<u>440,145</u>	<u>2.6%</u>
<b>OPERATING EXPENSES</b>				
Salaries	34,304,656	33,090,262	1,214,394	3.7%
Employee Benefits	11,554,471	12,486,706	(932,235)	(7.5%)
Supplies, Materials, Other Operating Expenses and Services	19,204,199	18,451,056	753,143	4.1%
Utilities	1,893,443	1,766,120	127,323	7.2%
Depreciation	2,580,540	2,447,611	132,929	5.4%
<b>TOTAL OPERATING EXPENSES</b>	<u>69,537,309</u>	<u>68,241,755</u>	<u>1,295,554</u>	<u>1.9%</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(51,894,208)</u>	<u>(51,038,799)</u>	<u>(855,409)</u>	<u>1.7%</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State Apportionments, noncapital	36,154,632	32,575,523	3,579,109	11.0%
Local Property Taxes	10,183,937	11,051,913	(867,976)	(7.9%)
State Taxes and Other Revenues	1,088,500	8,502,430	(7,413,930)	(87.2%)
Investment Income	1,521,996	3,977,969	(2,455,973)	(61.7%)
Interest Expense on Capital Asset-Related Debt	(6,450,564)	(5,340,507)	(1,110,057)	20.8%
Other nonoperating revenue (expense)	1,909,042	15,063	1,893,979	12573.7%
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>44,407,543</u>	<u>50,782,391</u>	<u>(6,374,848)</u>	<u>(12.6%)</u>
<b>GAIN/(LOSS) BEFORE CAPITAL REVENUES</b>	<u>(7,486,665)</u>	<u>(256,408)</u>	<u>(7,230,257)</u>	<u>2819.8%</u>
<b>CAPITAL REVENUES</b>				
State Apportionments, capital	135,600	218,369	(82,769)	(37.9%)
Local Property Taxes and Revenues, capital	7,366,902	456,545	6,910,357	1513.6%
Grants and Gifts, capital	27,657	54,710	(27,053)	(49.5%)
<b>TOTAL CAPITAL REVENUES</b>	<u>7,530,159</u>	<u>729,624</u>	<u>6,800,535</u>	<u>1426.2%</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	43,494	473,216	(429,722)	(90.8%)
<b>NET ASSETS -- BEGINNING OF YEAR</b>	31,991,052	34,166,721	(2,175,669)	(6.4%)
<b>PRIOR YEAR ADJUSTMENT</b>	-	(2,648,885)		
<b>NET ASSETS -- END OF YEAR</b>	<u>\$ 32,034,546</u>	<u>\$ 31,991,052</u>	<u>\$ 43,494</u>	<u>0.0%</u>

This schedule has been prepared from the Statement of Revenue, Expenditures and Changes in Net Assets.

Solano Community College District  
Management's Discussion and Analysis  
June 30, 2009

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Statement of Revenues, Expenses and Changes in Net Assets

Tuition and fees show an increase of 12.5% in fiscal year 2008/09 from 2007/08. In the 2008/09 fiscal year the State increased the amount of student tuition fees from \$20 to \$26 per credit unit. This, in addition to an increase in student population created the increase in tuition and fees.

Overall operating revenues show an increase of 2.6% over prior year.

Expenses for 2008/09 include depreciation of the District's plant and equipment, which is not reported on the interim financial statements. All step increase and board approved salary increases were funded and the health benefit packages were maintained. The 1.9% increase in operating expenses primarily reflects the progress made on the bond projects in the 2008/09 fiscal year. Increases in utilities, insurance premiums and many fixed costs were fully funded and are expected to continue in future years. The increase in non-operating interest expense reflects the interest cost of the revenue bond.

The large increase in the other non-operating revenue is mainly due to the collection of the redevelopment fees from Cities and Counties in the boundaries of the District. The District is continuing to review and seek these funds.

Statement of Cash Flows for the Year Ended June 30

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. This schedule is prepared from the Statement of Cash Flows presented within this report.

	<u>2009</u>	<u>2008</u>
Cash Provided (Used) By		
Operating Activities	\$(49,095,862)	\$ (49,039,854)
Noncapital financing activities	48,740,854	52,664,263
Capital financing activities	(27,418,988)	(27,923,327)
Investing activities	<u>1,521,996</u>	<u>3,995,906</u>
Net (decrease) increase in cash and cash equivalents	<u>\$(26,252,000)</u>	<u>\$(20,303,012)</u>

The primary operating activities are student tuition and fees, grants, operating payments, and auxiliary enterprises. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

Non-capital activities include State apportionment and property taxes and represent the largest cash in-flow to the District.

Solano Community College District  
Management's Discussion and Analysis  
June 30, 2009

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Construction projects and capital debt are reported in capital financing activities.

The overall decrease in the cash balance is attributed to the increase in the State deferral for the apportionment. The deferral is not cash until the District receives the amount from the State.

Factors That May Affect the Future

The District is dependent on the State of California for a majority of its revenue. State law and regulation further specify the allowed uses of State revenue. The most important element of State funding is the total General Apportionment calculation, which accounted for the majority of the District's 2008/09 primary "operating fund", the Unrestricted General Fund. Apportionment revenue is directly tied to reported enrollment, the number of full time equivalent students (FTES) reported. In the 2009/10 fiscal year, the State of California has "rebenched" the number of FTES it will fund, thus resulting in a reduction of funded FTES by 3.39% from the prior year. The current number of the FTES reduction for Solano Community College is 348.56.

Contacting the District's Administration

This financial report is designed to provide the community, staff, students, investors, creditors, and the Chancellor's Office with an overview of the District's financial condition and to show the District's accountability for the funding received. If you have questions or require further information, please contact:

Mr. Carey C. Roth, Vice President, Administrative & Business Services  
Solano Community College District

**SOLANO COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2009**

**ASSETS**

Current assets:	
Cash and cash equivalents (Note 2)	\$ 9,074,335
Accounts receivable, net (Note 3)	11,349,439
Stores inventories	769,684
Prepaid expenses and other assets	<u>218,064</u>
Total current assets	<u>21,411,522</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	49,765,775
Capital assets, net (Note 4)	<u>115,295,978</u>
Total noncurrent assets	<u>165,061,753</u>
Total assets	<u>186,473,275</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	11,014,948
Accrued payroll	1,155,718
Deferred revenue (Note 5)	5,052,353
Amounts held in trust	468,970
Deferred bond premium (Note 6)	479,356
Compensated absences payable (Note 6)	1,275,090
Long-term debt-current portion (Note 6)	<u>3,602,092</u>
Total current liabilities	<u>23,048,527</u>
Noncurrent liabilities:	
Accreted interest on bonds (Note 6)	4,390,916
Deferred bond premium (Note 6)	6,468,451
Long-term debt-noncurrent portion (Note 6)	<u>120,530,835</u>
Total noncurrent liabilities	<u>131,390,202</u>
Total liabilities	<u>154,438,729</u>

Commitments and contingent liabilities (Note 11)

**NET ASSETS**

Invested in capital assets, net of related debt	33,486,496
Restricted for:	
Capital projects	2,649,095
Other special purposes	2,401,486
Unrestricted	<u>(6,502,531)</u>
Total net assets	<u>\$ 32,034,546</u>

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

**SOLANO COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**For the Year Ended June 30, 2009**

Operating revenues:	
Tuition and fees (gross)	\$ 6,272,366
Less: scholarship discounts and allowances	<u>(1,937,640)</u>
Net tuition and fees	4,334,726
Grants and contracts, noncapital:	
Federal	6,422,503
State	4,886,918
Local	661,857
Auxiliary enterprise sales and charges	<u>1,337,097</u>
Total operating revenues	<u>17,643,101</u>
Operating expenses:	
Salaries	34,304,656
Benefits (Notes 8 and 9)	11,554,471
Supplies, materials and other operating expenses and services	19,204,199
Utilities	1,893,443
Depreciation (Note 4)	<u>2,580,540</u>
Total operating expenses	<u>69,537,309</u>
Loss from operations	<u>(51,894,208)</u>
Non-operating revenues (expenses):	
State apportionment, non capital	36,154,632
Local property taxes (Note 7)	10,183,937
State taxes and other revenues	1,088,500
Investment income	1,521,996
Interest expense on capital asset-related debt, net	(6,450,564)
Other non-operating revenues	<u>1,909,042</u>
Total non-operating revenues (expenses)	<u>44,407,543</u>
Loss before capital revenues	<u>(7,486,665)</u>
Capital revenues:	
State apportionment, capital	135,600
Local property taxes and revenues	7,366,902
Grants and gifts, capital	<u>27,657</u>
Total capital revenues	<u>7,530,159</u>
Increase in net assets	43,494
Net assets, beginning of year	<u>31,991,052</u>
Net assets, end of year	<u>\$ 32,034,546</u>

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

Cash flows from operating activities:	
Tuition and fees	\$ 6,131,937
Federal, state and local grants and contracts	6,746,825
Payments to suppliers	(10,813,475)
Payments to employees	(46,342,870)
Payments to students	(6,155,376)
Auxiliary enterprises sales and charges	<u>1,337,097</u>
Net cash used in operating activities	<u>(49,095,862)</u>
Cash flows from noncapital financing activities:	
State appropriations	35,600,262
Local property taxes	10,183,937
State taxes and other revenues	1,088,500
Other nonoperating revenues	<u>1,868,155</u>
Net cash provided by noncapital financing activities	<u>48,740,854</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	7,366,902
Gifts and grants, capital	27,657
Proceeds from sale of capital assets	239
Purchase of capital assets	(25,153,179)
Principal paid on capital debt	(3,345,643)
Interest paid on capital debt	(6,450,564)
State appropriations for capital purposes	<u>135,600</u>
Net cash used in capital and related financing activities	<u>(27,418,988)</u>
Cash flows provided by investing activities:	
Interest income	<u>1,521,996</u>
Net decrease in cash and cash equivalents	(26,252,000)
Cash and cash equivalents, beginning of year	<u>85,092,110</u>
Cash and cash equivalents, end of year	<u>\$ 58,840,110</u>

(Continued)

**SOLANO COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS**

(Continued)

**For the Year Ended June 30, 2009**

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (51,894,208)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	2,580,540
Changes in assets and liabilities:	
Receivables, net	(5,224,453)
Inventories	(12,860)
Prepaid expenses	(37,466)
Accounts payable and accrued payroll	3,435,213
Deferred revenue	1,797,211
Retiree enhancement program	<u>260,161</u>
Net cash used in operating activities	<u>\$ (49,095,862)</u>

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



**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

Solano Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the state, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District is classified as a state instrumentality.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement 14 as amended by GASB Statement 39. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the Solano College Theater Association (Association) as a potential component unit.

The Association is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investment earnings to the District. The funds contributed by the Association to the District are significant to the District's financial statements. The District applied the criteria for identifying component units in accordance with GASB Statement 39 and, therefore, the District has classified the Association as a component unit that will be blended in the District's financial statements.

Basis of Presentation

GASB released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. The District adopted and applied these new standards beginning in 2002-03 as required. In May 2002, the GASB released Statement No. 39, "Determining Whether Certain Organizations Are Component Units," which amends GASB Statement 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required. The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38 and 39. This presentation provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive one-line look at its financial activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant intra-agency transactions have been eliminated.

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in investment pools are considered cash equivalents.

Restricted Cash and Cash Equivalents

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as non current assets in the statement of net assets.

Fair Value of Pooled Investments

The District records its investment in Solano County Treasury at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and changes in net assets. The fair value of investments including the Solano County Treasury, as an external investment pool at June 30, 2009 approximated their carrying value.

Accounts Receivable

Accounts receivable 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. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

# SOLANO COMMUNITY COLLEGE DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Inventory

Inventory consists of textbooks and educational supplies. Except for bookstore inventories, which are valued using the retail method, inventories are stated at the lower of cost (first-in, first-out method) or market.

#### Capital Assets

Capital assets are recorded at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 - 50 years depending on asset type.

The District evaluates capital assets for financial impairment as events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable.

#### Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

#### Deferred Revenue

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Assets

The District's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the District's total investment in capital assets, net of associated 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 invested in capital assets, net of related debt.

*Restricted net assets – expendable:* Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Restricted net assets – nonexpendable:* Nonexpendable restricted net assets consist 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. There are currently no nonexpendable assets of the District.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35 including state appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics on nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 35, such as state appropriations and investment income.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Apportionment

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to the State's recertification will be recorded in the year computed by the state.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

District cash, cash equivalents, and investments at June 30, 2009, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 49,960,743
Local Agency Investment Fund	189,435
Deposits:	
Cash held by Fiscal Agents	6,999,252
Cash on hand and in banks	1,602,880
Cash in Revolving Account	<u>87,800</u>
Total cash and cash equivalents	<u>58,840,110</u>
Less: restricted cash and cash equivalents:	
Cash in County Treasury	42,297,552
Cash held by Fiscal Agents	6,999,253
Cash held in trust	<u>468,970</u>
Total restricted cash and cash equivalents	<u>49,765,775</u>
Net cash and cash equivalents	<u>\$ 9,074,335</u>

## SOLANO COMMUNITY COLLEGE DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

##### Pooled Funds – Credit Risk

As provided for in Education Code Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool. The restricted cash and cash equivalents represent bond proceeds and debt service funds restricted for capital projects and bond repayment.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District no disclosure of the individual deposits and investments or related custodial risk classifications is required.

In accordance with applicable state laws, the Solano County Treasurer may invest in derivative securities. However, at June 30, 2009, the Solano County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

The cash in Local Agency Investment Fund (LAIF) is held by a separate agency. The State of California pools these funds with those of other local agencies in the state and invests the cash as prescribed by the *California Government Code*. These pooled funds are carried at cost, which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool. California's State pool representatives have indicated that the Fund has not invested in plain vanilla or complex over-the-counter derivatives. The Local Agency Investment Fund has represented that the fund contained no derivatives or other investments with similar risk profiles at June 30, 2009.

##### Custodian Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2009, the carrying amount of the District's cash on hand and in banks was \$1,602,880 and the bank balance was \$1,728,735. The bank balance amount insured by the FDIC was \$250,000.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Investment Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law. In accordance with Sections 53601 and 53602 of the California Government code, the District may invest in the following types of investments:

- Local agency bonds, notes or warrants within the state
- Securities of the U.S. Government or its agencies
- Certificates of Deposit with commercial banks
- Commercial paper
- Repurchase Agreements

Cash with Fiscal Agent

Cash with Fiscal Agent of \$6,999,252 is held by a trustee for the improvement of campus facilities and debt service.

Cash Held in Trust

Cash and investments held in trust of \$468,970 relates to agency funds held by the District on behalf of others.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2009, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2009, the District had no concentration of credit risk.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2009 are summarized as follows:

Federal	\$	699,149
State		7,661,924
Local and other		<u>3,085,419</u>
		11,446,492
Less allowance for doubtful accounts		<u>(97,053)</u>
		<u>\$ 11,349,439</u>

The allowance for doubtful accounts is maintained at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances.

**4. CAPITAL ASSETS**

Capital asset activity consists of the following:

	Balance July 1, 2008	Transfers and Additions	Transfers and Disposals	Balance June 30, 2009
Land	\$ 6,524,355			\$ 6,524,355
Land improvements	7,838,760			7,838,760
Building improvements	6,044,005			6,044,005
Machinery and equipment	10,768,010	\$ 238,961	\$ (1,198)	11,005,773
Buildings	67,266,682			67,266,682
Construction work in progress	<u>18,842,622</u>	<u>24,914,218</u>		<u>43,756,840</u>
Total	<u>117,284,434</u>	<u>25,153,179</u>	<u>(1,198)</u>	<u>142,436,415</u>
Less accumulated depreciation:				
Land improvements	(2,937,512)	(259,092)		(3,196,604)
Building improvements	(366,607)	(302,200)		(668,807)
Machinery and equipment	(7,139,970)	(642,354)	959	(7,781,365)
Buildings	<u>(14,116,767)</u>	<u>(1,376,894)</u>		<u>(15,493,661)</u>
Total	<u>(24,560,856)</u>	<u>(2,580,540)</u>	<u>959</u>	<u>(27,140,437)</u>
Capital assets, net	<u>\$ 92,723,578</u>	<u>\$ 22,572,639</u>	<u>\$ (239)</u>	<u>\$ 115,295,978</u>

**5. DEFERRED REVENUE**

Deferred revenue at June 30, 2009 consists of the following:

Deferred federal and state revenue	\$	2,210,376
Deferred tuition and student fees		2,017,476
Deferred local grant revenue and other		<u>824,501</u>
Total deferred revenue		<u>\$ 5,052,353</u>



**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM DEBT**

Student Center Revenue Bonds

The revenue bonds are collateralized by revenue from the student centers. The annual debt service for these bonds is provided by student fees.

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2008</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2009</u>
April 1969	3.00%	2009	<u>\$ 27,200</u>	<u>\$ 27,200</u>	<u>\$ -</u>

General Obligation Bonds

In May 2003, the District issued General Obligation Bonds in the amount of \$80,000,000 for the purpose of construction and repairing college education facilities.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,010,000	\$ 3,104,862	\$ 6,114,862
2011	3,330,000	2,991,937	6,321,937
2012	3,680,000	2,857,312	6,537,312
2013	4,055,000	2,702,612	6,757,612
2014	4,455,000	2,532,412	6,987,412
2015-2019	29,480,000	9,134,737	38,614,737
2020-2023	<u>24,549,812</u>	<u>11,576,445</u>	<u>36,126,257</u>
	<u>\$ 72,559,812</u>	<u>\$ 34,900,317</u>	<u>\$ 107,460,129</u>

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM DEBT (Continued)**

General Obligation Bonds (Continued)

In September 2006, the District issued Series B, 2002 General Obligation Bonds aggregating \$44,495,279. The bonds mature through 2031 and bear interest at rates ranging from 4% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. The premium from the bond issuance of \$740,075 is capitalized and being amortized over the life of the bond.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 505,000	\$ 719,335	\$ 1,224,335
2011	495,000	699,335	1,194,335
2012	480,000	679,835	1,159,835
2013	465,000	660,935	1,125,935
2014	445,000	642,735	1,087,735
2015-2019	1,467,169	3,246,831	4,714,000
2020-2024	5,408,255	9,888,615	15,296,870
2025-2029	18,218,978	32,563,038	50,782,016
2030-2032	<u>15,900,877</u>	<u>11,236,464</u>	<u>27,137,341</u>
	<u>\$ 43,385,279</u>	<u>\$ 60,337,123</u>	<u>\$ 103,722,402</u>

Capital Lease Obligations

The District has entered into various lease-purchase agreements for equipment originally valued at \$2,235,241 under agreements which provide for title to pass upon expiration of the lease period. Interest charged on certain lease-purchase agreements is calculated at 65% to 72% of prime rates. The capitalized lease obligations are generally collateralized by the leased property. The annual debt service for these leases is paid from the operating revenues of the District.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 87,092	\$ 10,795	\$ 97,887
2011	88,172	9,715	97,887
2012	90,034	7,853	97,887
2013	91,936	5,951	97,887
2014	93,878	4,009	97,887
2015	<u>95,880</u>	<u>2,025</u>	<u>97,905</u>
	<u>\$ 546,992</u>	<u>\$ 40,348</u>	<u>\$ 587,340</u>

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**6. LONG-TERM DEBT (Continued)**

Capital Lease Obligations (Continued)

Changes in general long-term debt are as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Student Center Revenue Bond	\$ 27,200		\$ 27,200		
General Obligation Bonds	119,175,091		3,230,000	\$ 115,945,091	\$ 3,515,000
Capitalized lease obligations	635,435		88,443	546,992	87,092
Net OPEB (Note 9)	7,901,005		260,161	7,640,844	
Compensated absences	1,171,065	\$ 113,639	9,614	1,275,090	1,275,090
Accreted interest	3,481,489	909,427		4,390,916	
	<u>\$ 132,391,285</u>	<u>\$ 1,023,066</u>	<u>\$ 3,615,418</u>	<u>\$ 129,798,933</u>	<u>\$ 4,877,182</u>

**7. PROPERTY TAXES**

All property taxes are levied and collected by the Tax Assessor of the County of Solano and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

**8. EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the California Public Employees' Retirement System. Part-time faculty may also elect to participate in social security.

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**8. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, postretirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. Disability benefits of up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**8. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

State Teachers' Retirement System (STRS) (Continued)

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,499,622, \$1,569,981 and \$1,333,516, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the state. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the DB Plan's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$22.5 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$22.5 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Benefit Program as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the CB Benefit Program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$861,000. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Benefit Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

California Public Employees' Retirement System (CalPERS)

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation. The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**8. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2008-09 was 9.42%.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008 and 2007 were \$990,330, \$942,004 and \$867,702, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2005, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

**9. POST-EMPLOYMENT HEALTH CARE BENEFITS**

In addition to the pension benefits described in Note 8, the District provides post-retirement health care benefits to employees hired prior to July 1, 1997 and who retire from the District and meet the specific eligibility requirements set forth in their prospective employment contracts.

The District pays medical, dental and vision care insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up to 10 years beyond retirement. Expenditures for post-retirement health care benefits are recognized as the premiums are paid.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**9. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,509,429
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	1,509,429
Contributions made	<u>260,161</u>
Increase in net OPEB obligation	1,249,268
Net OPEB obligation - beginning of year	<u>6,391,576</u>
Net OPEB obligation - end of year	<u><u>\$ 7,640,844</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 1,509,429	17.2%	\$ 7,640,844

As of March 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$18,739,237, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,739,237. The covered payroll (annual payroll of active employees covered by the Plan) was \$34,304,656, and the ratio of the UAAL to the covered payroll was 55 percent.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**9. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2008 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 24 years.

**10. DEFERRED COMPENSATION PLANS**

The District offers its employees a deferred compensation plan through CalPERS in accordance with Internal Revenue Code Section 457. The plan, available to all employees contributing to PERs, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until their disability, termination, retirement, death or unforeseeable emergency.

The assets under the District's 457 plan are held in trust. In accordance with a law change in August 1996, these assets are considered protected from the general creditors of the District and are not reflected on the balance sheet of the District.

**11. COMMITMENTS AND CONTINGENT LIABILITIES**

Construction Commitments

As of June 30, 2009, the District has approximately \$28 million in outstanding commitments on construction projects.



**SOLANO COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**11. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

Contingent Liabilities

There are various claims and legal actions pending against the District for which no provision has been made in the basic financial statements. In the opinion of the District, any liabilities arising from these claims and legal actions are not considered significant.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the district's financial position.

**12. JOINT POWERS AGREEMENTS**

The Solano Community College District participates in Joint Power Agreements (JPAs), with the Northern California Community College Self Insurance Authority (NCCCSIA) and North Bay Schools Insurance Authority (NBSIA). The relationship between the Solano Community College District and the JPAs is such that they are not component units of the Solano Community College District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. NCCCSIA provides workers' compensation and property and liability insurance for its members. NBSIA provides dental insurance for its members. The Solano Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are subject to approval by the governing board.

Condensed financial information of the JPAs for the most current year for which audited information is available, is as follows:

	June 30, 2008 NCCCSIA	June 30, 2009 NBSIA
Total assets	\$ 13,032,136	\$ 39,038,164
Total liabilities	\$ 7,479,422	\$ 20,801,168
Net assets	\$ 5,552,714	\$ 18,236,996
Total revenues	\$ 7,802,916	\$ 17,490,355
Total expenses	\$ 8,697,521	\$ 14,380,079

## **SUPPLEMENTAL INFORMATION**

**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTAL INFORMATION**

Audit Committee  
Solano Community College District  
Fairfield, California

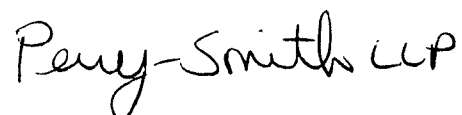
We have audited the basic financial statements of Solano Community College District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the California Community Colleges Contracted District Audit Manual, presented by the Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial and statistical information is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Solano Community College District and includes the following schedules:

- Organization
- Schedule of Federal Financial Awards
- Schedule of State Financial Awards
- Schedule of Workload Measures for State General Apportionment
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements
- Notes to Supplemental Information

The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Sacramento, California  
December 28, 2009

# SOLANO COMMUNITY COLLEGE DISTRICT

## ORGANIZATION

June 30, 2009

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. There were no changes in the boundaries of the District during the current year.

The Governing Board and District Administration for the fiscal year ended June 30, 2009 were composed of the following members:

### BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
A. Marie Young	President	December 2010
Denis Honeychurch	Vice President	December 2010
Sarah Chapman	Member	December 2010
James M. Claffey	Member	December 2012
Pam Keith	Member	December 2010
Phil McCaffrey	Member	December 2012
Rosemary Thurston	Member	December 2012

### DISTRICT ADMINISTRATION

Dr. Robert Jensen  
Interim Superintendent/President

Vacant  
Vice President, Administrative & Business Services

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FEDERAL FINANCIAL AWARDS**  
**For the Year Ended June 30, 2009**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
Student Financial Aid:		
Federal Work Study	84.003	\$ 206,605
Pell Grant Program	84.064	5,470,084
Federal Supplemental Educational Opportunity Grant	84.007	237,255
Academic Competitiveness Grant	84.375	<u>750</u>
Subtotal Student Financial Aid Cluster		<u>5,914,694</u>
Vocational and Applied Technology Educational Act	84.048	346,976
Veteran Assistance Title 38	84.111	<u>4,503</u>
Total U.S. Department of Education		<u>6,266,173</u>
<u>U.S. Department of Agriculture</u>		
Child Care Food Program	10.558	<u>56,330</u>
<u>U.S. Department of Labor</u>		
Workforce Investment Act	17.261	<u>100,000</u>
Total Federal Categorical Awards and Allowances		<u>\$ 6,422,503</u>

See accompanying notes to  
supplemental information.

**SOLANO COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL AWARDS**

For the Year Ended June 30, 2009

	Program Entitlements			Program Revenues			Program Expenditures
	Current Year	Prior Year	Total	Cash Received	Accounts Receivable	Deferred Revenue	
EOPS Grant	\$ 516,456		\$ 516,456	\$ 516,546		\$ 111,807	\$ 404,739
CARE Grant	83,173		83,173	83,173		33,082	50,091
DSP&S Apportionment	713,902	9,857	723,759	723,759			723,759
TANF: State Share	44,270		44,270	44,270			44,270
Cal Works	282,790	3,507	286,297	286,297			286,297
Matriculation	616,633		616,633	616,633			388,824
Matriculation-Non-credit	394		394	394		227,809	394
Foster & Kinship Care	206,570		206,570	44,888	161,682		206,570
CTE – Community Collaborative (170)	369,700		369,700	121,422			121,422
CTE – Community Collaborative Projects	399,360		399,360		116,596		116,596
CTE – Community Collaborative Supplemental	99,842		99,842	86,178			86,178
CTE – Career Strengthening	429,700	124,750	554,450	554,450		427,270	127,180
MESA	83,033		83,033	54,775	9,160		63,935
Transfer Ed & Articulation	4,000		4,000	4,000		2,959	1,041
Scheduled Maintenance – one time	100,000	261,925	261,925	261,925		229,384	32,541
Scheduled Maintenance – on-going	3,493	25,157	125,157	125,157		121,658	3,499
Infant Toddler Resource	166,553		166,553	94,964	3,493		3,493
State Pre School: Pt Day	3,032		3,032	3,032	18,900		113,864
Food Program (State)	191,802		191,802	81,646	97,023		3,032
State Pre School: Ft Day	361,269		361,269	330,463	30,806		178,669
Children's Center – Gen Child Care	36,036	45,183	81,219	96,135		16,923	361,269
TTIP	13,329	54,285	54,285	54,285		44,010	79,212
Staff Development	60,472	6,735	6,735	13,329		2,538	10,275
Staff Diversity	23,474	23,474	6,735	6,735		6,735	10,791
State Block Grant	214,683		83,946	49,758			-
TANF: CDC	83,873		214,683	214,683		52,668	49,758
Instructional Equipment – one time	100,000		183,873	183,873		169,147	162,015
Instructional Equipment	290,031		290,031	290,031			14,726
BFAP Administrative Allowance	2,523		2,523	631	1,892		290,031
Child Development Instructional Supplies	113,023	75,646	188,669	188,669		28,116	2,523
Basic Skills – on-going	3,647	1,565	5,212	1,565	2,153		2,523
CCDAA – AB 212	528,800		528,800	86,592			160,553
Nurse Education		116,305	116,305				3,718
Nursing – CTE Faculty Recruitment		99,889	99,889	79,525			86,592
Nurse Enrollment Growth	67,927		67,927		8,735	354	79,171
CTE – Nurse Equipment		3,700	3,700	3,700		1,683	8,735
Renovations and Repair							2,017
Tech Prep	81,405		81,405	81,405			81,405
<b>Total</b>	<b>\$ 5,973,165</b>	<b>\$ 1,150,534</b>	<b>\$ 7,123,699</b>	<b>\$ 5,384,888</b>	<b>\$ 450,440</b>	<b>\$ 1,476,143</b>	<b>\$ 4,359,185</b>

See accompanying notes to supplemental information.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR  
STATE GENERAL APPORTIONMENT**

**Annualized Attendance as of June 30, 2009**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession			
1. Noncredit	-		-
2. Credit	712		712
B. Summer Intersession			
1. Noncredit	-		-
2. Credit	267		267
C. Primary Terms			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	7,359		7,359
b. Daily Census Contact Hours	332		332
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	-		-
b. Credit	298		298
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	-		-
b. Daily Census Contact Hours	447		447
c. Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>9,415</u>		<u>9,415</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-		-
b. Credit	367		367
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	-		-

See accompanying notes to supplemental information.

**SOLANO COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2009**

	<b>General Fund</b>
Fund balance per CCFS – 311	\$ 3,423,596
Overstatement of apportionment liability	1,808,627
Audited fund balance	<b>\$ 5,232,223</b>

	<b>Bookstore Fund</b>
Fund balance per CCFS – 311	\$ 722,577
Understatement of depreciation expense	(17,678)
Understatement of bookstore sales	273,918
Audited fund balance	<b>\$ 978,817</b>

	<b>Student Financial Aid Fund</b>
Fund balance per CCFS – 311	\$ -
Understatement of Pell Grant revenue	119,321
Audited fund balance	<b>\$ 119,321</b>

There were no audit adjustments proposed to any other funds of the District.

See accompanying notes to  
supplemental information.



# SOLANO COMMUNITY COLLEGE DISTRICT

## NOTES TO SUPPLEMENTAL INFORMATION

### 1. PURPOSE OF SCHEDULES

#### A - Schedule of Federal Financial Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, this schedule was prepared by the District. Differences exist between the revenues shown on the schedule and the basic financial statements for the following reasons:

- Various program revenues are recorded in the current year for prior year claims, related expenditures were incurred in prior years.
- Amounts reported as revenue may not represent final claim amounts, due to the timing of filing the final claims, and the closing of the District's records.

#### B - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students 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 on which apportionments of state funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

#### C - 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 CCFS-311 to the audited basic financial statements.

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS**

Audit Committee  
Solano Community College District  
Fairfield, California

We have audited the basic financial statements of Solano Community College District for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted District Audit Manual* (CDAM):

### General Directives

Management Information System Implementation – State General Apportionment Funding System

### Administration

Apportionments – Apportionment for Instructional Service Agreements/Contracts  
Apportionments – Residency Determination For Credit Courses  
Apportionments – Concurrent Enrollment of K-12 Students In Community College Credit Courses  
Apportionments – Enrollment Fee  
Apportionments – Students Actively Enrolled  
Fiscal Operations – Salaries of Classroom Instructors (50 Percent Law)  
Fiscal Operations – Gann Limit  
Open Enrollment  
Student Fees – Instructional Materials Fees and Health Fees

### Student Services

Uses of Matriculation Funds  
CalWorks – Use of State and Federal TANF Funding

### Facilities

Scheduled Maintenance Program

**INDEPENDENT AUDITOR'S REPORT  
ON STATE COMPLIANCE REQUIREMENTS**

(Continued)

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Solano Community College District complied, in all material respects with the aforementioned requirements.

This report is intended solely for the information and use of the Audit Committee, District management, the Board of Trustees, and the federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Perry-Smith LLP*

Sacramento, California  
December 28, 2009



**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**

Audit Committee  
Solano Community College District  
Fairfield, California

We have audited the basic financial statements of Solano Community College District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Solano Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solano Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Solano Community College District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider deficiency number 1 in the Schedule of Audit Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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**

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solano Community College District's basic 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Audit Committee, District management, Board of Trustees, and the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Perry-Smith LLP*

Sacramento, California  
December 28, 2009



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Audit Committee  
Solano Community College District  
Fairfield, California

**Compliance**

We have audited the compliance of Solano Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Solano Community College District's major federal programs are identified in the accompanying schedule of federal financial awards. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Solano Community College District's management. Our responsibility is to express an opinion on Solano Community College District's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Solano Community College 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. Our audit does not provide a legal determination on Solano Community College District's compliance with those requirements.

In our opinion, Solano Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009, except as described in the Schedule of Audit Findings and Questioned Costs section of the report.

**Internal Control Over Compliance**

The management of Solano Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Solano Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Solano Community College District's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any weaknesses in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Audit Committee, District management, Board of Trustees, and the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Perry-Smith LLP*

Sacramento, California  
December 28, 2009



## **FINDINGS AND RECOMMENDATIONS**



SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2009

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ Yes  X  No  
Significant deficiency(ies) identified not considered to be material weakness(es)?  X  Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

FEDERAL AWARDS

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ Yes  X  No  
Significant deficiency(ies) identified not considered to be material weakness(es)?  X  Yes \_\_\_\_\_ None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  X  Yes \_\_\_\_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.003, 84.064, 84.007, 84.375	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

STATE AWARDS

Internal control over state programs:  
Material weakness identified \_\_\_\_\_ Yes  X  No  
Significant deficiency(ies) identified not considered as material weakness \_\_\_\_\_ Yes  X  No

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

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**1. SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS**

Criteria

District management is responsible for the design and operation of internal controls over financial reporting. A control deficiency exists when the design or operations of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's annual or interim financial statements that is more than inconsequential will not be prevented or detected.

Condition

*Bank Reconciliations*

The District was unable to provide reconciliations for Cash in County Treasury or other operating accounts during the review of internal controls. Cash reconciliations were not completed in a timely manner. For example, the operating account for the Bookstore had not been reconciled since December 2008 and the operating accounts for the Associated Student Clubs and the Children's Center had not been reconciled since February 2009.

*Cash Receipts – Bookstore*

Segregation of duties for cash receipts at the Bookstore is inadequate. The head cashier creates the cash count sheets, the Daily Sales Recap, and inputs the total sales for the day into a spreadsheet. Fiscal Services uses this information to post activity to the general ledger.

Cash at the Bookstore is not counted in dual custody.

Cash deposits are not reviewed prior to being collected by Brinks.

There is no indication of review by the Fiscal Services department of the Daily Sales Recap prior to the posting of journal entries.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**1. SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS (Continued)**

Condition (Continued)

*Cash Disbursements – Bookstore*

There is no indication of review for vendor payments related to bookstore transactions.

The Vendor Payment Sheet used to indicate proper management authorization, support for receipt of goods, and review of the appropriateness of budget codes and mathematical accuracy, is not being signed.

There is no formal indication of review of purchase orders for bookstore inventory, indicating approval prior to being submitted to the vendor to place an order.

*Cash Receipts – Children's Center*

There is no indication of review of the Deposit Summary sheet and Deposit Receipt issued by the Fiscal Services Office to the Children's Center.

Cash received at the Fiscal Services Office is not counted in dual custody.

Effect

The potential exists for an error to occur and remain undetected.

Cause

The District does not have controls in place to ensure the proper preparation and review of bank reconciliations for the District bank accounts on a monthly basis in a timely manner.

The District does not have appropriate communication or controls in place between the Bookstore and Fiscal Services and segregation of duties in place to reconcile the activity that is posted into the general ledger.

The District does not have appropriate controls in place to ensure a review of documentation is indicated by a signature once the review is complete.

Fiscal Impact

As all reconciliations were completed prior to closing the District records, we have determined there is no fiscal impact.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**1. SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS (Continued)**

Recommendation

The District should implement procedures to ensure all bank and County Treasury accounts are reconciled to the general ledger on a monthly basis. To ensure proper preparation and review, all reconciliations should be signed and dated by both the preparer and reviewer.

The District should implement procedures to ensure proper segregation of duties at the Bookstore. Further, procedures requiring reconciliation of the Bookstore Daily Sales Recap and Online Daily Sales Recap to the reconciliation prepared by the Bookstore should be implemented. Fiscal Services employees must receive training on the Bookstore's cash receipts process. The District should ensure there are clear lines of communication between the two departments and job responsibilities are clearly documented and communicated to the employees.

District personnel should initial documents after review and approval of the transaction as evidence that key controls are in place, and operating effectively.

The District should ensure all cash receipts are counted in dual custody.

Corrective Action Plan

*Bank Reconciliations*

Fiscal Services has developed a schedule to facilitate the completion of the bank reconciliations in a timely manner. The schedule requires the accounts to be balanced and signed off by the Director of Fiscal Services within two months of the close of the month. The County Treasury cash reconciliations are dependent on the timeliness of the County Office of Education reconciliations with the County Treasurer. These reports are usually received within 30 days of the end of the month. Once received, staff will have 30 days to complete the reconciliation to the County Office of Education records. Other accounts are dependent on the statements received from the bank, although we are working to get the files electronically. Although cash was being monitored for the Bookstore, the reconciliations were delayed in this fiscal year due to some conversion challenges. This is the first year the Bookstore records were maintained on Banner, and some of the required accounts were not completely set up. The reconciliations for the fiscal year were complete subsequent to year end.

*Cash Receipts – Bookstore*

The closing supervisor is now using a cash-counting scale with a printer that prints out the counts by denomination, and also records the supervisor's system ID number and the register number. The closing cashier verifies the cash counts and signs the daily cash receipts log. The deposit slip is made by the Book Store clerk and placed in the Brinks bag for pick up. The amount is now verified by Fiscal Services when the deposit is made by Brinks at the bank.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**1. SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS (Continued)**

Corrective Action Plan (Continued)

*Cash Disbursements – Bookstore*

The Accounting Technician II will sign the vendor payment sheet. Vendor payments are electronically authorized by the Director of Fiscal Services prior to printing of checks.

The Accounting Technician II in Fiscal Services will sign the Vendor payment sheet, along with the Manager of the Bookstore, after verifying the information for accuracy.

Purchase orders for textbooks and other course materials often require quick submissions. They are authorized by the Bookstore Manager. They are often submitted electronically, and printed only after submission. The electronic submission has security restrictions to give access to specified persons.

*Cash Receipts – Children's Center*

The Director and Assistant Director will count the deposit together and record their initials and date of the dual count on the deposit slip to verify the accuracy of the amount sent to Fiscal Services for deposit.

**2. SIGNIFICANT DEFICIENCY – STUDENT FINANCIAL AID**

Criteria

OMB Circular A-133 Compliance Supplement March 2009, Part 5 Cluster of Programs – Student Financial Aid

Condition

During the testing of Student Financial Aid, the following was noted:

*Direct Loan Reconciliation*

The District does not perform a formal reconciliation between the District's financial aid data and Common Origination and Disbursement System (COD) data. Periodically the Financial Aid Analyst compares COD data to the District's financial aid data for reasonableness, but there is no formal evidence of the reconciliation or review.

*Incarceration*

The District's financial aid system does not trace the applicant's criminal background. The Pell and Direct Loan financial aid disqualifies applicants if they are incarcerated in a Federal or State penal institution. Since the District does not track criminal background of students, we cannot determine if any applicants should be disqualified from Pell or Direct Loan aid due to incarceration.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**2. SIGNIFICANT DEFICIENCY – STUDENT FINANCIAL AID (Continued)**

Condition (Continued)

*Return to Title IV Calculation*

The District did not perform the Return to Title IV calculations for the fiscal year 2009. As such, students who potentially owe Return to Title IV funds may have been allowed to enroll in subsequent semesters.

Effect

*Direct Loan Reconciliation*

A reconciliation was not completed for the direct loans. This resulted in the District having to pay back approximately \$149,000 in direct loan funds.

*Incarceration*

The student financial aid system does not track incarcerated students in the new student accounts system to determine if the student is disqualified from receiving student financial aid.

*Return to Title IV Calculation*

The District did not perform the Return to Title IV Calculations for students receiving aid who dropped courses to determine if student is disqualified from receiving student financial aid.

Cause

Proper controls have not been designed or implemented over the new Student Financial Aid system.

Fiscal Impact

The total fiscal impact is \$162,726.

Recommendation

The District should ensure a monthly reconciliation between the District's Student Financial Aid system and COD as well as the COD to the general ledger are completed and accurate.

The District should ensure it calculates the Return to Title IV for each student who received student financial aid and then dropped their courses. This should be performed in a timely manner so ineligible students are blocked and not able to register for subsequent semester prior to returning their Title IV funds.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**2. SIGNIFICANT DEFICIENCY – STUDENT FINANCIAL AID (Continued)**

Corrective Action Plan

*Direct Loan Reconciliation*

The FSA software was not installed to be able to perform the reconciliation of the Direct Loans. The software has been installed and reconciliations are now being performed.

*Incarceration*

The District is currently reviewing the new student account system to determine how they will track incarcerated students.

*Return to Title IV Calculation*

The issue with the R2T4 has been resolved. We have performed all of the calculations for 2008-09 and are moving forward to reporting them to the Department of Education (DOE). This process has now been automated and will be monitored beginning 2009-2010.

**3. STATE COMPLIANCE – GENERAL APPORTIONMENT**

Criteria

Compliance

Condition

The Second Period Apportionment Report was prepared incorrectly. The District's report of attendance was not consistent with the "Attendance Report for: Summer 2008" report, which summarizes the attendance. The error resulted in an understatement of nonresident contact hours in Part IV and VI of the apportionment report.

The FTES generated per the "Apportionment Summary 320 Reports" did not agree to the FTES calculation per the Second Period Apportionment Report.

The District erroneously subtracted 25.49 FTES that had been borrowed from the 2007/2008 Revised Annual Apportionment Report from Spring 2008 resident weekly contact hours. The 25.49 FTES was correctly subtracted from the Summer 2008 resident daily contact hours on the Second Period Apportionment Report. The error resulted in an understatement of resident contact hours in Part II of the Apportionment Attendance Report.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**3 STATE COMPLIANCE – GENERAL APPORTIONMENT (Continued)**

Effect

The District's reported nonresident FTES for the actual hours of attendance category for noncredit courses and the FTES for the weekly attendance category in the Summer intersession were understated.

Cause

The District has not implemented effective procedure for the review of the Apportionment Attendance Reports.

Fiscal Impact

The fiscal impact is an understatement of 27.20 FTES which is approximately \$124,141.

Recommendation

The District should revise the Second Period Apportionment report with the corrected amounts.

Corrective Action Plan

There was an underreporting error found in the Second Period Apportionment Report. The error in the CCFS 320: Summer 2008 was an understatement of non-resident contact hours in Part IV and VI of the apportionment report.

These were clerical errors made as a result of trying to complete the 320 at a time in which the College was producing the necessary Banner report audit tools at the same time as producing the report. Current Banner reports are improved and the administrator in charge of completing this report has created a "check-off sheet" to be completed prior to reporting the actual 320 numbers that will be verified by Admissions & Records staff members then reviewed for submission by the District executive leadership which includes the Director of Fiscal Services, Vice President-Academic Affairs and the Superintendent/President.

One additional note, the District does not receive state apportionment for non-resident students.

This has been corrected at the P3 filing.

The Director of Admissions and Records is working with the IT department to finalize the report requirements stated above. This will be completed prior to the next reporting period.



**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**4. STATE COMPLIANCE – STUDENTS ACTIVELY ENROLLED**

Criteria

Compliance

Condition

During our testing of Students Actively Enrolled, the following was noted:

*Students Actively Enrolled*

Out of 5 courses selected for testing, census dates for two courses were taken in the third week of the semester rather than the fourth.

*Drop Testing*

Three students selected for drop testing were inappropriately included in the FTES calculation for the Second Principal Apportionment Attendance Report.

Effect

FTES were inappropriately included in the Second Principal Apportionment Attendance Report.

Cause

The District implemented a new attendance system which was not set up correctly to calculate appropriate census dates or drop/withdrawal dates.

Fiscal Impact

The fiscal impact is an overstatement of 0.62 FTES which is approximately \$2,830.

Recommendation

The District should revise the Second Period Apportionment report with the corrected amounts.

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2009**

**4. STATE COMPLIANCE – STUDENTS ACTIVELY ENROLLED (Continued)**

Corrective Action Plan

*Students Actively Enrolled*

The error occurred as a result of an incorrect initial Banner set up that was not completely corrected. The Director of Admissions and Records with the support of a Banner consultant have reviewed the set-ups and have in place the final step needed to fix the dates that had already been set. The proper steps are documented in the Director of Admissions & Records Term Set-Up file so that this mistake will not occur again.

This was not able to be corrected for this P3 reporting, but that was part of the District's recall submission of the CCFS 320 report.

*Drop Testing*

Clerical errors made as a result of trying to complete the 320 at a time in which the College was producing the necessary Banner report audit tools at the same time as producing the report. Current Banner reports are improved and the administrator in charge of completing this report has created a "check-off sheet" to be completed prior to reporting the actual 320 numbers that will be verified by Admissions & Records staff members then reviewed for submission by the District executive leadership which includes the Director of Fiscal Services, Director of Admissions & Records, Vice President-Student Services, Vice President-Academic Affairs and the Superintendent/President.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

**SOLANO COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

For the Year Ended June 30, 2009

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
<b>1. Material Weakness – Internal Controls</b>			
<i>ACH Transfers</i>			
ACH transfers from the District's clearing account to the County Treasury were not performed timely. An ACH transfer from the clearing account to the County Treasury was made on January 14, 2008, approximately two months after funds had been deposited in the clearing account. The timing of this transaction led to the accumulation of \$135,306 in the clearing account. Further, registration fees from September 2007 through April 2008 were not cleared to the County Treasury until June 16, 2008, totaling \$2,706,422.	The District should complete ACH transfers to the County Treasury promptly after each deposit is posted to the clearing account.	Implemented.	
<i>Capital Assets</i>			
The District was unable to provide a listing of all capital assets owned as of June 30, 2008. The District does not have a process to track and maintain an inventory of capital assets. Currently, there is no established method for Purchasing to alert Fiscal Services when new capital assets are acquired.	The District should implement procedures requiring communications with Fiscal Services regarding the purchase of capital assets. Further, Fiscal Services should implement procedures to maintain a listing of all capital assets owned by the District. Procedures should be implemented to routinely monitor and substantiate the existence of recorded capital assets.		
<i>Financial Reporting</i>			
The District did not prepare the GASB 35 conversion journal entries. Further, the District was unable to provide full-accrual financial statement prior to the start of the audit.	The District should seek training opportunities to ensure personnel have the requisite expertise to complete the District's financial reporting responsibilities.		

SOLANO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

For the Year Ended June 30, 2009

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
<b>2. Significant Deficiencies - Internal Controls</b>			
<i>Bank Reconciliations</i>			
<p>The District was unable to provide reconciliation for Cash in County Treasury or bank clearing accounts to begin our audit. The beginning cash balances for 2007-2008 fiscal year could not be reconciled to the County Treasury balance.</p>	<p>The District should implement procedures to ensure all bank and county Treasury accounts are reconciled to the general ledger on a monthly basis. To ensure proper segregation of duties, all reconciliations should be signed and dated by both the preparer and reviewer.</p>	Not implemented.	See current year finding #1.
<i>Cash Receipts – Bookstore</i>			
<p>Segregation of duties at the Bookstore is inadequate regarding cash receipts. The head cashier creates the cash count sheets, the Daily Sales Recap, and inputs the total sales for the day into a spreadsheet. Fiscal Services uses this information to post activity to the general ledger.</p>	<p>The District should implement procedures to ensure proper segregation of duties at the Bookstore. Further, procedures requiring reconciliation of the Bookstore Daily Sales Recap and Online Daily Sales Recap to the reconciliation prepared by the Bookstore should be implemented. Fiscal Services employees must receive training on the Bookstore's cash receipts process. The District should ensure there are clear lines of communication between the two departments and job responsibilities are clearly communicated to the employees.</p>		
<p>Cash at the Bookstore is not counted in dual custody.</p>			
<p>The Bookstore sales report summary is not reconciled to the Accounting Clerk's report summary. The Online Sales Daily Sales Recaps are not totaled with the Bookstore Daily Sales Recap by Fiscal Services. Further, these reports are not reconciled to the spreadsheet created by the Bookstore combining two recap reports. The spreadsheet is used to post general ledger entries by Fiscal Services. However, Fiscal Services is not aware what information is totaled on the spreadsheet.</p>			

**SOLANO COMMUNITY COLLEGE DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

(Continued)

**For the Year Ended June 30, 2009**

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
<b>2. Significant Deficiencies - Internal Controls (Continued)</b>			
<i>Cash Disbursements – Bookstore</i>			
<p>There is no indication of review of vendor payments related to Bookstore transactions. The Vendor Payment Sheet used to indicate proper management authorization, support for receipt of goods, and review for the appropriateness of budget codes and mathematical accuracy, is not being signed.</p>	<p>District personnel should initial documents after review and approval of the transaction as evidence that key controls are in place, and operating effectively.</p>		
<i>Journal Entries</i>			
<p>Several journal entries were both approved and entered into the general ledger by the same person. Further, journal entries are not posted to the general ledger in a timely manner.</p>	<p>The District should implement appropriate procedures to ensure all transactions are promptly posted to the general ledger. Further, journal entries should be reviewed and approved by an individual independent of the posting of the journal entry.</p>		
<i>Cash Receipts – District Office</i>			
<p>The District did not retain supporting documentation for cash receipts collected at the District Office. The District was not able to provide support for a deposit permit totaling \$135,306. The deposit should have included support for 18 items; however, only two items were located to support. Further, detailed in the Cashier's Summary, one deposit for \$160.63 was not found in the general ledger.</p>	<p>The District should implement procedures to ensure all supporting documentation is maintained. General ledger transactions should be reviewed and deposit totaled should be reconciled to bank statements and the general ledger to ensure all items have been recorded.</p>		

SOLANO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

For the Year Ended June 30, 2009

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
<p><b>3. Internal Controls - Cash Disbursements</b></p>	<p>The District should implement appropriate procedures to ensure that all documents are matched and reviewed before the payment is entered into the system.</p>	<p>Implemented.</p>	
<p><b>4. Internal Controls - Inventory</b></p>	<p>The District should implement appropriate control procedures over physical inventory counts.</p>	<p>Implemented.</p>	
<p><b>5. Material Weakness – State Compliance – Apportionment Attendance Report (CCFS-320)</b></p>	<p>The District needs to implement proper oversight controls so that after the Apportionment Attendance Report (CCFS-320) is prepared, a quality control review is completed by reviewing the supporting documentation used to prepare the report. All documentation should then be signed off by the preparer and reviewer to ensure that the FTES reported are accurate.</p>	<p>Partially implemented.</p>	<p>See current year finding #4.</p>
<p>There were errors in the calculations in reporting FTES for physical education courses in 2005-06, 2006-07 and 2007-08.</p>			
<p>Some of the summer FTES for summer daily courses were claimed for apportionment in more than one year for 2006-07 and 2007-08.</p>			
<p>In 2006-07 the Student Contact hours of Weekly Census Procedure Courses was overstated.</p>			

SOLANO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

For the Year Ended June 30, 2009

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
<b>6. State Compliance - Matriculation</b>	The District should review all matriculation related expenditures to ensure they meet one of the ten allowable classifications and are properly classified as credit or non-credit.	Implemented.	
The District needs to implement proper oversight controls so that after the Apportionment Attendance Report (CCFS-320) is prepared, a quality control review is completed by reviewing the supporting documentation used to prepare the report. All documentation should then be signed off by the preparer and reviewer to ensure that the FTES reported are accurate.			