SOLANO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

AND

INDEPENDENT AUDITOR'S REPORT

SOLANO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2007

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SOLANO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2007

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PERRY-SMITH LLP
ACCOUNTANTS

400 Capitol Mall, Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Solano Community College District
Fairfield, California

We have audited the accompanying financial statements of the business-type activities of Solano Community College District as of and for the year ended June 30, 2007, which comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of Solano Community College District as of June 30, 2007, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (MD&A) on pages 3 through 13 is not a required part of the financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the reported supplementary information. However, we did not audit the information and express no opinion on it.

PERRY-SMITH LLP
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Perry-Smith LLP

Sacramento, California
December 31, 2007

SOLANO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The following report reflects on the financial condition of Solano Community College District for the fiscal year ended June 30, 2007. It is provided in order to enhance the information in the financial audit, and should be reviewed in concert with that report.

Description of Basic Financial Statements

Solano Community College District financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and necessarily includes amounts based upon reliable estimates and judgments. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows are included along with Notes to Financial Statements to clarify unique accounting policies and financial information.

The Statement of Net Assets provides information on all Solano College assets and liabilities, with the difference reported as Net Assets. Net Assets may be an indicator of the overall District financial changes across years. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing total revenues versus total expenses and the resulting affect on Net Assets.

Combined statements are provided with the supplementary information and reflect financial information separated by the specific program to which it relates. Solano's accounting system is organized so that each program can be accounted for and evaluated independently.

Perry-Smith LLP, Certified Public Accountants have performed an independent audit of our financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Financial Section of this report.

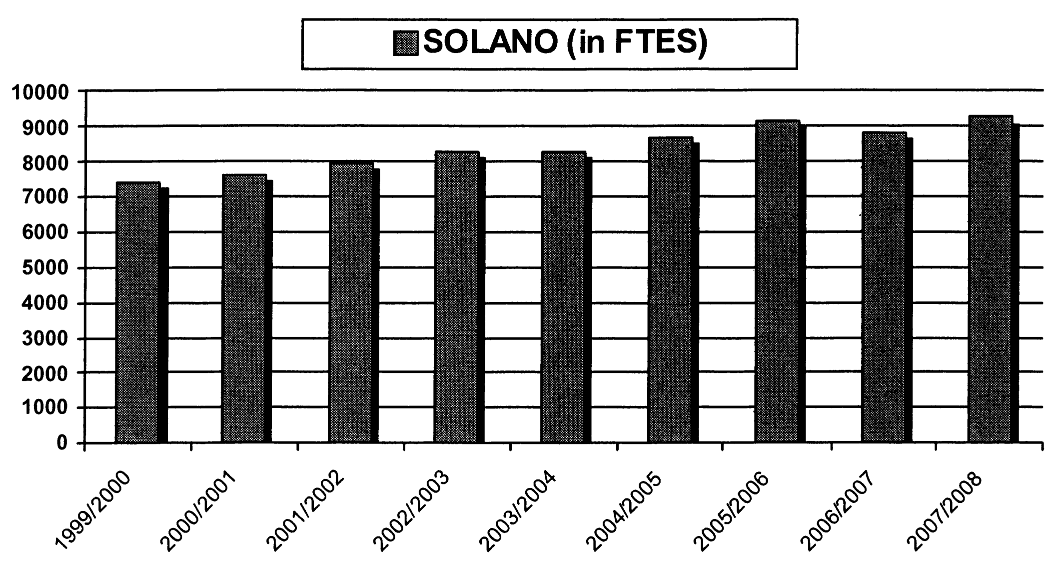
Financial /Enrollment Highlights, FYE June 30, 2007
Compared to FYE June 30, 2006

- Total operating revenues were $16.5 million, an increase of 7.7 % or $1,177,916. This increase is largely due to an increase in new grants and contracts awarded to the District.
- Total non-operating income was $50.2 million, an increase of 10.8% or $4.9 million. This increase is the net effect of an increase in interest earned on the Revenue Bond Construction Fund, an increase in state apportionment funding due the passage of SB 361, and an offset of other non-operating revenues.
- Total operating expenses were $58.9 million, an increase of 9.0% or $4,842,528. Significant cost increases are reflected in the salaries, benefits, utilities and more than a fifty percent increase in the depreciation expense. Other operating expense reflects a slight decrease over the prior year.

Fiscal year 2006-07 final reported enrollment was adjusted down to 8,810 Full-Time Equivalent Students (FTES). This still represents an acceleration of 437 FTES from summer. In year one (2006-07) the District will be funded at the 2005-06 level and has until 2009-10 (three years), to restore back to the 9,182 FTES level. A conservative 1.092% growth target or 100 FTES is projected for fiscal year 2007-08.

FULL-TIME EQUIVALENT STUDENT (FTES) ENROLLMENTS

YEAR	*ATTENDANCE (FTES)*	*% Growth*
1999-2000	7,423	2.1%
2000-2001	7,582	2.1%
2001-2002	7,949	4.8%
2002–2003	8,282	4.2%
2003-2004	8,271	- .1%
2004-2005	8,681	4.9%
2005-2006	9,182	5.8%
2006-2007	8,810	-4%
2007-08 Projected	9,260	-----



Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net Assets, the difference between assets and liabilities, are one way to measure the financial health of the District. Overall, the Net Assets of the District increased $8.7 million or about 34.4% over the previous year.

	2007	2006	Increase (Decrease)	Percent Change
Current assets				
Cash and cash equivalents	$ 11,681,589	$ 6,242,142	$ 5,439,447	87.1%
Receivables	4,024,655	3,830,586	194,069	5.1%
Inventory, prepaid expenses and other	1,075,242	1,426,417	(351,175)	(24.6%)
Total current assets	16,781,486	11,499,145	5,282,341	45.9%
Non-current assets				
Net capital assets and restricted funding	167,613,757	118,584,252	49,029,505	41.3%
Total assets	$ **184,395,243**	$ **130,083,397**	$ **54,311,846**	41.8%
Current liabilities				
Accounts payable, and accrued liabilites	$ 8,004,297	$ 5,714,795	$ 2,289,502	40.1%
Deferred revenues	2,640,783	2,266,851	373,932	16.5%
Bonds and notes payable - current portion	918,810	900,049	18,761	2.1%
Other long-term liabilities - current portion	4,455,743	3,838,600	617,143	16.1%
Total current liabilities	16,019,633	12,720,295	3,299,338	25.9%
Non-current liabilites				
Long-term liabilities	134,208,889	91,936,207	42,272,682	46.0%
Total liabilities	150,228,522	104,656,502	45,572,020	43.5%
Net assets				
Investment in capital assets, net of debt	24,899,666	18,201,588	6,698,078	36.8%
Restricted	3,519,839	3,415,106	104,733	3.1%
Unrestricted	5,747,216	3,810,201	1,937,015	50.8%
Total net assets	$ **34,166,721**	$ **25,426,895**	$ **8,739,826**	34.4%
Total net assets and liabilites	$ 184,395,243	$ 130,083,397	$ 54,311,846	41.8%

The components of cash and cash equivalents are primarily the District's contingency balances for multiple reserves; the state-mandated 5%- reserve over "General Fund" expenditures, ($2.5 million); for Other Post Employment Benefits (OPEB) held in trust ($1.0 million); student center fee trust fund ($0.5 million); fiduciary funds for clubs, scholarships and other trust and agency funds($0.4); Local Agency Investment Fund ($0.5) 2006-07 College budget carry-overs ($ 1.3 million); and, the net cash effect of non-cash assets, receivables, and liabilities. The primary component of the 2006-07--73.6% cash increase or $4.6 million is the receipt of one-time money for the General Fund for operational support, capital outlay, scheduled maintenance/Instructional equipment and library materials. Under SB 361 the District also received $1M to operate the Vacaville Center.

Accounts receivable primarily represents federal, state and local funding owed to the District for capital and non-capital apportionments and grants. Federal and local receivables total $0.6 million and mostly include grants and contracts. The total owed to the District by the state is approximately $3.2 million. Of the state receivable, apportionment deferral comprises $1.9 million and the next largest receivable is Lottery at $0.6 million. The remaining accounts receivable are made up of other state grants and contracts, student receivables, book vendor credits and miscellaneous items ($0.6 million).

Inventories and prepaid items, $0.7 million and $0.4 million, respectively, represent bookstore merchandise-inventories, and prepayments for a number of unrestricted general fund expenses. The primary cause for the decrease in this balance is pre payments processed during the year were reduced by fifty percent.

Non-current, net capital assets and restricted funding primarily represent: 1) the District's original investment in land, site improvements, buildings and equipment, less the cost of accumulated depreciation, $74.0 million, 2) unspent cash from the proceeds from the issuance of 2002 Measure "G" bonds, $88.0 million, 3) the funds accumulated at the County Treasury for the redemption of bonds, $5.2 million, 4) For 2006-07, the increase in capital assets was principally due to the sale of Measure G series B bonds for approximately $44.5M.

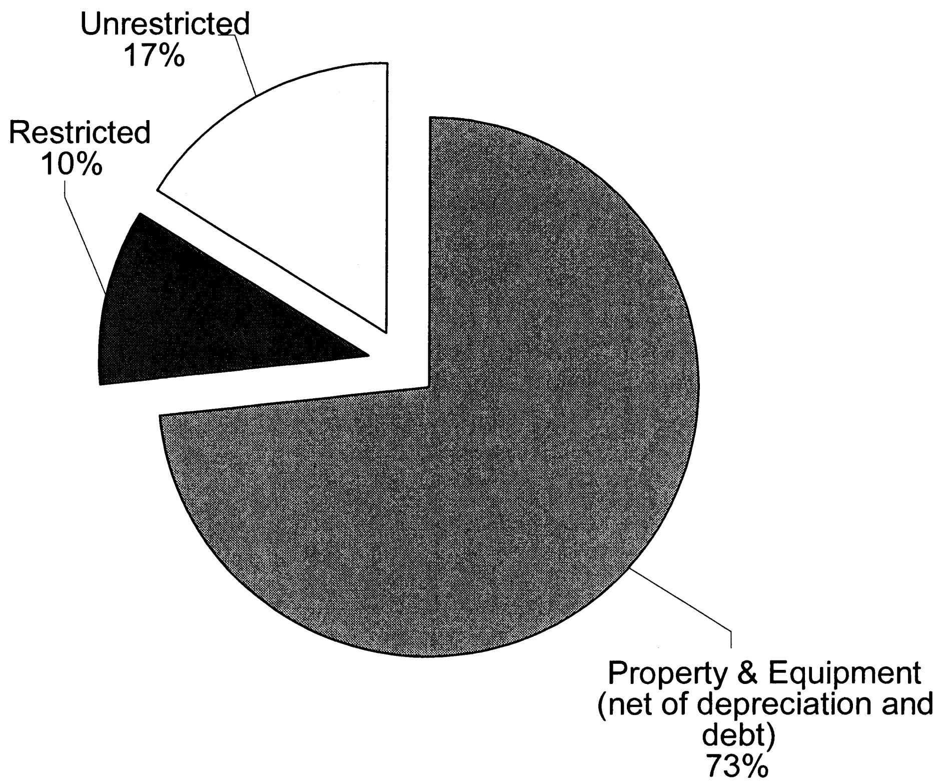
Accounts payable and accrued liabilities primarily represent year-end accruals for services and goods received by the District, during fiscal 2006-07, for which payment would not be made until 2007-08. $1.2 million of the amount represents debt on vendor invoices. Another $3.1 million represents "retainage" on construction work that has been completed. The year-end accrual for payroll accounts for another $3.0 million of the total. The 2006-07 year end balances are higher than 2005-06 primarily for the raises to part-time faculty comprising of salary and benefit increases.

Deferred revenues represent prepayments, made to the District, for which services have yet to be rendered. $1.5 million of this amount represents federal, state and local revenue for apportionment, grants and contracts whose terms and conditions extend beyond 2006-07 fiscal year. Another $0.7 million represents parking fees, $0.5 represents registration and other fees received during 2006-07. The 16.5% increase from 2005-06 to 2006-07 is primarily due to one-time state categorical funding.

Bonds and notes payable represents premiums and amounts held in trust for the Measure "G" bonds ($0.9 million). Other current liabilities are composed of current portions of bonds and notes to be paid during the 2007-08 fiscal year: 1) for the Student Center Revenue Bond $30,000, 2) long-term capital leases, $279,148, 3) principal payment of the Measure "G" General Obligation Bond, $2.585 million, 4), and the accumulated liability for accrued, employee-compensated absences, $1.2 million. Each of these categories saw increases over 2005-06.

The District's non-current liabilities primarily consist of: 1) the long-term debt remaining on the 2002 Measure "G" bonds, $119.2 million, 2) deferred bond premiums, $7.4 million, 3) retirement enhancement program, $6.9 million, 4) capital leases, $0.7 million 5), and the Student Center Revenue Bond, $57,200. The voter-approved 2002 General Obligation Bonds added the largest long-term debt liability over the 2005-06 year due to the sale of the remaining bonds under Series B at a premium price of $44,495,279.

Net Assets - June 30, 2007



The largest component of the District's "net assets" is the investment in capital assets (net of related debt), $24.9 million. This represents the District's initial cost for property, plant, and equipment, less accumulated depreciation, less any remaining debt used for the initial purchase. The next largest component, at $5.7 million, is the District's "unrestricted assets. The remaining $3.6 million in "restricted assets" represents assets whose use is earmarked for specific purposes, such as grants and construction projects. The primary component of the 2005-06 increases in capital assets is a direct result of the Measure "G" bonds.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets (see next page) presents the financial results of the District's "operations", as well as its "non-operating activities." The distinction between these two activities involves the concepts of "exchange" and "non-exchange." An operating activity is one in which a "direct payment"/exchange is made (by one party to another) for the receipt of specified goods or services, i.e., the payor is the one receiving benefit. As an example, tuition fees, paid by a student, is an "exchange" for instructional services. Likewise, grant and contract-funding received (on the condition that the District provides specific/contracted services), is also an "exchange." Both are therefore recorded as "operating revenue". The receipt of state apportionments and property taxes, however, do not include this "exchange" relationship between "payment" and the "receipt of benefit". Such revenues are deemed "non-exchange" transactions, and are therefore treated as "non-operating" activities.

Because the primary sources of funding, that support the District's instructional activities, comes from state apportionment, and local property taxes, the financial results of the District's "operations" will result in a net operating expense.

The primary components of "tuition and fees" are the $20 per unit enrollment fee that is charged to all students registering for classes, and, the additional $173 per unit fee that is charged to all non-resident students. The discrepancy between these fee-rates is due to the fact that resident student instruction is largely subsidized by local property taxes and state apportionment. Non-resident students must pay for the full cost of instruction. Respectively, these two revenue-streams account for $3.3 million and $0.2. Another $149,148 is collected in the form of parking permits, fines and special charges. The remainder comes from an assortment of other miscellaneous student fees, which shows a slight increase of 4.6% in this category for 2006-07.

The largest component of the District's operating revenues is non-capital grants and contracts. The largest sub-component is federal grants totaling $5.2 million, which includes $4.0 million in student financial aid; $5.3 million results from funding received from the state for categorical programs, such as DSP&S, EOP&S, Matriculation, etc.; and, included within local grants and contracts, $0.7 million, are all of the college's contract-education services, as well as all other, miscellaneous service-revenues received by the District.

The revenue for auxiliary enterprises principally consists of revenue from the District's bookstore operation. This enterprise operations accounts for $0.6 million for fiscal year 2006-07 and total auxiliary revenue decreased by 50.8% compared to the prior year.

Condensed Statement of Revenues, Expenses & Changes in Net Assets

	2007	Prior Year 2006	Increase (Decrease)	Percent Change
Operating revenues				
Tuition and fees	$ 4,393,071	$ 4,200,944	$ 192,127	4.6%
Grants and contract, noncapital	11,190,614	9,776,833	1,413,781	14.5%
Auxiliary enterprises	884,186	1,312,178	(427,992)	(32.6%)
Total operating revenues	16,467,871	15,289,955	1,177,916	10.6%
Operating expenses				
Salaries	31,226,017	28,409,530	2,816,487	9.9%
Benefits	11,225,612	9,816,318	1,409,294	14.4%
Supplies, materials, and other expenses	13,236,470	13,377,351	(140,881)	(1.1%)
Utilities	1,417,477	1,310,682	106,795	8.1%
Depreciation	1,779,651	1,128,818	650,833	57.7%
Total operating expenses	58,885,227	54,042,699	4,842,528	9.0%
Operating (expenses) net	**(42,417,356)**	**(38,752,744)**	**(3,664,612)**	9.5%
Nonoperating revenues				
State apportionments, noncapital	31,120,194	25,881,249	5,238,945	20.2%
Local property taxes	10,211,564	11,121,522	(909,958)	(8.2%)
State taxes and other revenue	6,964,046	8,103,713	(1,139,667)	(14.1%)
Investment income	4,871,961	2,979,515	1,892,446	63.5%
Other nonoperating revenues (expenses)	(2,946,389)	(2,848,150)	(98,239)	3.4%
Total nonoperating revenues	**50,221,376**	**45,237,849**	**4,983,527**	11.0%
Net revenue (loss) before capital revenues	7,804,020	6,485,105	1,318,915	20.3%
State and local revenue, grants and gifts (capital)	935,806	672,791	263,015	39.1%
Increase in net assets	8,739,826	7,157,896	1,581,930	22.1%
Net assets - beginning of year	25,426,895	18,268,999	7,157,896	39.2%
Net assets - end of year	$ **34,166,721**	$ **25,426,895**	$ **8,739,826**	34.4%

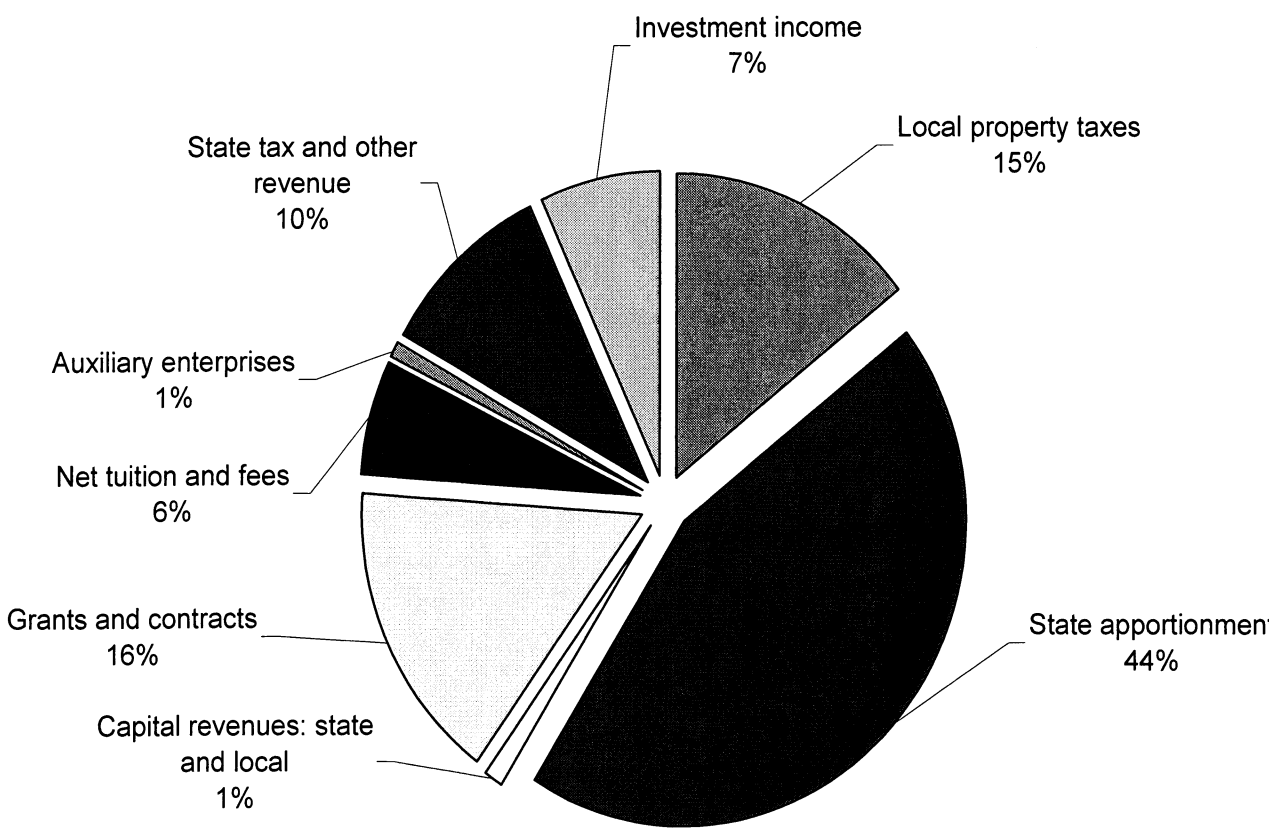
The principal components of the District's non-operating revenue are: non-capital, state apportionment, local property taxes, other state funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities. The amount of state general apportionment received by the District is dependent upon the number of FTES reported to the State, less amounts received from enrollment fees and local property taxes; increases in either of these latter two revenue-categories leads to a correspondent decrease in apportionment.

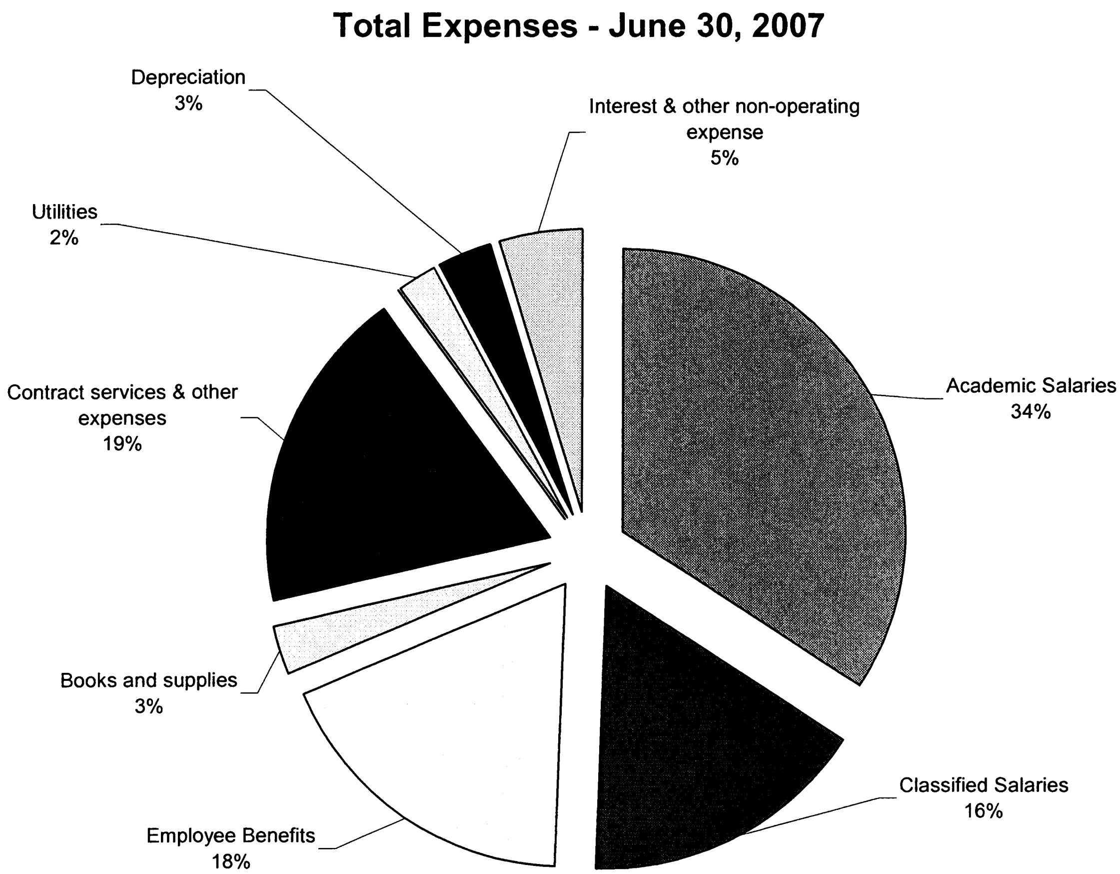
The net investment income (non-capital), $4.9 million; is primarily earned on investments for the Measure G Building Bond Fund and other funds held in the County Treasury during the fiscal year.

The principal components of "capital-revenues" are $0.9 million in state apportionment, and local revenues, utilized for capital projects and deferred maintenance programs. The increase in revenue (over 2005-06) reflects increased capital project construction activity for the District during the 2006-07 fiscal year.

Overall, there was a net increase of 34.4% or $8.7 million due primarily to the receipt of bond interest redemption taxes, acceleration of enrollment reporting, and the receipt of equalization funding.

Total Revenues - June 30, 2007

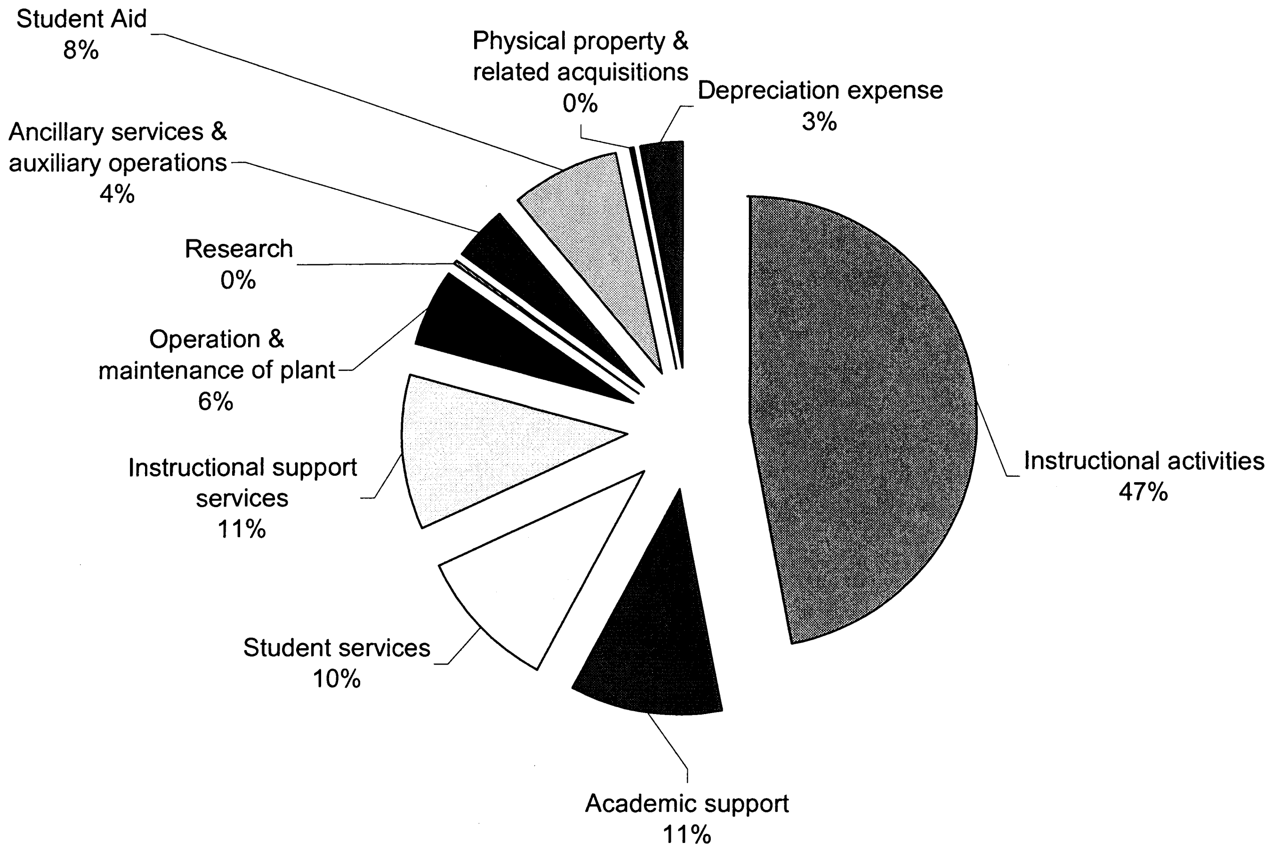




The largest component, 68% of the District's total expense (operating and non-operating) is the cost associated with salaries and benefits. In the District's primary operating fund, the Unrestricted General Fund, salaries and benefits account for 78% of fund expenditures. Books, supplies, materials, and other expenses" account for an additional 16% of the total. The remainder of this expenditure-category includes insurance premiums, instructional contracts, facilities rental, equipment repair, and a host of other expenditures necessary to the operation of the District. Utilities, depreciation and debt principal and interest expenses make up the remaining 10% of total expenditures.

Overall, total operating expenses increased by 9 % during 2006-07. This increase was principally due to the net effect of the negotiated salary and benefit increases for all employee groups, increase in supply cost, increase in depreciation expense, increase in utility expenditures as a direct result of the higher energy-cost increase seen nationwide and the offset of a slight reduction in other operating expenses.

2006-07 Operating Expenses by Functional Classification



	2007	2006	Increase (Decrease)	Percent Change
Instructional activities	$ 27,718,883	$ 24,863,548	$ 2,855,335	11.5%
Academic support	6,267,734	5,829,956	437,778	7.5%
Student services	6,124,624	5,924,450	200,174	3.4%
Instructional support services	6,469,561	5,517,926	951,635	17.2%
Operation & maintenance of plant	3,329,042	3,356,488	(27,446)	(0.8%)
Research	156,841	159,187	(2,346)	(1.5%)
Ancillary services & auxiliary operations	2,331,479	2,063,823	267,656	13.0%
Student Aid	4,569,602	4,391,135	178,467	4.1%
Physical property & related acquisitions	137,810	807,368	(669,558)	(82.9%)
Depreciation expense	1,779,651	1,128,818	650,833	57.7%
Total	$ 58,885,227	$ 54,042,699	$ 4,842,528	9.0%

The Functional Expense chart incorporates all District funds appropriations for fiscal year 2006-07. The greatest expense in 2006-07 was in the area of instruction at 47%, academic support at 11%, and instructional support was 11%. These costs were accommodated by increases in non-capital apportionment revenue and categorical funding for part time faculty salary increase, which the District also received during this period.

The Student Services expense (10%) includes counseling and guidance services and expenses associated with a number of state and categorical programs to include, Matriculation, Disabled Student Services Program (DSP & S), Extended Opportunity Programs & Services (EOPS), Financial Aid Administration, and Veteran Services. The bulk of the ancillary services and auxiliary operations percentage (4%) encompasses the bookstore operation. Also included in this category are expenses for the contract education department, food service operation, parking operation, and student and co-curricular activities. The physical property category (<1%) consists of a number of building improvements and alterations that took place throughout the District. The smallest functional expense percentage is in the area of Research (< 1%), includes institutional research functions for the District.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the "sources" and "uses" of cash during the year. The statement is divided into five parts:

- Cash flows from operating ("exchange") activities
- Cash flows from non-capital financing activities
- Cash flows from capital and related-financing activities.
- Cash flows from investing activities
- Reconciliation between beginning and ending cash

The ending cash balance matches the total of the District's current and non-current, cash and cash equivalents.

Economic Factors that will affect the Future

(Enrollment)

The District is dependent on the State of California for a majority of its revenue. State law and regulation further specifies the allowed uses of state revenue. The most important element of state funding is the Total General Apportionment calculation, which accounted for 91% of the District's 2006-07 primary "operating fund," the Unrestricted General Fund. Apportionment revenue is directly tied to reported enrollment, and since 1999-00, the District's FTES has increased, with a very small decline in 2003-04 and more substantial declines in 2005-06 and 2006-07. The recent declines are a direct effect of the current economic conditions that has affected community colleges statewide.

To this point FTES numbers for 2007-08 are flat. The new Vallejo center is open and the College offered a number of late start classes in the fall semester, but the expectation is that the spring semester will attract a much larger enrollment. There are major signs that the economy is weakening and the possibility of mid-year budget cuts is becoming a reality. Solano College must find a way to grow enrollment in order to fully fund the Vallejo Center, College operational needs, and other essential college services.

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 11,681,589
Accounts receivable, net (Note 3)	4,024,655
Stores inventories	719,585
Prepaid expenses and other assets	355,657
Total current assets	16,781,486
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	93,713,533
Capital assets, net (Note 4)	73,900,224
Total noncurrent assets	167,613,757
Total assets	184,395,243
LIABILITIES	
Current liabilities:	
Accounts payable	5,016,856
Accrued payroll	2,987,441
Deferred revenue (Note 5)	2,640,783
Amounts held in trust	457,572
Deferred bond premium (Note 6)	461,238
Compensated absences payable (Note 6)	1,172,313
Long-term debt-current portion (Note 6)	3,283,430
Total current liabilities	16,019,633
Noncurrent liabilities:	
Long-term debt-noncurrent portion (Note 6)	126,762,272
Deferred bond premium (Note 6)	7,446,617
Total noncurrent liabilities	134,208,889
Total liabilities	150,228,522
Commitments and contingent liabilities (Note 11)	
NET ASSETS	
Invested in capital assets, net of related debt	24,899,666
Restricted for:	
Capital projects	1,487,790
Other special purposes	2,032,049
Unrestricted	5,747,216
Total net assets	$ 34,166,721

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2007

Revenues:	
Operating revenues:	
Tuition and fees	$ 4,393,071
Grants and contracts, noncapital:	
Federal	4,956,395
State	5,542,381
Local	691,838
Auxiliary enterprise sales and charges	884,186
Total operating revenues	16,467,871
Expenses:	
Operating expenses (Note 13):	
Salaries	31,226,017
Benefits (Notes 8 and 9)	11,225,612
Supplies, materials and other operating expenses and services	13,236,470
Utilities	1,417,477
Depreciation (Note 4)	1,779,651
Total operating expenses	58,885,227
Loss from operations	(42,417,356)
Non-operating revenues (expenses):	
State apportionment, non capital	31,120,194
Local property taxes (Note 7)	10,211,564
State taxes and other revenues	6,964,046
Investment income	4,871,961
Interest expense on capital asset-related debt, net	(2,935,937)
Other non-operating expenses	(10,452)
Total non-operating revenues (expenses)	50,221,376
Income before capital revenues	7,804,020
Capital revenues:	
State apportionment, capital	142,872
Local property taxes and revenues	533,699
Grants and gifts, capital	259,235
Total capital revenues	935,806
Increase in net assets	8,739,826
Net assets-beginning of year	25,426,895
Net assets-end of year	$ 34,166,721

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2007

Cash flows from operating activities:	
Tuition and fees	$ 4,096,602
Federal grants and contracts	5,316,645
State grants and contracts	6,110,199
Local grants and contracts	1,071,130
Payments to suppliers	(7,373,623)
Payments for utilities	(1,396,052)
Payments to employees	(31,232,984)
Payments for benefits	(8,495,820)
Payments to students	(4,525,053)
Loans to students	(56,177)
Auxiliary enterprises sales and charges	860,795
Net cash used in operating activities	(35,624,338)
Cash flows from noncapital financing activities:	
State appropriations	30,639,013
Local property taxes	10,224,894
State taxes and other revenues	6,636,427
Other nonoperating revenues	(3,140)
Scholarship and trust receipts and disbursements	(27,457)
Net cash provided by noncapital financing activities	47,469,737
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	533,090
Premiums received on issuance of capital debt, net	740,075
Proceeds from issuance of capital debt	44,495,279
Gifts and grants, capital	259,235
Proceeds from sale of capital assets	(7,316)
Purchase of capital assets	(36,006,970)
Principal paid on capital debt	(2,894,148)
Interest paid on capital debt	(2,899,001)
Interest from premium recognition	(455,373)
State appropriations for capital purposes	142,872
Net cash provided by capital and related financing activities	3,907,743
Cash flows provided by investing activities:	
Interest income	4,868,569
Net increase in cash and cash equivalents	20,621,711
Cash and cash equivalents, beginning of year	84,773,411
Cash and cash equivalents, end of year	$ 105,395,122

(Continued)

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2007

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (42,417,356)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	1,779,651
Changes in assets and liabilities:	
Receivables, net	159,188
Inventories	80,153
Prepaid expenses	229,820
Accounts payable	937,455
Accrued payroll	1,766,452
Deferred revenue	859,812
Compensated absences	156,949
Retiree enhancement program	823,538
Net cash used in operating activities:	$ (35,624,338)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Presentation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Fair Value of Pooled Investments

The District records its investment in Solano County Treasury at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and changes in net assets. The fair value of investments including the Solano County Treasury, as an external investment pool at June 30, 2007 approximated their carrying value.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

Capital Assets

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

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

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

Compensated Absences

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

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

Deferred Revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

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

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. There are currently no nonexpendable assets of the District.

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward unrestricted resources, and then towards restricted resources.

Classification of Revenue

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue (Continued)

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

State Apportionment

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February 2007 will be recorded in the year computed by the state.

Estimates

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

District cash, cash equivalents, and investments at June 30, 2007, consisted of the following:

Pooled Funds:	
Cash in County Treasury	$ 102,933,851
Local Agency Investment Fund	474,715
Deposits:	
Cash held by Fiscal Agents	917,405
Cash on hand and in banks	1,001,807
Cash in Revolving Account	67,344
Total cash and cash equivalents	105,395,122
Less: restricted cash and cash equivalents:	
Cash in County Treasury	92,338,556
Cash held by Fiscal Agents	917,405
Cash held in trust	457,572
Total restricted cash and cash equivalents	93,713,533
Net cash and cash equivalents	$ 11,681,589

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Pooled Funds – Credit Risk

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

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

In accordance with applicable state laws, the Solano County Treasurer may invest in derivative securities. However, at June 30, 2007, the Solano County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

The cash in Local Agency Investment Fund (LAIF) is held by a separate agency. The State of California pools these funds with those of other local agencies in the state and invests the cash as prescribed by the *California Government Code.* These pooled funds are carried at cost, which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool. California's State pool representatives have indicated that the Fund has not invested in plain vanilla or complex over-the-counter derivatives. The Local Agency Investment Fund has represented that the fund contained no derivatives or other investments with similar risk profiles at June 30, 2007.

Custodian Credit Risk

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

Cash balances held in banks are insured up to $100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2007, the carrying amount of the District's cash on hand and in banks was $1,124,151 and the bank balance was $436,323. The bank balance amount insured by the FDIC was $100,000.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment Credit Risk

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

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

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2007, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2007, the District had no concentration of credit risk.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2007 are summarized as follows:

Federal	$ 277,640
State	3,249,457
Local and other	497,558
	$ 4,024,655

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2006	Additions	Transfers and Disposals	Balance June 30, 2007
Land	$ 4,262,650			$ 4,262,650
Land improvements	4,093,179	$ 383,407		4,476,586
Building improvements	292,838	3,558,500		3,851,338
Machinery and equipment	9,061,405	1,246,600	$ (23,253)	10,284,752
Buildings	21,788,165	35,765,096		57,553,261
Construction work in progress	20,968,973	33,955,478	(39,314,873)	15,609,578
Total	60,467,210	74,909,081	(39,338,126)	96,038,165
Less accumulated depreciation:				
Land improvements	(2,669,680)	(90,631)		(2,760,311)
Building improvements	(15,619)	(103,604)		(119,223)
Machinery and equipment	(5,703,706)	(744,015)	15,937	(6,431,784)
Buildings	(11,985,222)	(841,401)		(12,826,623)
Total	(20,374,227)	(1,779,651)	15,937	(22,137,941)
Capital assets, net	$ 40,092,983	$ 73,129,430	$ (39,322,189)	$ 73,900,224

5. DEFERRED REVENUE

Deferred revenue at June 30, 2007 consists of the following:

Deferred federal and state revenue	$ 1,625,500
Deferred student fees	227,981
Deferred tuition and other student fees	787,302
Total deferred revenue	$ 2,640,783

6. LONG-TERM DEBT

Student Center Revenue Bonds

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

Date of Issue	Interest Rate %	Maturity Date	Outstanding July 1, 2006	Redeemed Current Year	Outstanding June 30, 2007
April 1969	3.00%	2009	$ 87,200	$ 30,000	$ 57,200

Year Ending June 30,	Principal	Interest	Total
2008	$ 30,000	$ 1,716	$ 31,716
2009	27,200	816	28,016
	$ 57,200	$ 2,532	$ 59,732

General Obligation Bonds

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

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

Year Ending June 30,	Principal	Interest	Total
2008	$ 2,445,000	$ 3,278,287	$ 5,723,287
2009	2,720,000	3,199,187	5,919,187
2010	3,010,000	3,104,862	6,114,862
2011	3,330,000	2,991,937	6,321,937
2012	3,680,000	2,857,312	6,537,312
2013-2017	24,580,000	11,552,810	36,132,810
2018-2022	33,414,560	11,841,022	45,255,582
2023	4,545,252	2,552,374	7,097,626
	$ 77,724,812	$ 41,377,791	$ 119,102,603

6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	$ 600,000	$ 761,835	$ 1,361,835
2009	510,000	739,635	1,249,635
2010	505,000	719,335	1,224,335
2011	495,000	699,335	1,194,335
2012	480,000	679,835	1,159,835
2013-2017	1,822,169	3,377,631	5,199,800
2018-2022	970,000	2,869,916	3,839,916
2023-2027	16,445,461	27,091,018	43,536,479
2028-2032	22,667,649	24,900,053	47,567,702
	$ 44,495,279	$ 61,838,593	$ 106,333,872

Capital Lease Obligations

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

Year Ending June 30,	Principal	Interest	Total
2008	$ 208,430	$ 28,589	$ 237,019
2009	77,360	19,167	96,527
2010	79,748	16,778	96,526
2011	82,210	14,316	96,526
2012	84,748	11,778	96,526
2013-2016	295,461	19,308	314,769
	$ 827,957	$ 109,936	$ 937,893

6. LONG-TERM DEBT (Continued)

Capital Lease Obligations (Continued)

Changes in general long-term debt are as follows:

	Student Center Revenue Bonds	General Obligation Bonds	Retiree Benefits	Compensated Absences	Capitalized Lease Obligations	Total
Balance, July 1, 2006	$ 87,200	$ 80,309,812	$ 6,116,916	$ 1,015,364	$ 1,053,862	$ 88,583,154
Increases		44,495,279	1,905,231	156,949		46,557,459
Principal payments	(30,000)	(2,585,000)	(1,081,693)		(225,905)	(3,922,598)
Balance, June 30, 2007	$ 57,200	$ 122,220,091	$ 6,940,454	$ 1,172,313	$ 827,957	$ 131,218,015

The current portion of long-term debt excluding compensated absences was $3,283,430 as of June 30, 2007.

7. PROPERTY TAXES

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

8. EMPLOYEE RETIREMENT SYSTEMS

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

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

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

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-07 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were $1,333,516, $1,354,740 and $1,183,384, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the state. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2001, the independent actuaries for STRS determined that, at June 30, 2001, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by $2.2 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of $2.2 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Plan as of June 30, 2001, the independent actuaries for STRS determined that, at June 30, 2001, the actuarial value of the CB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by $1.2 million. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

California Public Employees' Retirement System (CalPERS)

Plan Description

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2006-07 was 9.1%.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006 and 2005 were $867,702, $778,259 and $828,402, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

9. POST-RETIREMENT HEALTH CARE BENEFITS

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

The District pays medical, dental and vision care insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up to 10 years beyond retirement. Expenditures for post-retirement health care benefits are recognized as the premiums are paid. For the year ended June 30, 2007, expenditures of approximately $1,081,693 were recognized for post-retirement health care benefits. The District has accrued a liability for the total cost of providing these benefits to the 90 retirees based on current premium assessment levels. The liability of $6,940,454 at June 30, 2007 has not been discounted for the time value of money and does not reflect the projected increase in costs for inflation or mortality assumptions for these retirees' future healthcare costs. In addition, the recorded liability does not consider the estimated cost of providing the above stated benefits to the current employees of the District upon retirement.

10. DEFERRED COMPENSATION PLANS

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

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

11. COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

As of June 30, 2007, the District has approximately $16 million in outstanding commitments on construction projects.

Contingent Liabilities

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

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

12. JOINT POWERS AGREEMENTS

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

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

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

12. JOINT POWERS AGREEMENTS (Continued)

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

	June 30, 2006 NCCCSIA	June 30, 2006 NBSIA
Total assets	$ 10,744,510	$ 33,239,390
Total liabilities	$ 4,449,199	$ 22,183,178
Net assets	$ 6,295,311	$ 11,056,212
Total revenues	$ 7,662,603	$ 16,750,907
Total expenses	$ 7,176,360	$ 15,494,872

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2007.

Functional Classifications	Salaries	Benefits	Supplies, Materials and Other Operating Expenses	Utilities	Depreciation	Total
Instruction Activities	$18,068,812	$ 6,461,084	$ 3,188,987			$27,718,883
Academic Support	4,078,403	1,099,716	1,089,615			6,267,734
Student Services	4,109,735	1,291,888	723,001			6,124,624
Operating and Maintenance of Plant	1,223,321	613,426	74,818	$ 1,417,477		3,329,042
Instructional Support Services	2,676,819	1,417,603	2,375,139			6,469,561
Research	113,375	40,976	2,490			156,841
Physical Property and Related Acquisitions	137,810					137,810
Ancillary Services and Auxiliary Operations	817,742	300,919	1,212,818			2,331,479
Student Aid			4,569,602			4,569,602
Depreciation					$ 1,779,651	1,779,651
Totals	$31,226,017	$11,225,612	$13,236,470	$ 1,417,477	$ 1,779,651	$58,885,227

SUPPLEMENTAL INFORMATION

PERRY-SMITH LLP
ACCOUNTANTS

400 Capitol Mall, Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Audit Committee
Solano Community College District
Fairfield, California

We have audited the basic financial statements of Solano Community College District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 31, 2007. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

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

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

Perry-Smith LLP

December 31, 2007

SOLANO COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2007

Solano Community College District was established in 1945, and is comprised of one 192-acre campus. There were no changes in the boundaries of the District during the current year.

The Governing Board and District Administration for the fiscal year ended June 30, 2007 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Pam A. Keith	President	December 2010
Phil McCaffrey	Vice President	December 2008
James M. Claffey	Member	December 2008
Denis Honeychurch	Member	December 2010
A.C. "Tony" Ubalde, Jr.	Member	December 2008
A. Marie Young	Member	December 2010
Stephen Murphy	Member	December 2010

DISTRICT ADMINISTRATION

Gerry Fisher
Superintendent/President

Mazie L. Brewington
Vice President, Administrative & Business Services

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Student Financial Aid:		
Federal Work Study	84.003	$ 197,586
Pell Grant Program	84.064	3,641,586
Federal Supplemental Educational Opportunity Grant	84.007	172,077
Academic Competiveness Grant	84.375	6,375
Subtotal Student Financial Aid Cluster		4,017,624
Vocational and Applied Technology Educational Act	84.048	270,734
Veteran Assistance Title 38	84.111	3,746
Total U.S. Department of Education		4,292,104
U.S. Department of Agriculture		
Child Care Food Program	10.558	50,378
U.S. Department of Labor		
Workforce Investment Act	17.261	613,913
Total Federal Categorical Awards and Allowances		$ 4,956,395

See accompanying notes to supplemental information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2007

	Program Entitlements			Program Revenues				
	Current Year	Prior Year	Total	Cash Received	Local Revenue Contributions	Accounts Receivable	Deferred Revenue	Program Expenditures
EOPS Apportionment	$ 509,138		$ 509,138	$ 509,138				$ 509,138
CARE Grant	88,165		88,165	88,165				88,165
DSP&S Apportionment	862,895		862,895	862,895				862,895
TANF: State Share	46,131		46,131	46,131				46,131
Cal Works	225,903		225,903	225,903				225,903
Lottery	245,000		245,000	18,216		$ 191,343		209,559
Matriculation	625,160		625,160	625,160				625,160
Matriculation-Non-credit	62,440		62,440	62,440				62,440
Foster & Kinship Care	189,926		189,926	70,848		119,078		189,926
Independent Living	10,200		10,200			10,200		10,200
MESA	85,000	$ 7,557	92,557	52,419		40,138		92,557
Tech Prep	67,148		67,148	5,040		62,108		67,148
Transfer Ed & Articulation	5,000	2,498	7,498	5,000		2,498		7,498
Small Business (BRAIN)	150,000		150,000	126,000		24,000		150,000
CCDF Capacity Project	4,345		4,345	1,086		3,259		4,345
PreKindergarten Resource	2,781		2,781	2,781				2,781
Econ Devel – Nursing		42,979	42,979	42,979			$ 42,979	
State Pre School: Pt Day	159,335		159,335	143,392		15,943		159,335
Food Program (State)	2,489	697	3,186	3,186				3,186
State Pre School: Ft Day	183,490		183,490	131,246	$ 1,082	52,244		184,572
Children's Center – Gen Child Care	345,613		345,613	147,964		15,943		163,907
TTIP	46,958	67,223	114,181	46,958			661	46,297
Staff Development		12,752	12,752	12,752			12,752	
Staff Diversity	13,798	5,508	19,306	21,494			8,742	12,752
State Block Grant		53,666	53,666	53,666			9,691	43,975
TANF: CDC	138,595		138,595	11,806		20,538		32,344
Instructional Equipment	492,041	97,381	589,422	494,687		97,381	179,847	412,221
BFAP Administrative Allowance	306,359		306,359	306,359				306,359
Child Development Instructional Supplies	2,357		2,357	2,357				2,357
Career Tech Ed – Nursing	164,580		164,580	134,867			134,867	
Basic Skills	84,042		84,042	79,286			57,274	22,012
Career Tech	330,495		330,495	330,495				330,495
Nursing – Enrollment Growth	106,937		106,937	106,937			52,561	54,376
Total	$ 5,556,321	$ 290,261	$ 5,846,582	$ 4,771,653	$ 1,082	$ 654,673	$ 499,374	$ 4,928,034

See accompanying notes to supplemental information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annualized Attendance as of June 30, 2007

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession			
1. Noncredit	19		19
2. Credit	840		840
B. Summer Intersession			
1. Noncredit	-		-
2. Credit	473		473
C. Primary Terms			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	5,895		5,895
b. Daily Census Contact Hours	305		305
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	139		139
b. Credit	522		522
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	731		731
b. Daily Census Contact Hours	236		236
c. Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	9,160	-	9,160
Supplemental Information:			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-		-
b. Credit	391		391

See accompanying notes to supplemental information.

SOLANO COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2007

	Bookstore Fund
June 30, 2007 Annual Financial and Budget Report: (CCFS-311) Fund Balance	$ 918,968
Adjustments to Reconcile Ending Fund Balance:	
Understatement of cash	238,983
June 30, 2007 Audited Fund Balance	$ 1,157,951

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

See accompanying notes to supplemental information.

SOLANO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Federal Financial Awards

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

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

B - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited basic financial statements.

PERRY-SMITH LLP
ACCOUNTANTS

400 Capitol Mall, Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Audit Committee
Solano Community College District
Fairfield, California

We have audited the basic financial statements of Solano Community College District for the year ended June 30, 2007, and have issued our report thereon dated December 31, 2007.

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

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

General Directives

Management Information System Implementation – State General Apportionment Required Data Elements

Administration

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

Student Services

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

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS
(Continued)

Special Programs

Allocation of Costs (DSPS & EOPS)

Facilities

Scheduled Maintenance Program

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Solano Community College District complied, in all material respects with the aforementioned requirements, except as described in the Schedule of Audit Findings and Questioned Costs section of this report, for the year ended June 30, 2007.

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

Perry-Smith LLP

Sacramento, California
December 31, 2007

PERRY-SMITH LLP
ACCOUNTANTS

400 Capitol Mall, Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

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

Audit Committee
Solano Community College District
Fairfield, California

We have audited the basic financial statements of Solano Community College District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

PERRY-SMITH LLP
ACCOUNTANTS

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

(Continued)

Compliance and Other Matters

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

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

Perry-Smith LLP

Sacramento, California
December 31, 2007

PERRY-SMITH LLP
ACCOUNTANTS

400 Capitol Mall, Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

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

Audit Committee
Solano Community College District
Fairfield, California

Compliance

We have audited the compliance of Solano Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Solano Community College District's major federal programs are identified in the accompanying schedule of federal financial awards. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Solano Community College District's management. Our responsibility is to express an opinion on Solano Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Solano Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Solano Community College District's compliance with those requirements.

In our opinion, Solano Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Solano Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Solano Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly,. we do not express an onion on the effectiveness of Solano Community College District's internal control over compliance.

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

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

Perry-Smith LLP

Sacramento, California
December 31, 2007

FINDINGS AND RECOMMENDATIONS

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2007

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______Yes	X None reported
Noncompliance material to financial statements noted?	______Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	______Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.003, 84.064, 84.007	Student Financial Aid Cluster
17.261	Workforce Investment Act

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	______Yes	X No

STATE AWARDS

Internal control over state programs:		
Material weakness identified	______Yes	X No
Significant deficiency(ies) identified not considered as material weakness	______Yes	X No
Type of auditor's report issued on compliance for state programs	Qualified	

SOLANO COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 2007

1. STATE COMPLIANCE – GANN LIMIT

Criteria

Government Code, Section 7908(c) required each community college district to report to the Chancellor of the California Community Colleges at least annually its appropriation limit, appropriations subject to limit, state aid apportionments, subventions included within property tax proceeds, and amounts excluded from the appropriations subject limit.

Condition

The number of full-time equivalent students used in the GANN Limit worksheet was incorrect. The District used FTES based on the Annual Apportionment report, instead of the Second Period Apportionment Report.

Effect

The District is not in compliance with the calculation requirements for the GANN Appropriation Limit.

Cause

The District has historically used the Annual Apportionment Report number instead of the Second Period Apportionment Report.

Fiscal Impact

The District overstated the appropriations limit by .62 FTE or $111,710.

Recommendation

The District should revise the GANN Limit calculation. Further, the District should ensure procedures are performed to review the GANN Limit calculation prior to submission for approval by the Governing Board.

Corrective Action Plan

The District will revise the GANN Limit calculation.

2. INTERNAL CONTROLS – BANK RECONCILIATIONS

Criteria

Internal Controls – Safeguarding of Assets

Condition

- Bank reconciliations for fiduciary funds and associated student body accounts have no indication of being reviewed.
- The bank reconciliation for the bookstore did not result in the required adjustments being made to the cash balance recorded in the general ledger.
- The Cash in Local Agency Investment Fund is all recorded in the bookstore fund; however, a portion of the cash balance should be reflected in the associated student body accounts.

Effect

Funds may be misappropriated.

Cause

The District review of the physical evidence is in place as an online process; only the sign off did not occur.

The activity of the bookstore account is posted in the general ledger in a manner that is difficult to reconcile with the bank activity. As a result, the correcting entries are not posted in a timely manner.

Fiscal Impact

Not applicable.

Recommendation

- All bank reconciliations should be closely reviewed on a monthly basis and all reconciling items be resolved in a timely manner. Furthermore, indication of this review process should be clearly marked on the reconciliation.
- The District should ensure that all accounting staff members are sufficiently trained to properly complete bank reconciliations.

Corrective Action Plan

Procedures have been implemented to ensure all reconciliations are being prepared properly, reviewed in a timely manner and clearly documented.

3. INTERNAL CONTROLS - PARKING REVENUE DEPOSITS

Criteria

Internal Controls – Safeguarding of Assets

Condition

The District was unable to reconcile cash collected from the campus parking meters to the actual bank deposits on four occasions. After further investigation, it was determined that each of the deposits was picked up by the armored courier services for delivery to the bank. However, the District is still unable to reconcile the cash collected for two of the pick ups to the actual deposit in the bank.

Effect

Funds may be misstated or misappropriated.

Cause

The Bank accounts were not being reconciled in a timely manner to the general ledger to determine that all deposits were accurately recorded.

Fiscal Impact

Approximately $2,433 in parking revenue has not be reconciled to the deposits in the bank.

Recommendation

The District should ensure bank reconciliations are performed in a timely manner. Each deposit pick up should be identified and reconciled with the bank deposits each month.

Corrective Action Plan

The District will continue to work with the investigator to determine what transpired between the armored pick-up by Brinks and deposit of cash into the appropriate accounts with US Bank. A final reconciliation will be documented once the process is completed.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

SOLANO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the Year Ended June 30, 2007

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
1. **Noncredit Courses** The District did not complete the required self-assessment checklists for noncredit courses.	We recommend the District ensure all required self-assessment checklists be completed for all noncredit courses.	Implemented	
2. **Allocation of Costs (DSPS & EOP&S)** The District did not perform a time study to support the allocation of a multi-funded employee salary charged to the EOP&S program.	The District should implement procedures requiring time studies to be performed for all employees who are multi-funded and whose salaries are charged to the EOP&S program.	Implemented	
3. **Student Fees Collection** We noted student fees for several courses are being collected by the faculty, rather than being paid to the registrar upon registration. Further, faculty members are not providing receipts to the students, nor is the faculty retaining deposit slips and submitting them to the fiscal services department.	We recommend all student fees be paid directly to the registrar. In addition, the District should develop and implement policies to restrict the collection of student fees only to the registrar's office.	Implemented	
4. **Bookstore** Cash registers utilized until the closing of the bookstore are not counted in dual custody. In addition, access to the safe located in the bookstore is not limited to dual custody.	The cash registers should be counted in dual custody. The bookstore safe should always be limited to dual custody access. At times when dual custody is not feasible due to staffing constraints, access and responsibility of the safe should be assigned to one individual. Further, that individual should maintain custody and responsibility of the safe until counted again in dual custody.	Implemented	
5. **Bank Reconciliations** Bank reconciliations for fiduciary funds, clearing accounts and Cash in County Treasury are not being reviewed in a timely manner.	All bank reconciliations should be reviewed on a monthly basis and all reconciling items should be resolved timely.	Not Implemented	See current year findings.

SOLANO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
For the Year Ended June 30, 2007

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
6. Journal Entry Testing The District does not have policies and procedures for the review of journal entries.	Journal entries meeting a certain threshold determined by the District should be reviewed by an independent employee. Further, policies and procedures related to the journal entry process should be documented.	Implemented	
7. Associated Student Body The Associated Student Body does not maintain a log of sub-receipt books from student organizations that performed fundraising events to support the amount of funds being deposited by the individual student clubs. In addition, the cashier's office does not receive supporting documentation for cash received.	Sub-receipt books should be maintained for all funds received from specific clubs and reconciled to the fund submitted for deposit. In addition, the District should require supporting documentation for all cash receipts, detailing the number of items sold and price per item reconciled to the amount of funds submitted for deposit.	Implemented	
8. Contract Retainage The District is not consistently recording a 10% retainer within accounts payable for long-term contracts related to disbursement of bond funds.	We recommend the District record the contract retention in the general ledger as the project is completed.	Implemented	