SOLANO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

SOLANO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the accompanying basic financial statements of the business-type activities of Solano Community College District (the District) as of and for the year ended June 30, 2010, and its discretely presented component unit, the Solano College Theatre Association, as listed in the Table of Contents. These basic 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. The financial statements of Solano Community College District as of June 30, 2009, were audited by other auditors whose report dated December 29, 2009, expressed an unqualified opinion on those statements.

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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.* 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 referred to above present fairly, in all material respects, the financial position of the business-type activities of Solano Community College District, and its discretely presented component unit, as of June 30, 2010, and the respective changes in financial position and 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 February 8, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by 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 basic 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 basic financial statements taken as a whole.

The Additional Supplementary Information, as listed in the table of contents, has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
February 8, 2011

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of Solano Community College District (the District) as of June 30, 2010. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

Overall, the District's fiscal health remained relatively unchanged, even in these difficult times for California Community Colleges. While cash balances declined due to additional State deferrals, receivables went up to reflect the deferrals. The year-end apportionment deferral was received in July, as anticipated. Accounts payable declined, and long-term debt was also paid down on schedule. Total capital assets increased due to continued construction projects paid with bond funds. As a result of continued building, non-current cash and cash equivalents decreased as the funds held for debt repayment/capital projects were spent.

While cash flow is a concern for all California school and community college districts, given additional intra and inter year apportionment deferrals, the District was able to make accommodations through the Solano County Treasurer and Auditor-Controller to cover any temporary cash deficiencies, allowing the District to focus on operations and balancing the budget. While this document does not address the status of the budget, District administration is very much aware of the continued demand for resources to serve increasing student demand and the need for diligent budget monitoring, planning and adjustments.

The Vallejo Center received formal approval through the California Post Secondary Education Commission and the California Community Colleges State Chancellor's Office in 2009-10. As a result of that approval and consistent with the funding formula for community colleges, the Solano Community College District received an additional $1,107,182 in basic allocation funding in 2009-10. These funds will become part of the funding base and represent an on-going source of additional funding to support the instructional activities at the Center. The District now has two (2) approved off-campus centers and receives added funding for both to partially support the increase in cost of these off-campus sites.

Solano Community College District enrollment remained strong in 2009-10. The District reported 9,543 FTES on the Final CCFS 320 enrollment report to the Chancellor's Office. This represents service to 580 FTES over the funded, cap level in 2009-10.

THE DISTRICT AS A WHOLE

Net Assets

Table 1

ASSETS	2010	2009	Change	2008	Change
Current Assets					
Cash and investments	$ 2,515,957	$ 9,074,335	$ (6,558,378)	$ 10,123,544	$ (1,049,209)
Accounts receivable (net)	14,012,249	11,349,439	2,662,810	5,570,616	5,778,823
Store inventory	893,370	769,684	123,686	756,824	12,860
Prepaid expenses and other current assets	699,055	218,064	480,991	180,598	37,466
Total Current Assets	18,120,631	21,411,522	(3,290,891)	16,631,582	4,779,940
Noncurrent Assets:					
Restricted cash and cash equivalents	30,350,077	49,765,775	(19,415,698)	74,968,566	(25,202,791)
Capital assets (net)	127,186,447	115,295,978	11,890,469	92,723,578	22,572,400
Total Noncurrent Assets	157,536,524	165,061,753	(7,525,229)	167,692,144	(2,630,391)
Total Assets	$ 175,657,155	$ 186,473,275	$ (10,816,120)	$ 184,323,726	$ 2,149,549
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	$ 5,149,987	$ 12,170,666	$ (7,020,679)	$ 8,735,453	$ 3,435,213
Deferred revenue	5,581,202	5,052,353	528,849	3,255,142	1,797,211
Amounts held in trust for others	-	468,970	(468,970)	522,020	(53,050)
Deferred bond premium	479,081	479,356	(275)	479,081	275
Long-term liabilities due within one year	4,081,988	3,681,840	400,148	3,335,890	345,950
Total Current Liabilities	15,292,258	21,853,185	(6,560,927)	16,327,586	5,525,599
Long-term Debt	130,728,789	132,585,544	(1,856,755)	136,005,088	(3,419,544)
Total Liabilities	146,021,047	154,438,729	(8,417,682)	152,332,674	2,106,055
NET ASSETS					
Invested in capital assets, net of related debt	24,357,722	33,486,496	(9,128,774)	37,621,631	(4,135,135)
Designated	8,683,582	2,649,095	6,034,487	2,014,971	634,124
Unrestricted	(3,405,196)	(4,101,045)	695,849	(7,645,550)	3,544,505
Total Net Assets	29,636,108	32,034,546	(2,398,438)	31,991,052	43,494
Total Liabilities and Net Assets	$ 175,657,155	$ 186,473,275	$ (10,816,120)	$ 184,323,726	$ 2,149,549

The District's primary assets include receivables, restricted cash from bond proceeds and capital assets. Primary liabilities include long-term debt and investments in capital assets.

Receivables include approximately $5.9 million in State aid apportionment, along with student accounts receivable and grants from the State and Federal government. Restricted cash from bond proceeds remains to be used to complete the remaining capital bond projects included in the 2002 ballot language. And, capital assets continue to grow as the bond proceeds are drawn down.

Long-term debt includes general obligation bonds outstanding, leases payable, employee compensated absences, and retirement obligations.

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 13.

Table 2

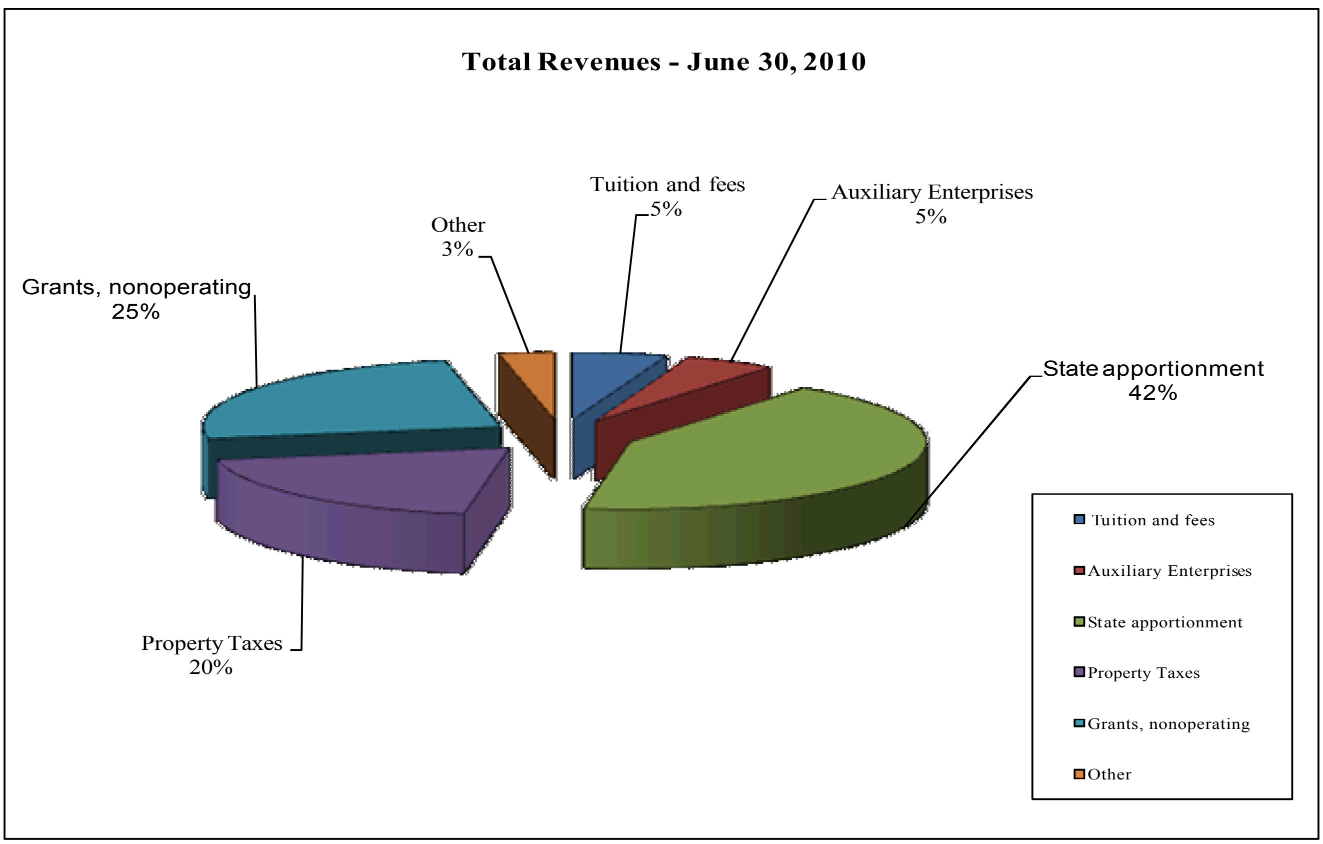
Operating Revenues	2010	2009	Change	2008	Change
Tuition and fees	$ 4,073,469	$ 4,334,726	$ (261,257)	$ 3,790,764	$ 543,962
Auxiliary sales and charges	3,945,539	1,337,097	2,608,442	753,853	583,244
Total Operating Revenues	8,019,008	5,671,823	2,347,185	4,544,617	1,127,206
Operating Expenses					
Salaries	33,612,620	34,304,656	(692,036)	33,090,262	1,214,394
Employee benefits	14,059,112	11,554,471	2,504,641	12,486,706	(932,235)
Supplies, Materials, Other Operating Expenses and Services	26,511,061	21,097,642	5,413,419	20,217,176	880,466
Depreciation	3,146,839	2,580,540	566,299	2,447,611	132,929
Total Operating Expenses	77,329,632	69,537,309	7,792,323	68,241,755	1,295,554
Loss on Operations	(69,310,624)	(63,865,486)	(5,445,138)	(63,697,138)	(168,348)
Nonoperating Revenues					
State apportionments, noncapital	34,070,997	36,154,632	(2,083,635)	32,575,523	3,579,109
Local property taxes	15,787,979	17,550,839	(1,762,860)	11,508,458	6,042,381
Federal	12,748,093	6,422,503	6,325,590	5,531,488	891,015
State	5,254,026	4,886,918	367,108	5,476,916	(589,998)
Local	1,961,619	2,570,899	(609,280)	1,649,935	920,964
State taxes and other revenues	1,130,109	1,088,500	41,609	8,502,430	(7,413,930)
Investment income	611,958	1,521,996	(910,038)	3,977,969	(2,455,973)
Interest Expense on Capital Asset-Related Debt	(5,278,045)	(6,450,564)	1,172,519	(5,340,507)	(1,110,057)
Other nonoperating revenues (expenses)	(23,014)	-	(23,014)	15,063	(15,063)
Total Nonoperating Revenue	66,263,722	63,745,723	2,517,999	63,897,275	(151,552)
GAIN (LOSS) BEFORE CAPITAL REVENUES	(3,046,902)	(119,763)	(2,927,139)	200,137	(319,900)
CAPITAL REVENUES					
State and local capital income	-	135,600	(135,600)	218,369	(82,769)
Grants and gifts, capital	648,464	27,657	620,807	54,710	(27,053)
TOTAL CAPITAL REVENUES	648,464	163,257	485,207	273,079	(109,822)
INCREASE (DECREASE) IN NET ASSETS	(2,398,438)	43,494	(2,441,932)	473,216	(429,722)
NET ASSETS BEGINNING OF YEAR	32,034,546	31,991,052	43,494	34,166,721	(2,175,669)
PRIOR YEAR ADJUSTMENT	-	-	-	(2,648,885)	2,648,885
NET ASSETS END OF YEAR	$ 29,636,108	$ 32,034,546	$ (2,398,438)	$ 31,991,052	$ 43,494

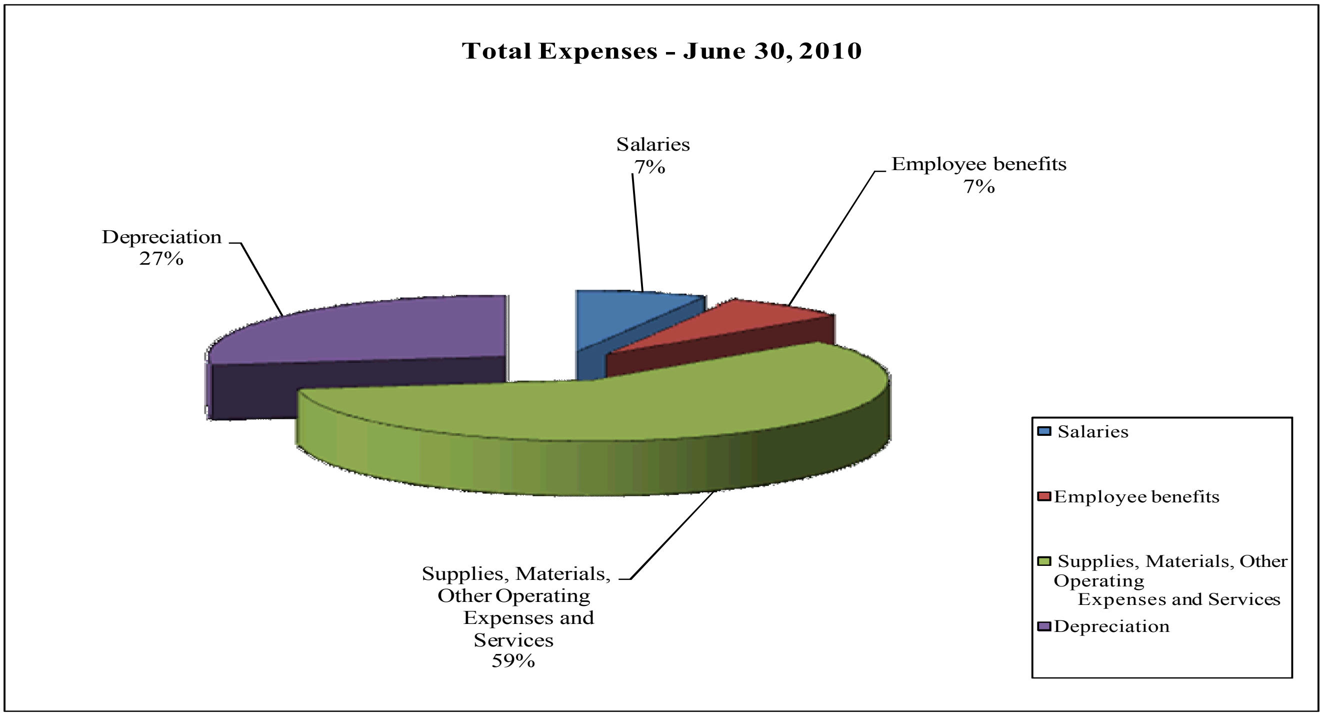
Significant revenue changes between 2009 and 2010 include:

- An increase in auxiliary sales, net of cost of goods sold, in the Bookstore operation
- State apportionment declined due to audit adjustment posted in prior year. In 2007-08, a large State apportionment payable back to the state was booked as an audit adjustment. By year end 2008-09, it was determined that the State was in fact not owed these monies. The payable of $1,800,000 was reversed as an audit adjustment, reducing accounts payable and increasing apportionment revenue.
- Local property taxes declined, similar to other California counties, due to the recent housing valuation downturn. These declines in property taxes are typically backfilled by the State with their apportionment revenues, as long as the State's overall property tax revenue estimates are valid.
- Federal funding increased due to various grants, ARRA funding, and increased Pell Grants due to the increase in per-unit fees charged to students.
- Investment income declined due to the continuing decline in cash balances earning interest.

Significant expenditure variances include:

- Employee benefits increased substantially due to the ever-increasing, uncapped health and welfare benefit rates.
- Supplies, services and other operating expenditures increased significantly. This line item includes financial aid provided to students. The significant increase is in the Financial Aid expenditures in Fund 74, not in supplies and operating expense.





Changes in Cash Position

Table 4

	2010	2009	Change	2008	Change
Cash Provided by (Used in)					
Operating activities	$ (73,559,754)	$ (57,639,898)	$ (15,919,856)	$ (49,039,854)	$ (8,600,044)
Noncapital financing activities	62,754,977	58,653,890	4,101,087	52,664,263	5,989,627
Capital financing activities	(15,169,299)	(27,418,988)	12,249,689	(27,923,327)	504,339
Investing activities	-	152,996	(152,996)	3,995,906	(3,842,910)
Net Increase (Decrease) in Cash	(25,974,076)	(26,252,000)	277,924	(20,303,012)	(5,948,988)
Cash, Beginning of Year	58,840,110	85,092,110	(26,252,000)	105,395,122	(20,303,012)
Cash, End of Year	$ 32,866,034	$ 58,840,110	$ (25,974,076)	$ 85,092,110	$ (26,252,000)

Major decreases to the cash position of the district resulted from continued capital project expenditures and increased cash deferrals from the State. Deficit spending accounted for the remaining declines in cash balances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

A significant amount of construction projects were completed during the year, including construction in progress from the last two years. The two primary completed projects were the Vallejo Center and the Vacaville Center – beautiful buildings serving students in those communities who no longer must drive to the Fairfield campus to receive their education.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 50,281,195	$ 17,807,910	$ 61,564,750	$ 6,524,355
Buildings and improvements	81,149,447	57,954,597	-	139,104,044
Equipment and furniture	11,005,773	871,382	633,407	11,243,748
Subtotal	142,436,415	76,633,889	62,198,157	156,872,147
Accumulated depreciation	27,140,437	3,146,839	601,576	29,685,700
	$ 115,295,978	$ 73,487,050	$ 61,596,581	$ 127,186,447

Obligations

Long-term debt includes general obligation bonds outstanding, leases payable, employee compensated absences, and retirement obligations.

All general obligation bonds authorized by the 2002 ballot measure have been issued, so no new long-term debt issuances occurred during the year. General obligation bonds outstanding increased due to the accretion of interest on capital appreciation bonds, and decreased due to payment of annual scheduled debt service payments.

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 127,263,047	$ 1,945,623	$ 3,994,081	$ 125,214,589
Compensated absences	1,275,090	34,889	70,570	1,239,409
Capital leases	546,992	-	64,099	482,893
Supplemental retirement plan	-	873,890	-	873,890
OPEB liability	7,640,844	1,509,429	1,671,196	7,479,077
Total Long-Term Debt	$ 136,725,973	$ 4,363,831	$ 5,799,946	$ 135,289,858
Amount due within one year				$ 4,561,069

BUDGETARY HIGHLIGHTS

The State of California with its structural budget deficit, continues to surprise and disappoint districts with its funding scenarios and shortfalls. Increasing levels of intra and inter year apportionment deferrals make cash flows a concern for all California school and community college districts, the District was able to work with the County Treasurer and Auditor-Controller to cover any temporary cash deficiencies, allowing the District to focus on operations and balancing the budget. While this document does not address the status of the budget, District administration is very much aware of the continued squeeze on funding and the need for diligent budget monitoring, planning and adjustments.

Currently, the District is working through the shared governance process to identify necessary budget cuts for the current and budget year (2011-12). All areas of spending are on the table, so to speak, with nothing sacred or protected from cuts.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

The absence of state apportionment cost-of-living-adjustments in 2008-09, 2009-10 and again in the 2010-11 fiscal year has placed the District in the position of significantly reducing expenditures in each of those years in order to accommodate mandated cost increases for expenditures such as utilities, employee health benefits, retiree pension contribution, etc. The statewide “re benching” of the FTES base in 2009-10 resulted in revenue loss of approximately $1.5 million or 3.3% of total apportionment revenue for the Solano Community College District.

Enrollment growth has been funded sporadically even though demand for educational services has remained very strong. In 2009-10 the district served 9,543 full-time equivalent students which was 580 over the funded level. The Solano Community College District Board and Leadership remains committed to assuring access for residents of the college district service area. This has been done in the face of declining resources. The district continues to reallocate and reassign resources in order to fulfill its primary mission and to fund mission critical initiatives and services. As a result of action that has been taken to mitigate the impact of lost revenue and cost increases, services have been impacted and are likely to be in the future.

The state is projected to have a $25 billion budget deficit in 2011-12. Governor Brown has proposed a $400 million statewide reduction to community college budgets which means the potential of additional revenue loss to the Solano Community College district of between $2.4 million and $6.6 million depending upon the success or not of a statewide tax initiative and status of Proposition 98 guarantee.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Solano Community College District, Yulian Ligioso, Vice President of Finance & Administration.

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,515,957	$ 9,074,335
Accounts receivable, net	14,012,249	11,349,439
Prepaid expenses	699,055	218,064
Stores inventories	893,370	769,684
Total Current Assets	18,120,631	21,411,522
Noncurrent Assets		
Restricted cash and cash equivalents	30,350,077	49,765,775
Nondepreciable capital assets	6,524,355	50,281,195
Depreciable capital assets, net of depreciation	120,662,092	65,014,783
Total Noncurrent Assets	157,536,524	165,061,753
TOTAL ASSETS	175,657,155	186,473,275
LIABILITIES		
Current Liabilities		
Accounts payable	3,582,405	10,577,251
Interest payable	1,567,582	1,593,415
Deferred revenue	5,581,202	5,052,353
Amounts held in trust custody on behalf of others	-	468,970
Deferred bond premium - current portion	479,081	479,356
Lease obligations - current portion	82,210	79,748
Supplemental retirement plan - current portion	174,778	-
Bonds payable - current portion	3,825,000	3,602,092
Total Current Liabilities	15,292,258	21,853,185
Noncurrent Liabilities		
Deferred bond premium	5,968,878	6,468,451
Compensated absences payable - noncurrent portion	1,239,409	1,275,090
OPEB liability - noncurrent portion	7,479,077	7,640,844
Lease obligations - noncurrent portion	400,683	467,244
Supplemental retirement plan - noncurrent portion	699,112	-
Bonds payable - noncurrent portion	114,941,630	116,733,915
Total Noncurrent Liabilities	130,728,789	132,585,544
TOTAL LIABILITIES	146,021,047	154,438,729
NET ASSETS		
Invested in capital assets, net of related debt	24,357,722	33,486,496
Restricted for:		
Debt service	5,493,407	-
Capital projects	3,190,175	2,649,095
Unrestricted	(3,405,196)	(4,101,045)
TOTAL NET ASSETS	$ 29,636,108	$ 32,034,546

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student Tuition and Fees	$ 6,128,523	$ 6,272,366
Less: Scholarship discount and allowance	(2,055,054)	(1,937,640)
Net tuition and fees	4,073,469	4,334,726
Auxiliary Enterprise Sales and Charges		
Bookstore	3,945,539	1,337,097
TOTAL OPERATING REVENUES	8,019,008	5,671,823
OPERATING EXPENSES		
Salaries	33,612,620	34,304,656
Employee benefits	14,059,112	11,554,471
Supplies, materials, and other operating expenses	26,511,061	21,097,642
Depreciation	3,146,839	2,580,540
TOTAL OPERATING EXPENSES	77,329,632	69,537,309
OPERATING LOSS	(69,310,624)	(63,865,486)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	34,070,997	36,154,632
Local property taxes, levied for general purposes	9,037,223	10,183,937
Taxes levied for other specific purposes	6,750,756	7,366,902
Federal grants	12,748,093	6,422,503
State grants	5,254,026	4,886,918
Local grants and other revenues	1,961,619	2,570,899
State taxes and other revenues	1,130,109	1,088,500
Investment income	611,958	1,521,996
Interest expense on capital related debt	(5,278,045)	(6,450,564)
Transfer to agency fund	(23,014)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	66,263,722	63,745,723
INCOME BEFORE OTHER REVENUES AND EXPENSES	(3,046,902)	(119,763)
State revenues, capital	-	135,600
Local revenues, capital	648,464	27,657
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	648,464	163,257
CHANGE IN NET ASSETS	(2,398,438)	43,494
NET ASSETS, BEGINNING OF YEAR	32,034,546	31,991,052
NET ASSETS, END OF YEAR	$ 29,636,108	$ 32,034,546

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,760,466	$ 4,334,726
Payments to vendors for supplies and services	(22,402,658)	(10,813,475)
Payments to or on behalf of employees	(46,905,897)	(46,342,870)
Payments to students for scholarships and grants	(11,797,319)	(6,155,376)
Auxiliary enterprise sales and charges:	3,939,548	1,337,097
Other operating receipts (payments)	(153,894)	-
Net Cash Flows From Operating Activities	(73,559,754)	(57,639,898)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	33,519,042	35,600,262
Grant and contracts	19,963,738	9,913,036
Property taxes - nondebt related	9,037,223	10,183,937
State taxes and other apportionments	582,373	1,088,500
Other nonoperating	(347,399)	1,868,155
Net Cash Flows From Noncapital Financing Activities	62,754,977	58,653,890
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(15,069,139)	(25,153,179)
Proceeds from sale of capital assets	37,822	239
State revenue, capital projects	648,464	135,600
Local revenue, capital projects	-	27,657
Property taxes - related to capital debt	6,750,756	7,366,902
Principal paid on capital debt	(4,078,947)	(3,345,643)
Interest paid on capital debt	(3,458,255)	(6,450,564)
Net Cash Flows From Capital Financing Activities	(15,169,299)	(27,418,988)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	-	152,996
Net Cash Flows From Investing Activities	-	152,996
NET CHANGE IN CASH AND CASH EQUIVALENTS	(25,974,076)	(26,252,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	58,840,110	85,092,110
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 32,866,034	$ 58,840,110

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (69,310,624)	$ (63,865,486)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation and amortization expense	3,146,839	2,580,540
Changes in Assets and Liabilities:		
Receivables	(232,660)	(1,797,211)
Student receivables		
Stores inventories	(126,866)	(12,860)
Prepaid expenses	(480,991)	(37,466)
Notes receivables, net		
Accounts payable and accrued liabilities	(6,615,331)	3,435,213
Deferred revenue	528,849	1,797,211
Funds held for others	(468,970)	260,161
Total Adjustments	(4,249,130)	6,225,588
Net Cash Flows From Operating Activities	$ (73,559,754)	$ (57,639,898)

	2010	2009
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 1,706,332	$ 8,689,932
Cash equivalents, County Cash	30,948,902	49,960,743
Cash equivalents, Local Agency Investment fund	210,800	189,435
Total Cash and Cash Equivalents	$ 32,866,034	$ 58,840,110
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 779,000	$ 846,735

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009

	2010		2009	
	Trust	Agency Funds	Trust	Agency Funds
ASSETS				
Cash and cash equivalents	$ 751,777	$ 137,588	$ 333,383	$ 135,587
Investments	15,786	-	-	-
Accounts receivable, net	1,690	5,390	1,660	1,943
Due from other funds	-	-	44,424	18,035
Total Assets	769,253	$ 142,978	379,467	$ 155,565
LIABILITIES				
Accounts payable	10,513	$ -	13,680	$ -
Due to other funds	-	-	2,069	-
Deferred revenue	-	8,255	-	5,182
Due to student groups	-	134,723	-	150,383
Total Liabilities	10,513	$ 142,978	15,749	$ 155,565
NET ASSETS				
Reserved	271,995		134,721	
Unreserved	486,745		228,997	
Total Net Assets	$ 758,740		$ 363,718	

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
ADDITIONS	**Trust**	**Trust**
Local revenues	$ 735,229	$ 464,833
Total Additions	735,229	464,833
DEDUCTIONS		
Services and operating expenditures	340,207	420,869
Total Deductions	340,207	420,869
Change in Net Assets	395,022	43,964
Net Assets - Beginning	363,718	319,754
Net Assets - Ending	$ 758,740	$ 363,718

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

DISCRETELY PRESENTED COMPONENT UNIT
SOLANO COMMUNITY COLLEGE THEATRE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 152,081	$ 60,543
TOTAL ASSETS	$ 152,081	$ 60,543
LIABILITIES AND NET ASSETS		
NET ASSETS		
Unrestricted	$ 81,127	$ 39,473
Temporarily restricted	70,954	21,070
TOTAL NET ASSETS	152,081	60,543
TOTAL LIABILITIES AND NET ASSETS	$ 152,081	$ 60,543

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

DISCRETELY PRESENTED COMPONENT UNIT
SOLANO COMMUNITY COLLEGE THEATRE ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Program service fees	$ 996,312	$ -	$ 996,312	$ 1,229,768
Donations	-	48,250	48,250	9,236
Souvenir sales	60,172	15,928	76,100	13,997
Miscellaneous income	11,788	-	11,788	-
Release of restrictions	14,294	(14,294)	-	-
Total Revenues	1,082,566	49,884	1,132,450	1,253,001
EXPENSES				
Program expenses	1,001,540	-	1,001,540	1,209,300
Operating expenses	32,440	-	32,440	41,354
Fundraising expenses	6,932	-	6,932	9,930
Total Expenses	1,040,912	-	1,040,912	1,260,584
CHANGE IN NET ASSETS	41,654	49,884	91,538	(7,583)
NET ASSETS, BEGINNING OF YEAR	39,473	21,070	60,543	68,126
NET ASSETS, END OF YEAR	$ 81,127	$ 70,954	$ 152,081	$ 60,543

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

SOLANO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
SOLANO COLLEGE THEATRE ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 91,538	$ (7,583)
NET CHANGE IN CASH AND CASH EQUIVALENTS	91,538	(7,583)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	60,543	68,126
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 152,081	$ 60,543

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

NOTE 1 - ORGANIZATION

Solano Community College District (the District) was established in 1945 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and two education centers located within Solano, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- Solano College Theatre Association

  The Solano College Theatre Association (the Association) is a legally separate, tax-exempt component unit of the District. The Association acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Association consists of community members, alumni, and other supporters of the Association. Although the District does not control the timing or amount of receipts from the Association, the majority of resources, or income thereon, that the Association holds and invests meet the direct benefit and ability to access criteria of GASB Statement 39. Because these restricted resources held by the Association provide direct benefit and ability to access criteria, the Association is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Association is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Association is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Association's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made,* and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Association's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Association's financial statements have been incorporated into the District's notes to the financial statements.

Financial statements for the Association can be obtained from the Association's Business Office at 4000 Suisun Valley Road, Fairfield, California 94534.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $166,756 and $97,053 for the years ended June 30, 2010 and 2009, respectively.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District agreements include a provision that overload or underload be adjusted within three semester periods.

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

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Current Loans

Current loans consist of amounts outstanding for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability was repaid by June 30, 2010.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

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

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California.

Estimates

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

Property Taxes

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.* During the year ended June 30, 2010 and 2009, the District distributed $2,304,000 and $4,362,026 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Association Presentation

The Solano College Theatre Association presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Association does not use fund accounting.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Association and/or the passage of time.

Unrestricted Net Assets: Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with SFAS No. 157.

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
County Pooled Investment Funds	N/A	None	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Business-type activities	$ 32,866,034
Fiduciary funds	905,151
Total Deposits and Investments	$ 33,771,185

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	$ 2,191,240
Cash in revolving	77,876
Investments	31,502,069
Total Deposits and Investments	$ 33,771,185

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and LAIF.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	$ 31,291,269	1.00
State Investment Pool	210,800	0.56
Total	$ 31,502,069	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor they been rated as of June 30, 2010.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Disclosure of amounts in one issuer that represent five percent or more of total investments is not required for the District's investments in the County pool and LAIF.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, approximately $580,000 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	2010	2009
Federal Government		
Categorical aid	$ 384,073	$ 699,149
State Government		
Apportionment	7,383,981	7,661,924
Categorical aid	691,572	450,440
Lottery	306,604	-
Local Sources		
Student receivables, net	1,891,371	1,560,919
Other local sources	3,354,648	977,007
Total	$ 14,012,249	$ 11,349,439
Student receivables	$ 2,058,127	$ 1,657,972
Less allowance for bad debt	(166,756)	(97,053)
Student receivables, net	$ 1,891,371	$ 1,560,919

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

The District paid for July 2010 health insurance and workers compensation insurance prior to June 30, 2010.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,524,355	$ -	$ -	$ 6,524,355
Construction in progress	43,756,840	17,807,910	61,564,750	-
Total Capital Assets Not Being Depreciated	50,281,195	17,807,910	61,564,750	6,524,355
Capital Assets Being Depreciated				
Land improvements	7,838,760	845,139	-	8,683,899
Buildings	67,266,682	57,109,458	-	124,376,140
Building improvements	6,044,005	-	-	6,044,005
Furniture and equipment	11,005,773	871,382	633,407	11,243,748
Total Capital Assets Being Depreciated	92,155,220	58,825,979	633,407	150,347,792
Total Capital Assets	142,436,415	76,633,889	62,198,157	156,872,147
Less Accumulated Depreciation				
Land improvements	3,196,604	260,216	-	3,456,820
Buildings	15,492,702	1,940,374	(959)	17,434,035
Building improvements	668,807	302,200	-	971,007
Furniture and equipment	7,782,324	644,049	602,535	7,823,838
Total Accumulated Depreciation	27,140,437	3,146,839	601,576	29,685,700
Net Capital Assets Being Depreciated	65,014,783	55,679,140	31,831	120,662,092
Net Capital Assets	$ 115,295,978	$ 73,487,050	$ 61,596,581	$ 127,186,447

Depreciation expense for the year was $3,146,839.

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,524,355	$ -	$ -	$ 6,524,355
Construction in progress	18,842,622	24,914,218	-	43,756,840
Total Capital Assets Not Being Depreciated	25,366,977	24,914,218	-	50,281,195
Capital Assets Being Depreciated				
Land improvements	7,838,760	-	-	7,838,760
Buildings	67,266,682	-	-	67,266,682
Building improvements	6,044,005	-	-	6,044,005
Furniture and equipment	10,768,010	238,961	1,198	11,005,773
Total Capital Assets Being Depreciated	91,917,457	238,961	1,198	92,155,220
Total Capital Assets	117,284,434	25,153,179	1,198	142,436,415
Less Accumulated Depreciation				
Land improvements	2,937,512	259,092	-	3,196,604
Buildings	14,116,767	1,376,894	959	15,492,702
Building improvements	366,607	302,200	-	668,807
Furniture and equipment	7,139,970	642,354	-	7,782,324
Total Accumulated Depreciation	24,560,856	2,580,540	959	27,140,437
Net Capital Assets	$ 92,723,578	$ 22,572,639	$ 239	$ 115,295,978

Depreciation expense for the year was $2,580,540.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010	2009
Accrued payroll	$ 1,245,111	$ 1,155,718
Other	2,337,294	9,421,533
Total	$ 3,582,405	$ 10,577,251

NOTE 8 - SHORT-TERM BORROWING

At June 30, 2010, the District had no amounts outstanding for Tax and Revenue Anticipation Notes. On July 21, 2009, the District issued $2,225,000 in Tax and Revenue Anticipation Notes. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 25, 2010

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2009-10 TRANS	$ -	$ 2,225,000	$2,225,000	$ -

NOTE 9 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	2010	2009
Federal financial assistance	$ 203,752	$ 2,210,376
State categorical aid	2,001,227	824,501
Enrollment fees	2,034,925	2,017,476
Other local	1,341,298	-
Total	$ 5,581,202	$ 5,052,353

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Balances owing between funds at year-end were for loans between funds for cash flow purposes. Interfund balances at June 30, 2010 and 2009, have been eliminated in the consolidation process.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 120,336,007	$ 1,945,623	$ 3,515,000	$ 118,766,630	$ 3,825,000
Bond premiums	6,927,040	-	479,081	6,447,959	479,081
Total Bonds and Notes Payable	127,263,047	1,945,623	3,994,081	125,214,589	4,304,081
Other Liabilities					
Compensated absences	1,275,090	34,889	70,570	1,239,409	-
Capital leases	546,992	-	64,099	482,893	82,210
Supplemental retirement plan	-	873,890	-	873,890	174,778
OPEB Liability	7,640,844	1,509,429	1,671,196	7,479,077	-
Total Other Liabilities	9,462,926	2,418,208	1,805,865	10,075,269	256,988
Total Long-Term Debt	$ 136,725,973	$ 4,363,831	$ 5,799,946	$ 135,289,858	$ 4,561,069

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 122,656,580	$ 909,427	$ 3,230,000	$ 120,336,007	$ 3,602,092
Student center revenue bonds	27,200	-	27,200	-	-
Bond premiums	7,406,121	-	479,081	6,927,040	479,356
Total Bonds and Notes Payable	130,089,901	909,427	3,736,281	127,263,047	4,081,448
Other Liabilities					
Compensated absences	1,171,065	113,639	9,614	1,275,090	-
Capital leases	635,435	-	88,443	546,992	79,748
OPEB Liability	7,901,005		260,161	7,640,844	-
Total Other Liabilities	9,707,505	113,639	358,218	9,462,926	79,748
Total Long-Term Debt	$ 139,797,406	$ 1,023,066	$ 4,094,499	$ 136,725,973	$ 4,161,196

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The capital leases are paid by the general fund. The compensated absences, supplemental retirement plan, and OPEB liability will be paid by the fund for which the employee worked.

General Obligations Bonds

General obligation bonds were approved by a local election in 2002. The total amount approved by the voters was $124,500,000.

In May 2003, the District issued 2002 General Obligation Bonds, Series A 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.

In May 2005, the District issued 2002 General Obligation Bonds, Series B in the amount of $44,495,279 for the purpose of construction and repairing college education facilities. The final maturity date of the bonds is August 1, 2031.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Accreted	Redeemed	Bonds Outstanding June 30, 2010
Mar-05	8/1/2022	3.0-5.0%	$ 81,349,812	$ 73,484,834	$ 366,922	$ 3,010,000	$ 70,841,756
Sep-06	8/1/2031	4.0-5.0%	44,495,279	46,851,173	1,578,701	505,000	47,924,874
				$120,336,007	$ 1,945,623	$ 3,515,000	$ 118,766,630

Debt Maturity

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2011	$ 3,825,000	$ -	$ 3,691,292	$ 7,516,292
2012	4,160,000	-	3,537,147	7,697,147
2013	4,520,000	-	3,363,547	7,883,547
2014	4,900,000	-	3,175,147	8,075,147
2015	5,300,000	-	2,971,160	8,271,160
2016-2020	33,447,169	242,831	10,902,030	44,349,199
2021-2025	26,158,033	9,845,967	16,300,590	42,458,623
2025-2029	17,362,448	30,657,552	33,617,937	50,980,385
2030-2031	12,757,441	6,742,559	4,103,654	16,861,095
Total	112,430,091	$ 47,488,909	$ 81,662,504	$ 194,092,595
Accretions to date	6,336,539			
Total	$ 118,766,630			

Capital Lease Obligations

The District has entered into various lease-purchase agreements for equipment originally valued at $1,200,000 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.

Capital improvements	$ 1,200,000
Less: Estimated accumulated depreciation	(240,000)
Total	$ 960,000

Year Ending June 30,	Lease Payment
2011	$ 96,526
2012	96,526
2013	96,526
2014	96,526
2015	96,526
2016	37,015
Total	519,645
Less: Amount Representing Interest	36,752
Present Value of Minimum Lease Payments	$ 482,893

Supplemental Retirement Plan

The district by board resolution offered a Supplementary Retirement Plan through PARS (Public Agency Retirement Services) effective April 21, 2010. Seventeen faculty, staff and administrators participated in the program and have retired. The district will fund the annuity premiums as follows:

Year Ending June 30,	
2011	$ 174,778
2012	174,778
2013	174,778
2014	174,778
2015	174,778
Total	$ 873,890

Other Postemployment Benefit Obligation

The District's annual required contribution for the year ended June 30, 2010, was $1,509,429, and contributions made by the District during the year were $1,671,196, which resulted in a net OPEB obligation of ($161,767). See Note 12 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

	Faculty	Classified	Management	Operating Engineers
Benefit types provided	Medical, dental and vision *	Medical, dental and vision *	Medical, dental and vision *	Medical, dental and vision *
Duration of Benefits	10 years **	5, 8, or 10 years **	5, 8, or 10 years **	5, 8, or 10 years **
Required Service	15 years ***	10 years	10 years	10 years
Minimum Age	55	50	50	50
Dependent Coverage	Spouse	Spouse	Spouse	Spouse
District Contribution %	100%	100%	100%	100%
District Cap	None	None	None	None

* Some retirees do not receive all three benefit types.

**Retirees electing coverage for less than 10 years receive cash payments depending on the duration elected. Retirees may waive retiree health benefits in exchange for cash payments. Faculty and management may waive dental benefits in exchange for cash payments.

***Faculty hired before July 1, 2004 only need 10 years of service

Plan Description

The District Plan provides medical and dental, and vision insurance benefits to eligible retirees and their spouses. Membership in the Plan consists of 95 retirees and beneficiaries currently receiving benefits, and 350 active plan members. The District is a member of the California Community College League Retiree Health Benefit Program, which is an investment program used to set aside funds for future retiree benefits. Separate financial statements for the Investment Trust can be obtained by contacting the California Community College League Retiree Health Benefit Program at 2017 O Street, Sacramento CA 95811.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2009-2010, the District paid $1,438,196 in pay as you go health premiums and contributed an additional $233,000 to the JPA Investment Trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 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 accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed through payment of pay as you go amounts and contributions to the Investment Trust, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,509,429
Total contributions	(1,671,196)
Increase (decrease) in net OPEB obligation	(161,767)
Net OPEB obligation, July 1, 2009	7,640,844
Net OPEB obligation, June 30, 2010	$ 7,479,077

The annual OPEB cost, the percentage of annual OPEB cost contributed through pay as you go amounts and to the Investment Trust, and the net OPEB obligation for the past two years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
June, 2010	$ 1,509,429	$ 1,671,196	110.7%	$ 7,479,077
June, 2009	1,509,429	260,161	17%	7,640,844

Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves 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 contribution 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, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Investment Trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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 the 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 values 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 of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates 4 percent. The UAAL is being amortized using the level percent of payroll method. The remaining amortization period at June 30, 2010, was 23 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2010, the District contracted with the Northern Community Colleges Self Insurance Authority, a Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2009-2010, the District participated in the Northern Community Colleges Self Insurance Authority Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
Northern Community Colleges Self Insurance Authority	Workers' Compensation	Statutory Limits
Northern Community Colleges Self Insurance Authority	Liability	$ 25,000,000
SAFER	Excess Liability	$25,000,000 - $50,000,000
Northern Community Colleges Self Insurance Authority	Property	$ 250,000,000

Employee Medical Benefits

The District has contracted with Kaiser, Blue Shield, and Healthnet to provide employee medical benefits. Rates are set through an annual calculation process. The District pays a monthly premium based on plan membership.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members are required to contribute 8.0 percent 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were $1,505,322, $1,499,622, and $1,569,981, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over $133.33 if the member participates in Social Security), and 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 CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were $1,024,860, $990,330, and $942,004, respectively, and equaled 100 percent of the required contributions for each year.

Tax Deferred Annuity

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

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $779,000 (4.267 percent) of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Northern California Community Colleges Self Insurance Authority and the California Community College League Retiree Health Benefit Program, Joint Powers Authorities. The District pays annual premiums for its property and liability coverage and a fee to use the retirement plan investment trust. The relationship between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPA and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2010, the District made payments of $971,989 to the Northern California Community Colleges Self Insurance Authority.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2010.

Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Vacaville center	$ 560,000	04/30/11
Building 1300	310,000	12/31/11
	$ 870,000	

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

Deferral of State Apportionments

The State legislature has not enacted a budget as of June 30, 2010. As a result, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was $5,790,658. As of the date of the audit report, the entire amount has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2008	$ 937,234	$ 14,444,447	$ 13,507,213	6.5%	$ 34,304,656	39.4%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2010

Solano Community College District was established in 1945, and is comprised of one 192 acre campus and two education centers located in Vacaville, and Vallejo in Solano County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Denis Honeychurch	President	2014
A. Marie Young	Vice President	2014
Sarah E. Chapman	Member	2014
James M. Claffey	Member	2012
Pam Keith	Member	2014
Phil McCaffrey	Member	2012
Rosemary Thurston	Member	2012
John Glidden	Student Trustee	2011
Tom Henry	Special Trustee	Not applicable

ADMINISTRATION

Jowel C. Laguerre, Ph D.	Secretary
Roy V. Stutzman	Consultant, Finance and Administration
Terri R. Ryland	Consultant, Fiscal Services

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Veteran Assistance Title 38	84.111	[1]	$ 2,854
STUDENT FINANCIAL AID CLUSTER			
Supplemental Educational Opportunity Grant (SEOG)	84.007	[1]	248,378
Pell Grant	84.063	[1]	8,319,409
Student Financial Aid Administrative Allowance	84.063	[1]	12,795
Federal Work Study Program	84.033	[1]	224,095
ARRA - Federal Work Study	84.033	[1]	47,418
Federal Direct Student Loans	84.268	[1]	2,304,000
Academic Competitiveness Grant (ACG)	84.375	[1]	28,670
Passed through California State Chancellors Office			
ARRA - State Fiscal Stabilization Funds	84.394	25008	173,433
Career and Technical Education - Basic Grants to States	84.048	03303	378,885
Career and Technical Education - Tech Prep Education	84.243	03207	67,750
Total U.S. Department of Education			11,807,687
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Post-9/11 Veterans Educational Assistance	64.028	[1]	164,711
U.S DEPARTMENT OF LABOR			
Passed through the Employment Development Department			
ARRA - WIA Green Education	17.258	[2]	19,479
Passed through Napa Valley Community College			
WIA Nurse Expansion	17.258	[2]	288,300
Total U.S. Department of Labor			307,779
U.S. DEPARTMENT OF ENERGY			
Passed through the Employment Development Department			
ARRA - State Energy Program - Energy Commission - Workforce Training Program	81.041	[2]	86,620
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	03628	61,380
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ARRA - Child Care Facilities Renovation and Repair	93.713	15011	4,749
Federal General Child Care and Development CCTR	93.596	13609	131,410
Foster Care Title IV-E	93.658	10011	106,796
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			
Passed through California State Chancellors Office			
ARRA - Emergency Contingency Fund TANF State Programs - Work Study	93.714	[2]	2,410
Temporary Assistance for Needy Families (TANF)	93.558	[2]	51,464
ARRA - TANF Supplemental Grants - Work Study & Job Development	93.716	[2]	23,087
Total U.S. Department of Health and Human Services			319,916
			$12,748,093

[1] Pass through number not applicable.
[2] Pass through number not available.

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
Basic Skills - On Going	$ 90,000	$ 28,116	$ 118,116	$ 118,116	$ -	$ 63,941	$ 54,175	$ 54,175
Cal Works	198,303	-	198,303	198,303	-	-	198,303	198,303
Cal Grants	417,414	-	417,414	401,782	4,696	-	406,478	415,322
CTE - Career Strengthening	-	427,270	427,270	427,270	-	387,853	39,417	39,417
CTE - Nurse Equipment	14,282	44,910	59,192	14,282	44,910	-	59,192	59,192
CARE	49,977	33,082	83,059	83,059	-	9,765	73,294	73,294
CTE 07-170-020	-	427,780	427,780	427,780	-	374,174	53,606	53,606
CTE 08-140-281	-	282,764	282,764	-	203,015	-	203,015	203,015
CTE 08-141-281	-	13,664	13,664	-	9,899	-	9,899	9,899
CTE 09-140	309,990	-	309,990	-	41,341	-	41,341	41,341
CTE 09-141	78,874	-	78,874	-	-	-	-	-
CTE 09-142	150,000	-	150,000	-	-	-	-	-
CDC WORKs	40,585	49	40,634	26,448	14,186	-	40,634	40,634
CCDAA AB212	-	1,494	1,494	1,494	-	-	1,494	1,494
Disabled Students Programs and Services	503,787	-	503,787	503,787	-	-	503,787	503,787
Economic Development - SBDC	274,373	53,389	327,762	209,027	108,734	64,891	252,870	265,369
Extended Opportunity Program and Services	311,639	111,807	423,446	423,446	-	176,976	246,470	246,470
Foster and Kinship Care	115,248		115,248	49,116	66,132	-	115,248	115,248
Instructional Equipment, on going	-	169,147	169,147	169,147	-	155,276	13,871	13,871
Instructional Equipment, one time	-	52,668	52,668	52,668	-	50,766	1,902	1,902
Lottery - Prop. 20	171,723	222,807	394,530	235,899	158,631	366,902	27,628	27,628
Matriculation - Credit	298,449	227,809	526,258	526,258	-	-	526,258	526,258
Matriculation - Non-Credit	180	-	180	180	-	-	180	180
MESA	50,568	-	50,568	37,926	12,642	-	50,568	50,568
Nurse Education	39,807	442,208	482,015	-	108,789	-	108,789	108,789
Nurse: CTE Faculty Recruitment	-	116,305	116,305	33,438	17,041	-	50,479	50,479
Nurse Enrollment Growth	-	20,718	20,718	20,718	-	-	20,718	20,718
Renovation and Repair	20,597	1,683	22,280	1,683	20,597	-	22,280	22,280
Staff Diversity	5,852	2,538	8,390	8,390	-	8,390	-	-
State Block Grant	-	1,170	1,170	1,170	-	1,170	-	-
Staff Development	-	45,693	45,693	45,693	-	45,693	-	-
Student Financial Aid Administrative Allowance	315,185	-	315,185	315,185	-	-	315,185	315,185
Scheduled Maintenance - On Going	-	121,658	121,658	121,658	-	121,658	-	-
Scheduled Maintenance - One Time	-	229,384	229,384	229,384	-	155,218	74,166	74,166
State Meal Program	14,246	-	14,246	9,951	-	-	9,951	9,951
State General Child Care	161,884	-	161,884	161,884	-	-	161,884	161,884
State Preschool - CSPP	426,330	-	426,330	386,740	39,590	-	426,330	426,330
Transfer Education and Articulation	-	2,959	2,959	2,959	-	1,631	1,328	1,328
TTIP	-	16,923	16,923	16,923	-	16,923	-	-
Subtotal	$4,059,293	$3,097,995	$7,157,288	$5,261,764	$ 850,203	$2,001,227	$4,110,740	$ 4,132,083

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2010

CATEGORIES	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	1,065	-	1,065
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	9	-	9
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,258	-	7,258
(b) Daily Census Contact Hours	354	-	354
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	12	-	12
(b) Credit	505	-	505
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Contact Hours	234	-	234
(b) Daily Census Contact Hours	105	-	105
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	9,543	-	9,543
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	9	-	9
2. Credit	521	-	521
	530	-	530

* Annual report revised as of October 1, 2010.

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	Unrestricted General Fund	Restricted General Fund	Bond Interest and Redemption Fund	Bookstore Fund	Financial Aid Trust Fund
June 30, 2010, Annual Financial and Budget Report (CCFS-311)					
Reported Fund Balance	$ 3,207,000	$ (258,398)	$ -	$ 1,275,648	$ 68,232
Adjustments to Increase (Decrease) Fund Balance					
Post closing entries	147,937	(108,756)	-	-	
Cash	-	-	5,176,622	-	
Accounts payable	-	-	-	33,984	
Deferred revenue	-	-	-	-	27,921
Net Adjustments	147,937	(108,756)	5,176,622	33,984	27,921
Audited Fund Balance	$ 3,354,937	$ (367,154)	$ 5,176,622	$ 1,309,632	$ 96,153

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance:		
Governmental Funds	$37,150,241	
Proprietary Funds	2,193,712	
Total Fund Balance - All District Funds		**$ 39,343,953**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	156,872,147	
Accumulated depreciation is	(29,685,700)	
Less fixed assets already recorded in the enterprise funds	(36,852)	127,149,595
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(1,567,582)
Long-term liabilities at year end consist of:		
Bonds payable	118,766,630	
Bond premiums	6,447,959	
OPEB liability	7,479,077	
Capital leases payable	482,893	
Supplemental retirement program	873,890	
Compensated absences	1,239,409	(135,289,858)
Total Net Assets		**$ 29,636,108**

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

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

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

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils 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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements

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

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

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

INDEPENDENT AUDITORS' REPORTS

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the financial statements of the business-type activities, and the aggregate discretely presented component units, of Solano Community College District as of and for the year ended June 30, 2010, which collectively comprise Solano Community College District's basic financial statements and have issued our report thereon dated February 8, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a material weakness.

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A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2010-1 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Solano Community College District in a separate letter dated February 8, 2011.

Solano Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Solano Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, and the District's 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
February 8, 2011

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Solano Community College District
Fairfield, California

Compliance

We have audited the compliance of Solano Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Solano Community College District's major Federal programs for the year ended June 30, 2010. Solano Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants 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 of Solano Community College District's compliance with those requirements.

In our opinion, Solano Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct material effect on each of its major Federal programs for the year ended June 30, 2010.

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Internal Control Over Compliance

The management of Solano Community College District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-3 to be a significant deficiency.

Solano Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Solano Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, and the District's 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
February 8, 2011

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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REPORT ON STATE COMPLIANCE

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the compliance of Solano Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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 of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have 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 of Solano Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

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Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, Solano Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-5.

Solano Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Solano Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
February 8, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.064, 84.007, 84.375, 84.268	Student Financial Aid Cluster (including ARRA)
93.714, 93.716, 93.558	Career Technical Education Act Cluster
17.258 (including ARRA)	Workforce Investment Act Cluster (including ARRA)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2010-1 Finding -Internal Control – Safeguarding of Assets
Significant Deficiency

Criteria or Specific Requirement

Strong internal controls over cash receipt and disbursement procedures include preparation and review of cash account reconciliations for all bank and county cash accounts.

Condition

Bank reconciliations for the General Fund's revolving cash account, the county cash accounts, and the Student Body funds were not performed in a timely manner. In addition, we noted that the clearing accounts often carried significant balances that had not yet been transmitted to the county cash account.

Questioned Costs

Not applicable.

Context

A key control over the custody of cash is not operating as designed. While performing our year end audit work in October and November 2010, we noted that the reconciliations for the revolving, county cash, and student body funds had not been performed since November 2009. We also noted that the clearing account had a balance exceeding $1 million in 4 of the 12 months and over $250,000 in several other months.

Effect

Routine monthly bank reconciliations are designed to be a double check to catch errors or other issues as they occur. Without properly designed and operating internal controls over the safeguarding of cash, the opportunity exists for the intentional misuse of District and student body funds to not be discovered. In addition, the clearing account is intended to operate as a temporary holding account until amounts are transmitted to county cash for safekeeping. Delays in transferring funds to county cash reduce county cash interest earnings and are not in line with District cash and investment management policies.

Cause

The District had not reconciled the cash accounts to the general ledger routinely throughout the fiscal year or at the end of the fiscal year.

Recommendation

In order to strengthen the internal controls over the safeguarding of cash, we recommend the District implement a monthly reconciliation procedure for all District accounts. In addition, all reconciliations should be reviewed by management and all unexplained reconciling items should be investigated in a timely manner.

District Response

The District agrees and monthly reconciliation procedures have been put in place and others are being developed by the newly appointed Director of Fiscal Services. These procedures call for the timely preparation and subsequent reviews and approvals by the Director of Fiscal Services. Due to changes in key fiscal staff this past year and a half, including the Director as well as the Vice President for Finance and Administration positions, the follow through on maintaining such procedures was inconsistent. While reconciliations did not occur monthly, it should be noted that the reconciliations were completed as part of the year-end closing. The District successfully recruited and filled the two key positions and has reinstated monthly reconciliations of all accounts.

In addition, staff has recommended and the district board has approved the creation of a new position of "Accounting Manager", whose position description calls for significant involvement in either doing the monthly reconciliations in some cases and/or assuring that the appropriate monthly reconciliations are completed in a timely fashion by reporting staff. The position is currently being advertised and expected to be filled by the end of February. This new position will provide the appropriate oversight along with the Director of Fiscal Services to assure that the reconciliations are done. In the meantime, and until the position is filled, the Director will be taking an active role in staff training and either supervising the reconciliation process and/or doing the reconciliations on a current basis.

2010-2 Finding – Year End Closing Process
Material Weakness

Criteria or Specific Requirement

One element of a District's internal control over financial reporting is its ability to prepare financial statements from its trial balance in accordance with Generally Accepted Accounting Standards. This includes development of a system of internal control procedures that allow for accurate, timely closing of accounting records.

Condition

We noted that several adjustments to the District trial balance were necessary after the start of the audit. Some of these adjustments were noted by District personnel, and some were a result of our inquiries during the completion of the audit. The CCFS-311 was filed prior to the discovery of some of these adjustments, and therefore, these variances are included on the fund balance reconciliation page of this report.

Questioned Costs

Not applicable.

Context

Four funds required adjustments ranging from $25,000 to $795,000 after the year end close was completed.

In addition, many smaller differences that were considered immaterial in relation to the financial statements as a whole, remain under investigation. Some of the following items may be valid and some may need to be reversed:

- General fund accounts receivable #9166, prior balance carried forward $394,279.
- Restricted general fund deferred revenue #9540 partial prior balance carried forward $29,452.
- General fund accounts payable #9551, prior balance carried forward $52,553.
- Student financial aid fund #7401 payable #9553, unapplied payments of $74,922.
- Student financial aid fund #7410 payable #9553 unapplied payments of $26,234.
- All funds #95101 payables from QSS, prior year balances carried forward $280,021.
- All funds #9510AC clearing accounts not clearing to zero $273,256.

Effect

Reconciliations and adjustments to the year end balances occurring after the filing of the form CCFS-311, and after financial reports have been presented to management and the governing board decrease the relevance and usefulness of the data that was previously provided.

Cause

Year end closing procedures were not able to identify and correct errors in a timely manner.

Recommendation

We recognized that the District has made significant improvements in identifying and reconciling year end accruals during and after year end closing. We recommend that the District continue its effort in this process and review the items listed above so that all significant accruals and adjustments presented in the CCFS-311 reflect the current, accurate finances of the District.

District Response

The District agrees and will continue to strengthen the process for year-end closing. As part of that process written procedures will be developed and staff training will occur. This effort will be guided by the college's recently appointed Director of Fiscal Services with the involvement as well of the new Accounting Manager position. The procedures will not only address year-end close but also maintenance of records on a current basis to limit issues that may arise at year end.

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2010-3 Finding – Student Financial Aid Cluster, Pell Grants - CFDA #84.063
Significant Deficiency, Internal Control Over Compliance

Criteria or Specific Requirement

OMB A133 compliance supplement guidelines in Part 5, Cluster Programs for Student Financial Aid includes requirements that a District calculate funds not earned by students receiving financial aid and submit a report to a centralized reporting system within prescribed timelines. The critical timelines for this process are as follows: 1) determine the student's withdrawal date within 30 days after the student withdrew, 2) return the unearned Title IV funds within 45 days after the date the District determined the student withdrew, and 3) report the student to NSLDS (national system database), within 45 days from the date the student is notified of overpayment.

Condition

We reviewed the transactions related to five students and noted that the calculations were not completed within 30 days of the students' withdrawal, and that students who were then determined to be return to Title IV students, were not reported to the NSLDS system within 45 days.

Questioned Costs

None, as the report was prepared accurately but was not timely filed.

Context

We reviewed the reporting of withdrawals and other dates in September 2009, April, May and June 2010 for five students.

Effect

Information on the NSDL website was not updated timely. As a result, there is a potential risk that the student would be able to obtain a grant from another college without the other institution being aware there is a repayment requirement at another District.

Cause

It was noted by Student Financial Aid department personnel that the automated system performing the Return to Title IV calculations was calculating amounts based on full time student status only and needed to be manually adjustments for those students who were not full time. The time needed to investigate the problem and to define the manual method caused delays in processing, which resulted in the District missing the required timelines.

Recommendation

The Financial Aid Departments should be proactive in monitoring progress on meeting timelines and interact with other departments to resolve issues on a more timely basis as they occur.

District Response

The Financial Aid Office has established and implemented procedures to monitor, calculate, notify and post R2T4 students on NSLDS within the proper timeline as set by the Department of Education. These procedures are now in place and in full effect. The R2T4 module on Banner has been installed and is now monitored by an assigned, full time staff member who will provide appropriate oversight for this project throughout the year. Internal audits will occur throughout the year to assure continued compliance.

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2010-4 Finding – Concurrent Enrollment
Significant Deficiency

Criteria or Specific Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under the concurrent enrollment arrangement only if it complies with specific conditions. Per Education Code Section 48800(a), the District governing board may authorize those pupils, upon recommendation of the principal of the pupil's school of attendance, and with parental consent, to attend a community college during any session or term. In addition, Education Code Section 76001(d), provides that a special part-time students may enroll in up to 11 units per semester without charge, however, once the student exceeds 11 units they are no longer considered a part-time student and can be charged fees.

Condition

During our testing of concurrently enrolled students, we noted that evidence of approval from the principal of the pupil's school of attendance to attend the college courses was not maintained. In addition, we noted that the admissions and records system had not been designed to identify concurrent students enrolled in over 11 units to flag them for potential enrollment fee assessment.

Questioned Costs

None.

Context

For summer sessions, K-12 principals may not recommend more than five percent of the number of pupils who have completed a particular grade immediately prior to the time of the recommendation. The intent of the Education Code Section 48800 is to provide educational enrichment opportunities for a limited number of eligible pupils, rather than to reduce current course requirements of elementary and secondary schools. The omission of this statement would lead pupils, parents, and potentially principals to believe that there is no limitation how many pupils can be recommended to attend college classes during the summer. Of the 25 concurrent enrollment students reviewed, two exceeded the 11 unit threshold for fee waivers and neither were assessed enrollment fees.

Effect

The District was out of compliance with the State requirements regarding maintaining evidence of approvals from the principal for the special full time and part time students and the limits placed on concurrent enrollment on physical education courses. In addition, the District may not be optimizing its enrollment fee revenue.

Cause

The District does not appear to have a process to review for compliance with this requirement and the admissions and records system has not been designed to flag concurrent enrolled students taking more than 11 units. .

Recommendation

The District should develop procedures to obtain the necessary approvals for the concurrently enrolled students by verifying the concurrent enrollment application includes a statement that requires the recommending principal to certify that they aren't recommending more than 5% of the number of pupils who have completed a particular grade immediately prior to the time of the recommendation. In addition, the District should determine if it wants to assess fees for concurrently enrolled students taking more than 11 units, and if so develop a method to identify and charge those students.

District Response

Banner, the district database, was set up to accommodate the requirement of identifying K12 students enrolled in twelve (12) or more units and charging enrollment fees accordingly. This set up was done shortly after (within one month) of being brought to staff attention by the district independent auditors. The issue has been resolved.

The district had been aware of the problem prior to the audit but higher priority tasks, combined with staffing limitations made it impossible to complete the work sooner.

2010-5 Finding – Health Fees
Significant Deficiency

Criteria or Specific Requirement

Education code 76355 requires boards to adopt rules and regulations that exempt certain students from the payment of health fees. Included in the requirement is that Districts should also ensure that there is a clear process for students who may want to claim an exemption and it is recommended that the exemption process be included in the course catalog and other online information.

Condition

We noted that the student health fee exemption process was described in Board Policy 5660, however, it was not described in the course catalog.

Questioned Costs

None

Context

The purpose of the disclosure is to ensure that the exemption process is clear and apparent to all. Including the exemption process in board policy only and not in course catalogs, may result in a less widely publicized process and a lack of knowledge of the options available.

Effect

Students who may qualify for exemption may be unaware of their options or unsure how to claim the exemptions.

Cause

The District has not included the health fee exemption process in the course catalogs.

Recommendation

We recommend that the District consider adding a paragraph about the student health fee exemption process to future course catalogs.

District Response

Upon learning of this requirement during the interim work done by the district independent auditors, the District added the recommended information to the website. The "Fees" section of the Admissions, Registration and Records page now includes a link to "Health Fee Exemptions" that leads to the necessary information. This was completed within one month of the audit fieldwork.

The most recent Catalog had already gone to print at the time of this discovery and was therefore not able to be updated, however, the notation for ensuring it is included in the next revision has been made.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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

1. SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS

Criteria

District management is responsible for the design and operation of internal control 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 operations 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 misstatements of the entity's annual or interim financial statements that is inconsequential will not be prevented or detected.

Condition

Bank Reconciliation

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 sheet, 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.

1 SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS (CONTINUED)

Condition (Continued)

Cash Disbursements - Bookstore

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

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 bookstores inventory, indicating approval prior to being submitted to the vendor to place an order.

Cash Receipts – Children 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.

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 reconciliation should be signed and dated by both the preparer and reviewer.

1 SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS (CONTINUED)

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 receipts are counted in dual custody.

Corrective Action Plan

Bank Reconciliations

Fiscal Services has developed a schedule to facilitate the completion of the bank reconciliation 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 moth. 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 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.

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 sing the Vendor payment sheets, along with the Manager of the Bookstore, after verifying the information for accuracy.
Purchase orders for textbooks and other course material 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 restriction to give access to specified persons.

1 SIGNIFICANT DEFICIENCIES – INTERNAL CONTROLS (CONTINUED)

Cash Receipts – Children 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.

Status

Partially implemented, see 2010-1.

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.

Incarcerations

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.

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.

2. SIGNIFICANT DEFICIENCY – STUDENT FINANCIAL AID (CONTINUED)

Incarceration

The student financial aid system does not track incarcerated student in the new student accounts system to determine if the 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 student are blocked and not able to register for subsequent semester prior to returning their Title IV funds.

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 student.

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.

Status

Implemented.

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 summarized 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 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.

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 intersection were understated.

Cause

The District has no 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 understanding 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.

3. STATE COMPLIANCE – GENERAL APPORTIONMENT (CONTINUED)

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 report 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 and 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 correct at the P3 filing.

This 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.

Status

Implemented.

4. STATE COMPLIANCE – STUDENT ACTIVELY ENROLLED

Criteria

Compliance

Condition

During our testing of Student 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.

4. STATE COMPLIANCE – STUDENT ACTIVELY ENROLLED (CONTINUED)

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.

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 documents in the Director of Admissions and Records Term Set-Up files so that this mistake will not occur again.

This was not able to be corrected for 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 report 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 and Records staff members then reviewed for submission by the District executive leadership which include the Director of Fiscal Services, Vice President-Academic Affairs and the Superintendent/President.

Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2010

	General Unrestricted	General Restricted	Child Development	Capital Outlay Project
ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ 1,165,633
Accounts receivable	10,954,747	1,408,077	60,629	125,828
Due from other funds	791,685	2,111,928	-	1,900,000
Prepaid expenses	698,384	671	-	-
Total Assets	$12,444,816	$ 3,520,676	$ 60,629	$ 3,191,461
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 2,075,989	$ 113,592	$ 4,994	$ 1,286
Due to other funds	5,522,471	-	48,628	-
Deferred revenue	1,491,419	3,774,238	7,007	-
Total Liabilities	9,089,879	3,887,830	60,629	1,286
FUND BALANCES				
Unreserved				
Designated	2,985,301	-	-	-
Undesignated	369,636	(367,154)	-	3,190,175
Total Fund Balances	3,354,937	(367,154)	-	3,190,175
Total Liabilities and Fund Balances	$12,444,816	$ 3,520,676	$ 60,629	$ 3,191,461

See accompanying note to additional supplementary information.

Revenue Bond Construction	Bond Interest and Redemption	Revenue Bond Interest and Redemption	Scholarship and Loan	Student Financial Aid	Total Governmental Funds (Memorandum Only)
$ 23,691,037	$ 5,176,622	$ 316,785	$ 1,804,164	$ 116,411	$ 32,270,652
-	-	-	500	-	500
-	-	-	50,053	534,826	13,134,160
1,559,171	-	-	-	-	6,362,784
-	-	-	-	-	699,055
$ 25,250,208	$ 5,176,622	$ 316,785	$ 1,854,717	$ 651,237	$ 52,467,151
$ 813,869	$ -	$ -	$ -	$ 351,332	3,361,062
-	-	-	800,000	-	6,371,099
-	-	-	108,333	203,752	5,584,749
813,869	-	-	908,333	555,084	15,316,910
-	-	-	946,384	68,232	1,014,616
-	-	-	-	-	2,985,301
24,436,339	5,176,622	316,785	-	27,921	33,150,324
24,436,339	5,176,622	316,785	946,384	96,153	37,150,241
$ 25,250,208	$ 5,176,622	$ 316,785	$ 1,854,717	$ 651,237	$ 52,467,151

SOLANO COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Unrestricted	General Restricted	Child Development	Capital Outlay Project
REVENUES				
Federal revenues	$ 25,274	$ 1,624,823	$ 197,539	$ -
State revenues	36,340,789	3,058,614	662,574	-
Local revenues	14,056,433	202,422	33,863	658,226
Total Revenues	50,422,496	4,885,859	893,976	658,226
EXPENDITURES				
Current Expenditures				
Academic salaries	21,293,756	933,274	-	-
Classified salaries	8,766,323	1,615,114	490,231	-
Employee benefits	12,319,785	572,836	260,005	-
Books and supplies	1,163,444	200,328	40,479	-
Services and operating expenditures	8,546,107	1,554,565	103,261	19,141
Capital outlay	273,531	323,213	-	-
Debt service - principal	-	-	-	86,343
Debt service - interest and other	-	-	-	11,662
Total Expenditures	52,362,946	5,199,330	893,976	117,146
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,940,450)	(313,471)	-	541,080
OTHER FINANCING SOURCES (USES)				
Operating transfers in	12,500	71,011	-	-
Operating transfers out	(71,011)	(3,017)	-	-
Total Other Financing Sources (Uses)	(58,511)	67,994	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,998,961)	(245,477)	-	541,080
FUND BALANCE, BEGINNING OF YEAR	5,353,898	(121,677)	-	2,649,095
FUND BALANCE, END OF YEAR	$ 3,354,937	$ (367,154)	$ -	$ 3,190,175

See accompanying note to additional supplementary information.

Revenue Bond Construction	Bond Interest and Redemption	Revenue Bond Interest and Redemption	Student Body Center Fee	Student Financial Aid	Total Governmental Funds (Memorandum Only)
$ -	$ -	$ -	$ -	$ 10,900,457	$ 12,748,093
-	-	-	-	393,155	40,455,132
437,143	6,750,756	-	102,409	-	22,241,252
437,143	6,750,756	-	102,409	11,293,612	75,444,477
-	-	-	-	-	22,227,030
110,884	-	-	-	-	10,982,552
35,226	-	-	-	-	13,187,852
87,209	-	-	-	-	1,491,460
569,196	-	-	5,567	11,319,797	22,117,634
14,348,490	-	-	-	-	14,945,234
-	3,515,000	-	-	-	3,601,343
-	3,824,197	-	-	-	3,835,859
15,151,005	7,339,197	-	5,567	11,319,797	92,388,964
(14,713,862)	(588,441)	-	96,842	(26,185)	(16,944,487)
-	-	-	-	3,017	86,528
-	-	-	-	-	(74,028)
-	-	-	-	3,017	12,500
(14,713,862)	(588,441)	-	96,842	(23,168)	(16,931,987)
39,150,201	5,765,063	316,785	849,542	119,321	54,082,228
$ 24,436,339	$ 5,176,622	$ 316,785	$ 946,384	$ 96,153	$ 37,150,241

SOLANO COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2010

	Enterprise Fund	
	Bookstore	Internal Service Fund
ASSETS		
Cash and cash equivalents	$ 400,368	$ -
Investments	194,514	-
Accounts receivable	-	878,089
Due from other funds	8,315	-
Prepaid expenses	3,547	-
Stores inventories	893,370	-
Furniture and equipment (net)	36,852	-
Total Assets	1,536,966	878,089
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	$ 221,343	$ -
Total Liabilities	221,343	-
FUND EQUITY		
Retained earnings	1,315,623	878,089
Total Liabilities and Fund Equity	$ 1,536,966	$ 878,089

See accompanying note to additional supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds Bookstore	Internal Service Fund
OPERATING REVENUES		
Sales revenues	$ 3,945,539	$ -
OPERATING EXPENSES		
Classified salaries	438,719	-
Employee benefits	159,137	-
Books and supplies	2,867,205	-
Services and other operating expenditures	130,402	-
Capital outlay	434	-
Total Operating Expenses	3,595,897	-
Operating Income (Loss)	349,642	-
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,725	-
Miscellaneous revenues	3,616	878,089
Operating transfers out	(35,855)	-
Total Nonoperating Revenues (Expenses)	(30,514)	878,089
NET INCOME (LOSS)	319,128	878,089
RETAINED EARNINGS, BEGINNING OF YEAR	996,495	-
RETAINED EARNINGS, END OF YEAR	$ 1,315,623	$ 878,089

See accompanying note to additional supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds
	Bookstore
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	$ 4,102,426
Cash payments to employees for services	(835,239)
Cash payments to suppliers for goods and services	(3,154,773)
Net Cash Provided (Used) for Operating Activities	112,414
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	3,616
Transfers to other funds	(336,021)
Net Cash Provided (Used) from Noncapital Financing Activities	(332,405)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(3,806)
Net Cash Provided (Used) for Capital and Related Financing Activities	(3,806)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	(3,376)
Net Cash Provided (Used) from Investing Activities	(3,376)
Net decrease in cash and cash equivalents	(227,173)
Cash and cash equivalents - Beginning	627,541
Cash and cash equivalents - Ending	$ 400,368
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	349,642
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Receivables	156,887
Due from other fund	(6,274)
Inventories	(151,175)
Accrued liabilities	112,976
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 112,414

See accompanying note to additional supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2010

	Associated Students Trust	Scholarship and Loan	Other Trust	Total
ASSETS				
Cash and cash equivalents	$ 137,588	$ 279,093	$ 472,684	$ 889,365
Investments	-	-	15,786	15,786
Accounts receivable	5,390	1,567	123	7,080
Total Assets	$ 142,978	$ 280,660	$ 488,593	$ 912,231
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ 8,665	$ 1,848	$ 10,513
Deferred revenue	8,255	-	-	8,255
Due to student groups	134,723	-	-	134,723
Total Liabilities	142,978	8,665	1,848	153,491
FUND BALANCES				
Reserved	-	271,995	-	271,995
Unreserved				
Designated	-	-	486,745	486,745
Total Fund Balances	-	271,995	486,745	758,740
Total Liabilities and Fund Balances	$ 142,978	$ 280,660	$ 488,593	$ 912,231

See accompanying note to additional supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Associated Students Trust	Scholarship and Loan	Other Trust	Total
REVENUES				
Local revenues	$ 60,386	$ 263,442	$ 471,787	$ 795,615
Total Revenues	60,386	263,442	471,787	795,615
EXPENDITURES				
Current Expenditures				
Classified salaries	18,462	-	-	18,462
Employee benefits	558	-	-	558
Books and supplies	10,760	-	-	10,760
Services and operating expenditures	69,280	126,168	214,039	409,487
Capital outlay	341	-	-	341
Total Expenditures	99,401	126,168	214,039	439,608
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,015)	137,274	257,748	356,007
OTHER FINANCING SOURCES (USES)				
Operating transfers in	23,355	-	-	23,355
Total Other Financing Sources (Uses)	23,355	-	-	23,355
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(15,660)	137,274	257,748	379,362
FUND BALANCE, BEGINNING OF YEAR	150,383	134,721	228,997	514,101
FUND BALANCE, END OF YEAR	$ 134,723	$ 271,995	$ 486,745	$ 893,463

See accompanying note to additional supplementary information.

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Solano Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.