SOLANO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

SOLANO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2011

FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the accompanying basic financial statements of Solano Community College District (the District) as of and for the years ended June 30, 2011 and 2010, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Solano Community College District as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, for the years 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 30, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

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required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2011

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of Solano Community College District (the District) as of June 30, 2011. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

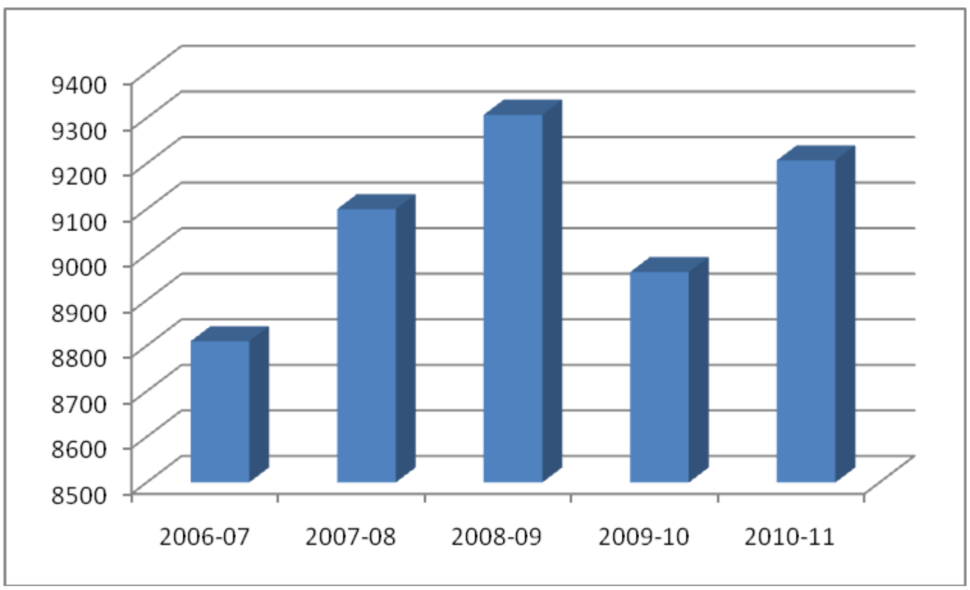
The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.

ATTENDANCE HIGHLIGHTS

Solano Community College District enrollment remained strong in 2010-11. The District actually served 9,408 full-time equivalent students (FTES) on the Final CCFS 320 enrollment report to the Chancellor's Office. This represents service to 201 FTES over the funded, cap level in 2010-11. The chart below shows actual FTES served.

The dip shown in 2009-10 in the chart below is due to a reduction in state apportionment funding, with the District getting paid for approximately 4.3% fewer students in comparison 2008-09, but as a result of the 2010-11 partial workload restoration, it enabled the District to serve over 2.7% more students over the prior year.

Annual FTES
Credit/Non-Credit Resident Students
(Reported for State Funding)



The 2010-11 Budget Act did provide Solano College with an approximate 2.2% workload restoration of the previous year's 3.4% workload reduction cuts, amounting to $860,000 in additional base year revenues. The 2010-11 Budget Act did not provide a cost of living adjustment (COLA) for now the third consecutive year.

FINANCIAL HIGHLIGHTS

This fiscal year again, the District's fiscal health remained relatively unchanged, despite the continued difficult times for California Community Colleges. The District ended the year better than originally budgeted with a positive net income of about $2.4 million, largely due to the realization of one-time revenues and conservative spending. However, as part of the year-end closing much needed account clean up occurred, including the reclassification of a prior year near $1 million OPEB (Other Post Employment Benefits) transfer, set aside in an irrevocable trust through the California Community College League Health Benefits Joint Powers Authority. These balances, held in trust, were reclassified from the unrestricted General Fund to a Trust Fund. Additional prior year adjustments identified to properly reflect district asset and liabilities balances resulted in fiscal year 2010-11 net income ending at approximately $1.8 million. The District ended the year with an approximate $4.1 million of designated reserve, or the equivalent of 8.4% of the General Fund Unrestricted expenditures.

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

Despite the state apportionment deferrals, which were received in July, cash balances held steady and receivables declined. Bookstore Inventories were up in preparation for the new academic year, whereas Other Current Asset were down significantly due to a reclassification of dividends receivable. Accounts payable declined, and long-term debt was also paid down on schedule. Net capital assets decreased due to an increase in accumulated depreciation and few infrastructure projects being completed this year. Non-current cash and cash equivalents decreased as the funds held for debt repayment/capital projects were spent.

THE DISTRICT AS A WHOLE

Net Assets

Table 1

ASSETS	2011	2010	Change	2009	Change
Current Assets					
Cash and investments	$ 3,962,112	$ 2,515,957	$ 1,446,155	$ 9,074,335	$ (6,558,378)
Restricted cash and cash equivalents	28,448,858	30,350,077	(1,901,219)	49,765,775	(19,415,698)
Accounts receivable (net)	12,753,660	14,012,249	(1,258,589)	11,349,439	2,662,810
Store inventory	1,456,169	893,370	562,799	769,684	123,686
Prepaid expenses and other current assets	32,841	699,055	(666,214)	218,064	480,991
Total Current Assets	46,653,640	18,120,631	(1,817,068)	21,411,522	(22,706,589)
Noncurrent Assets:					
Capital assets (net)	125,633,033	127,186,447	(1,553,414)	115,295,978	11,890,469
Total Noncurrent Assets	125,633,033	127,186,447	(1,553,414)	115,295,978	11,890,469
Total Assets	$ 172,286,673	$ 175,657,155	$ (3,370,482)	$ 186,473,275	$ (10,816,120)
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	$ 4,221,954	$ 5,149,987	$ (928,033)	$ 12,170,666	$ (7,020,679)
Deferred revenue	4,033,641	5,581,202	(1,547,561)	5,052,353	528,849
Amounts held in trust for others	-	-	-	468,970	(468,970)
Deferred bond premium	479,081	479,081	-	479,356	(275)
Long-term liabilities due within one year	4,433,803	4,081,988	351,815	3,681,840	400,148
Total Current Liabilities	13,168,479	15,292,258	(2,123,779)	21,853,185	(6,560,927)
Long-term Debt	127,683,699	130,728,789	(3,045,090)	132,585,544	(1,856,755)
Total Liabilities	140,852,178	146,021,047	(5,168,869)	154,438,729	(8,417,682)
NET ASSETS					
Invested in capital assets, net of related debt	24,336,933	24,357,722	(20,789)	33,486,496	(9,128,774)
Restricted	7,931,982	8,683,582	(751,600)	2,649,095	6,034,487
Unrestricted	(834,420)	(3,405,196)	2,570,776	(4,101,045)	695,849
Total Net Assets	31,434,495	29,636,108	1,798,387	32,034,546	(2,398,438)
Total Liabilities and Net Assets	$ 172,286,673	$ 175,657,155	$ (3,370,482)	$ 186,473,275	$ (10,816,120)

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

Receivables include approximately $8.5 million in State aid apportionment, along with student accounts receivable and grants from the State and Federal government. Restricted cash from bond proceeds remains to be used to complete the remaining capital bond projects included in the 2002 ballot language.

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

Operating Results for the Year

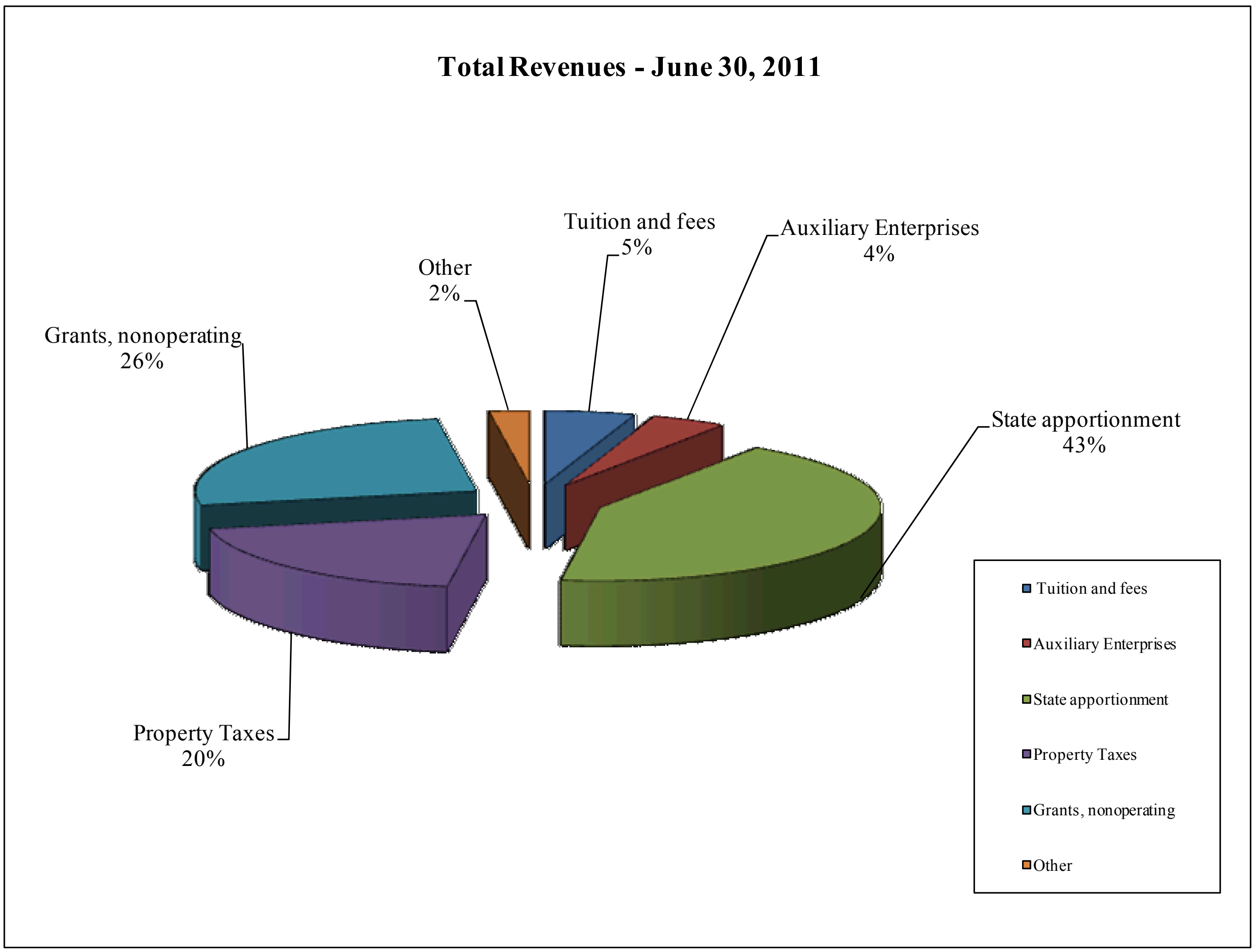
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 15.

Table 2

	2011	2010	Change	2009	Change
Operating Revenues					
Tuition and fees	$ 4,389,782	$ 4,073,469	$ 316,313	$ 4,334,726	$ (261,257)
Auxiliary sales and charges	3,687,735	3,945,539	(257,804)	1,337,097	2,608,442
Total Operating Revenues	8,077,517	8,019,008	58,509	5,671,823	2,347,185
Operating Expenses					
Salaries	32,051,584	33,612,620	(1,561,036)	34,304,656	(692,036)
Employee benefits	13,891,801	14,059,112	(167,311)	11,554,471	2,504,641
Supplies, Materials, Other Operating Expenses and Services	28,894,309	26,511,061	2,383,248	21,097,642	5,413,419
Depreciation	3,700,043	3,146,839	553,204	2,580,540	566,299
Total Operating Expenses	78,537,737	77,329,632	1,208,105	69,537,309	7,792,323
Loss on Operations	(70,460,220)	(69,310,624)	(1,149,596)	(63,865,486)	(5,445,138)
Nonoperating Revenues					
State apportionments, noncapital	36,577,090	34,070,997	2,506,093	36,154,632	(2,083,635)
Local property taxes	16,833,742	15,787,979	1,045,763	17,550,839	(1,762,860)
Federal	14,687,104	12,748,093	1,939,011	6,422,503	6,325,590
State	5,308,177	5,254,026	54,151	4,886,918	367,108
Local	2,128,259	1,961,619	166,640	2,570,899	(609,280)
State taxes and other revenues	1,117,169	1,130,109	(12,940)	1,088,500	41,609
Investment income	402,841	611,958	(209,117)	1,521,996	(910,038)
Interest Expense on Capital Asset-Related Debt	(5,183,262)	(5,278,045)	94,783	(6,450,564)	1,172,519
Other nonoperating revenues (expenses)	(31,671)	(23,014)	(8,657)	-	(23,014)
Total Nonoperating Revenue	71,839,449	66,263,722	5,575,727	63,745,723	2,517,999
GAIN (LOSS) BEFORE CAPITAL REVENUES	1,379,229	(3,046,902)	4,426,131	(119,763)	(2,927,139)
CAPITAL REVENUES					
State and local capital income	-	-	-	135,600	(135,600)
Grants and gifts, capital	419,158	648,464	(229,306)	27,657	620,807
TOTAL CAPITAL REVENUES	419,158	648,464	(229,306)	163,257	485,207
INCREASE (DECREASE) IN NET ASSETS	1,798,387	(2,398,438)	4,196,825	43,494	(2,441,932)
NET ASSETS BEGINNING OF YEAR	29,636,108	32,034,546	(2,398,438)	31,991,052	43,494
NET ASSETS END OF YEAR	$ 31,434,495	$ 29,636,108	$ 1,798,387	$ 32,034,546	$ (2,398,438)

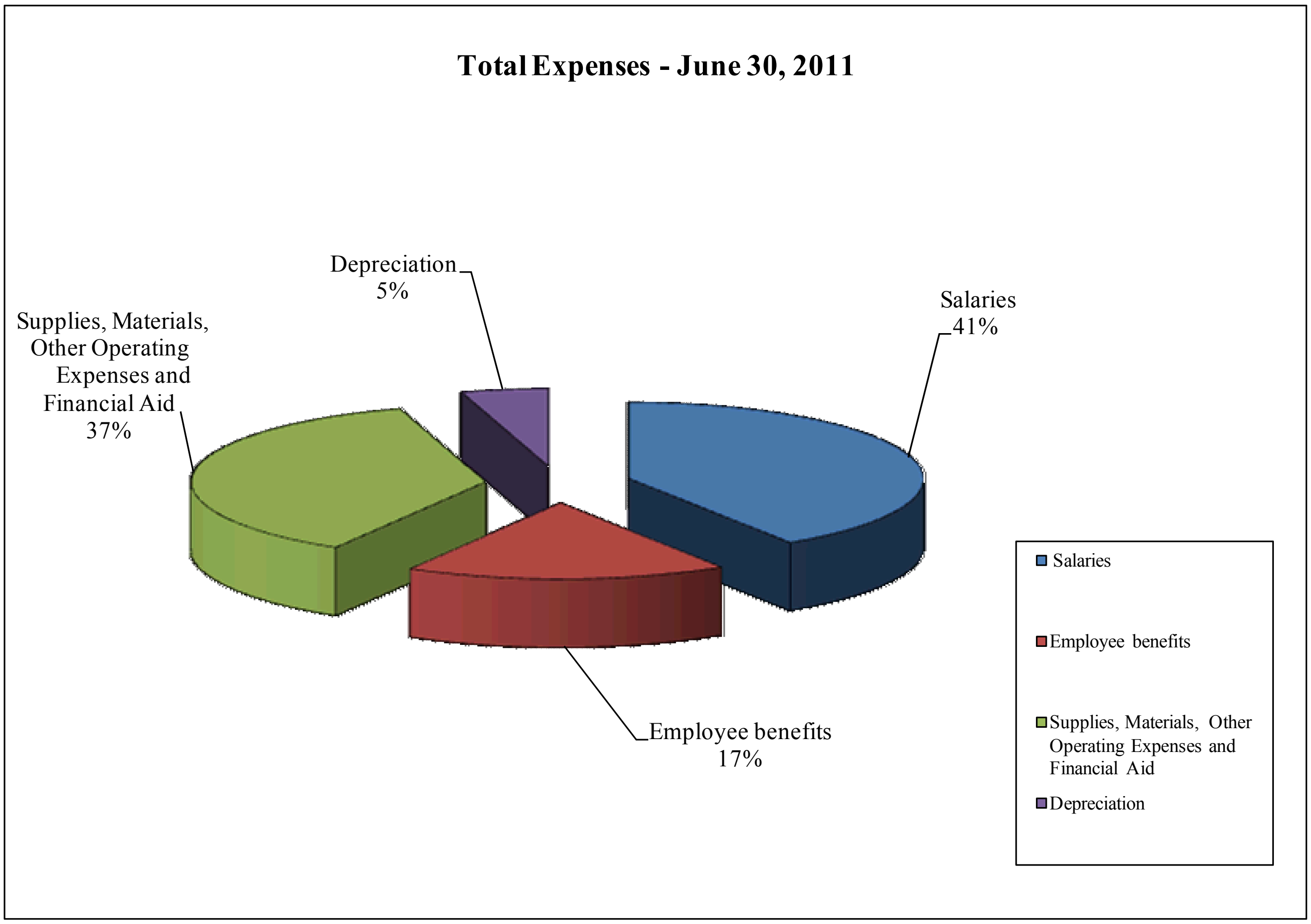
Significant revenue changes between 2010 and 2011 include:

- An increase in student tuition and fees, primarily related to the fee increase from $26 to $36 per unit
- State apportionment increase due to a workload restoration and also a system recalculation of base revenues associated with the new centers.
- Federal funding increased due to various grants, and increased Pell Grants due to the increase in per-unit fees charged to students.
- Reclassification of funds set aside for Other Post Employment Benefits into a separate Trust Fund



Significant expenditure variances include:

- Employee salaries decreased due to not filling multiple vacancies and significant class offering reductions.
- Supplies, services and other operating expenditures increased significantly. This line item includes financial aid provided to students. The significant increase is in the Financial Aid expenditures in Fund 74, not in supplies and operating expense.



Changes in Cash Position

Table 4

	2011	2010	Change	2009	Change
Cash Provided by (Used in)					
Operating activities	$ (67,873,767)	$ (73,559,754)	$ 5,685,987	$ (57,639,898)	$ (15,919,856)
Noncapital financing activities	68,490,907	62,754,977	5,735,930	58,653,890	4,101,087
Capital financing activities	(1,475,045)	(15,169,299)	13,694,254	(27,418,988)	12,249,689
Investing activities	402,841	-	402,841	152,996	(152,996)
Net Increase (Decrease) in Cash	(455,064)	(25,974,076)	25,519,012	(26,252,000)	277,924
Cash, Beginning of Year	32,866,034	58,840,110	(25,974,076)	85,092,110	(26,252,000)
Cash, End of Year	$ 32,410,970	$ 32,866,034	$ (455,064)	$ 58,840,110	$ (25,974,076)

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

A significant amount of construction projects were completed during the year, including construction in progress from the last two years. Major completed infra-structure projects included the fire alarm monitoring upgrade, an irrigation pumping and distribution system, a heat transfer pump valve. Additionally, the District capitalized additional technology systems implementation services funded by the bond.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 6,524,355	$ -	$ -	$ 6,524,355
Buildings and improvements	139,104,044	1,944,891	-	141,048,935
Equipment and furniture	11,243,748	221,172	98,528	11,366,392
Subtotal	156,872,147	2,166,063	98,528	158,939,682
Accumulated depreciation	29,685,700	3,732,080	111,131	33,306,649
	$ 127,186,447	$ (1,566,017)	$ (12,603)	$ 125,633,033

Obligations

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

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

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 125,214,589	$ 2,025,654	$ 4,287,158	$ 122,953,085
Compensated absences	1,239,409	-	345,727	893,682
Capital leases	482,893	-	109,668	373,225
Supplemental retirement plan	873,890	-	174,778	699,112
OPEB liability	7,479,077	1,802,451	1,604,049	7,677,479
Total Long-Term Debt	$ 135,289,858	$ 3,828,105	$ 6,521,380	$ 132,596,583
Amount due within one year				$ 4,912,884

BUDGETARY HIGHLIGHTS

While the State of California's structural budget deficit has begun to narrow, the fiscal outlook is still quite precarious, prompting the Governor and Legislature to build in mid-year apportionment revenue reductions if certain statewide revenues are not met. Solano College developed a 2011-12 budget anticipating these mid-year cuts and continues working through the shared governance process to identify necessary budget cuts for the current and budget year (2011-12). All areas of spending are on the table, so to speak, with nothing sacred or protected from cuts.

Enrollment growth has been funded sporadically even though demand for educational services has remained very strong. In 2010-11 the district served 9,543 full-time equivalent students which, was 580 over the funded level. The Solano Community College District Board and Leadership remains committed to assuring access for residents of the college district service area. This has been done in the face of declining resources. The district continues to reallocate and reassign resources in order to fulfill its primary mission and to fund mission critical initiatives and services. As a result of action that has been taken to mitigate the impact of lost revenue and cost increases, services have been impacted and are likely to be in the future.

The fiscal outlooks for California, including those provided by Beacon Economics, School Services and UCLA, forecast slow growth, and unemployment staying in the double digits over the next few years. So while there is a glimmer of hope, this economic doldrums will likely continue to negatively affect community colleges, thus Solano College.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

As a State, California experienced record budget adoptions timelines these last two years, first the late passage of the 2010-11 State Budget hitting an all time record of 100 days, then to be followed by the 2011-12 budget being signed on time by the statutory deadline. The Solano College's 2011-12 General Fund projects an approximate 6.2% decline in apportionment revenues coupled with an estimated 6.2% reduction in funded FTES, consistent with the Governor's adopted 2011-12 State Budget.

The state budget includes scenarios allowing the Department of Finance to invoke triggers to reduce apportionment revenues by $102 million should certain statewide revenue targets not be met. Additionally, enrollment fees will increase to $46 per unit, which may further impact enrollments at the college. The District has factored the aforementioned potential mid-year cuts into the 2011-12 adoption budget.

The District FTES target for 2011-12 is 8,449.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,962,112	$ 2,515,957
Restricted cash and cash equivalents	28,448,858	30,350,077
Accounts receivable, net	12,753,660	14,012,249
Prepaid expenses	32,841	699,055
Stores inventories	1,456,169	893,370
Total Current Assets	46,653,640	48,470,708
Noncurrent Assets		
Nondepreciable capital assets	6,524,355	6,524,355
Depreciable capital assets, net of depreciation	119,108,678	120,662,092
Total Noncurrent Assets	125,633,033	127,186,447
TOTAL ASSETS	172,286,673	175,657,155
LIABILITIES		
Current Liabilities		
Accounts payable	2,713,476	3,582,405
Interest payable	1,508,478	1,567,582
Deferred revenue	4,033,641	5,581,202
Deferred bond premium - current portion	479,081	479,081
Lease obligations - current portion	90,286	82,210
Supplemental retirement plan - current portion	183,517	174,778
Bonds payable - current portion	4,160,000	3,825,000
Total Current Liabilities	13,168,479	15,292,258
Noncurrent Liabilities		
Deferred bond premium	5,506,720	5,968,878
Compensated absences payable - noncurrent portion	893,682	1,239,409
OPEB liability - noncurrent portion	7,677,479	7,479,077
Lease obligations - noncurrent portion	282,939	400,683
Supplemental retirement plan - noncurrent portion	515,595	699,112
Bonds payable - noncurrent portion	112,807,284	114,941,630
Total Noncurrent Liabilities	127,683,699	130,728,789
TOTAL LIABILITIES	140,852,178	146,021,047
NET ASSETS		
Invested in capital assets, net of related debt	24,336,933	24,357,722
Restricted for:		
Debt service	6,436,093	5,493,407
Capital projects	1,495,889	3,190,175
Unrestricted	(834,420)	(3,405,196)
TOTAL NET ASSETS	$ 31,434,495	$ 29,636,108

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Student Tuition and Fees	$ 7,528,497	$ 6,128,523
Less: Scholarship discount and allowance	(3,138,715)	(2,055,054)
Net tuition and fees	4,389,782	4,073,469
Auxiliary Enterprise Sales and Charges		
Bookstore	3,687,735	3,945,539
TOTAL OPERATING REVENUES	8,077,517	8,019,008
OPERATING EXPENSES		
Salaries	32,051,584	33,612,620
Employee benefits	13,891,801	14,059,112
Supplies, materials, and other operating expenses	28,894,309	26,511,061
Depreciation	3,700,043	3,146,839
TOTAL OPERATING EXPENSES	78,537,737	77,329,632
OPERATING LOSS	(70,460,220)	(69,310,624)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	36,577,090	34,070,997
Local property taxes, levied for general purposes	8,978,960	9,037,223
Taxes levied for other specific purposes	7,854,782	6,750,756
Federal grants	14,687,104	12,748,093
State grants	5,308,177	5,254,026
Local grants and other revenues	2,128,259	1,961,619
State taxes and other revenues	1,117,169	1,130,109
Investment income	402,841	611,958
Interest expense on capital related debt	(5,183,262)	(5,278,045)
Investment income on capital asset-related debt, net	30,616	-
Transfer from agency fund	902,000	-
Transfer to agency fund	(964,287)	(23,014)
TOTAL NONOPERATING REVENUES (EXPENSES)	71,839,449	66,263,722
INCOME BEFORE OTHER REVENUES AND EXPENSES	1,379,229	(3,046,902)
OTHER REVENUES AND EXPENSES		
Local revenues, capital	419,158	648,464
CHANGE IN NET ASSETS	1,798,387	(2,398,438)
NET ASSETS, BEGINNING OF YEAR	29,636,108	32,034,546
NET ASSETS, END OF YEAR	$ 31,434,495	$ 29,636,108

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,773,549	$ 3,760,466
Payments to vendors for supplies and services	(15,209,531)	(22,402,658)
Payments to or on behalf of employees	(46,888,725)	(46,905,897)
Payments to students for scholarships and grants	(13,813,388)	(11,797,319)
Auxiliary enterprise sales and charges:	3,687,735	3,939,548
Other operating receipts (payments)	576,593	(153,894)
Net Cash Flows From Operating Activities	(67,873,767)	(73,559,754)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	35,451,552	33,519,042
Grant and contracts	20,502,677	19,963,738
Property taxes - nondebt related	8,978,960	9,037,223
State taxes and other apportionments	1,268,999	582,373
Transfers from fiduciary funds	902,000	-
Transfers to fiduciary funds	(964,287)	-
Other nonoperating	2,351,006	(347,399)
Net Cash Flows From Noncapital Financing Activities	68,490,907	62,754,977
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(2,166,063)	(15,069,139)
Proceeds from sale of capital assets	-	37,822
Local revenue, capital projects	419,158	648,464
Property taxes - related to capital debt	7,854,782	6,750,756
Principal paid on capital debt	(3,934,668)	(4,078,947)
Interest paid on capital debt	(3,648,254)	(3,458,255)
Net Cash Flows From Capital Financing Activities	(1,475,045)	(15,169,299)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	402,841	-
Net Cash Flows From Investing Activities	402,841	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(455,064)	(25,974,076)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,866,034	58,840,110
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 32,410,970	$ 32,866,034

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

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (70,460,220)	$ (69,310,624)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation and amortization expense	3,700,043	3,146,839
Changes in Assets and Liabilities:		
Receivables	1,258,589	(232,660)
Student receivables		
Stores inventories	(562,799)	(126,866)
Prepaid expenses	666,214	(480,991)
Notes receivables, net		
Accounts payable and accrued liabilities	(928,033)	(6,615,331)
Deferred revenue	(1,547,561)	528,849
Funds held for others	-	(468,970)
Total Adjustments	2,586,453	(4,249,130)
Net Cash Flows From Operating Activities	$ (67,873,767)	$ (73,559,754)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 3,926,963	$ 1,706,332
Cash equivalents, County Cash	28,288,272	30,948,902
Cash equivalents, Local Agency Investment fund	195,735	210,800
Total Cash and Cash Equivalents	$ 32,410,970	$ 32,866,034
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 722,836	$ 779,000

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 756,847	$ 579,070
Investments	1,108,486	-
Accounts receivable, net	64,663	55,653
Due from other funds	-	1,338,547
Total Assets	1,929,996	1,973,270
LIABILITIES		
Accounts payable	65	9,033
Deferred revenue	59,216	116,588
Total Liabilities	59,281	125,621
NET ASSETS		
Unrestricted	1,870,715	1,847,649
Total Net Assets	$ 1,870,715	$ 1,847,649

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

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Federal revenues	$ 86,838	$ -
Tuition and fees	116,636	-
Local revenues	179,367	816,842
Total Additions	382,841	816,842
DEDUCTIONS		
Classified salaries	9,552	18,462
Employee benefits	1,384	558
Books and supplies	5,689	10,760
Services and operating expenditures	246,485	415,054
Capital outlay	29,625	341
Total Deductions	292,735	445,175
	90,106	371,667
OTHER FINANCING SOURCES (USES)		
Operating transfers in	974,135	23,355
Operating transfers out	(1,041,175)	-
Total Other Financing Sources (Uses)	(67,040)	23,355
Change in Net Assets	23,066	395,022
Net Assets - Beginning	1,847,649	1,452,627
Net Assets - Ending	$ 1,870,715	$ 1,847,649

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

NOTE 1 - ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. The District has determined that it does not have any component units meeting all three of these criteria.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2011 and 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $430,036 and $166,756 for the years ended June 30, 2011 and 2010, respectively.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

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

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

Deferred Revenue

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

Current Loans

Current loans consist of amounts outstanding for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability was repaid by June 30, 2011.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations and OPEB obligations with maturities greater than one year.

Net Assets

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

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

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarship Discounts and Allowances

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.*

On-Behalf Payments

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

Estimates

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

Interfund Activity

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

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

Comparative Financial Information

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Business-type activities	$ 32,410,970
Fiduciary funds	1,865,333
Total Deposits and Investments	$ 34,276,303

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	$ 4,110,164
Cash in revolving	96,577
Investments	30,069,562
Total Deposits and Investments	$ 34,276,303

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity in Years
Master Trusts	$ 1,108,486	Less than one
County Pool	28,765,341	Less than one
State Investment Pool	195,735	.65 years
Total	$ 30,069,562	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are not required to be rated, nor they been rated as of June 30, 2011.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA	Rating as of Year End Aa	Rating as of Year End Unrated
County Pool	$ 28,765,341	$ 28,765,341	$ -	$ -	$ 28,765,341
Joint Powers Agency Risk Pools	1,108,486	1,108,486	-	-	1,108,486
State Investment Pool	195,735	195,735	-	-	195,735
Total	$ 30,069,562	$ 30,069,562	$ -	$ -	$ 30,069,562

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, approximately $3,000,000 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	Primary Government	
	2011	2010
Federal Government		
Categorical aid	$ 384,534	$ 384,073
State Government		
Apportionment	8,509,519	7,383,981
Categorical aid	551,483	691,572
Lottery	154,774	306,604
Local Sources		
Student receivables, net	2,280,899	1,891,371
Other local sources	872,451	3,354,648
Total	$ 12,753,660	$ 14,012,249
Student receivables	$ 2,710,935	$ 2,058,127
Less allowance for bad debt	(430,036)	(166,756)
Student receivables, net	$ 2,280,899	$ 1,891,371

Fiduciary Funds

	Fiduciary Funds	
	2011	2010
Local Sources		
Student receivables, net	$ 64,663	$ 55,653

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

The District paid for July 2011 health insurance and workers compensation insurance prior to June 30, 2011.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2011, was as follows:

	Balance Beginning of Year	Additions	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,524,355	$ -	$ -	$ 6,524,355
Construction in progress	-	-	-	-
Total Capital Assets Not Being Depreciated	6,524,355	-	-	6,524,355
Capital Assets Being Depreciated				
Land improvements	8,683,899	-	-	8,683,899
Buildings	124,376,140	1,944,891	-	126,321,031
Building improvements	6,044,005	-	-	6,044,005
Furniture and equipment	11,243,748	221,172	98,528	11,366,392
Total Capital Assets Being Depreciated	150,347,792	2,166,063	98,528	152,415,327
Total Capital Assets	156,872,147	2,166,063	98,528	158,939,682
Less Accumulated Depreciation				
Land improvements	3,456,820	262,624	-	3,719,444
Buildings	17,434,035	2,522,944	-	19,956,979
Building improvements	971,007	302,462	-	1,273,469
Furniture and equipment	7,823,838	644,050	111,131	8,356,757
Total Accumulated Depreciation	29,685,700	3,732,080	111,131	33,306,649
Net Capital Assets Being Depreciated	120,662,092	(1,566,017)	(12,603)	119,108,678
Net Capital Assets	$ 127,186,447	$ (1,566,017)	$ (12,603)	$ 125,633,033

Depreciation expense for the year was $3,732,080.

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

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

Depreciation expense for the year 2010 was $3,146,839.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2011	2010
Accrued payroll and related liabilities	$ 621,875	$ 1,245,111
Other	2,091,601	2,337,294
Total	$ 2,713,476	$ 3,582,405

Fiduciary Funds

	Fiduciary Funds	
	2011	2010
Other	$ 65	$ 9,033

NOTE 8 - SHORT-TERM BORROWING

At June 30, 2011, the District had no amounts outstanding for Tax and Revenue Anticipation Notes. On July 30, 2010, the District issued $5,000,000 in Tax and Revenue Anticipation Notes. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2011

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2010-11 TRANS	$ -	$ 5,000,000	$ 5,000,000	$ -

NOTE 9 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2011	2010
Federal financial assistance	$ 5,602	$ 203,752
State categorical aid	1,591,338	2,001,227
Enrollment fees	2,248,643	2,034,925
Other local	188,058	1,341,298
Total	$ 4,033,641	$ 5,581,202

Fiduciary Funds

	Fiduciary Funds	
	2011	2010
Other local	$ 59,216	$ 116,588

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively, in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

As of June 30, 2011, the amount owed between the government and the fiduciary funds was $279,334, and is included in pooled claim on cash.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2011 fiscal year the amount transferred to the primary government from the fiduciary fund amounted to $902,000. The amounts transferred to the fiduciary funds from the primary government were $964,287.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2011 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 118,766,630	$ 2,025,654	$ 3,825,000	$ 116,967,284	$ 4,160,000
Bond premiums	6,447,959	-	462,158	5,985,801	479,081
Total Bonds and Notes Payable	125,214,589	2,025,654	4,287,158	122,953,085	4,639,081
Other Liabilities					
Compensated absences	1,239,409	-	345,727	893,682	-
Capital leases	482,893	-	109,668	373,225	90,286
Supplemental retirement plan	873,890	-	174,778	699,112	183,517
OPEB Liability	7,479,077	1,802,451	1,604,049	7,677,479	-
Total Other Liabilities	10,075,269	1,802,451	2,234,222	9,643,498	273,803
Total Long-Term Debt	$ 135,289,858	$ 3,828,105	$ 6,521,380	$ 132,596,583	$ 4,912,884

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

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

Description of Debt

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

General Obligations Bonds

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

In May 2003, the District issued 2002 General Obligation Bonds, Series A in the amount of $80,000,000 for the purpose of construction and repairing college education facilities.

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

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Accreted	Redeemed	Bonds Outstanding June 30, 2011
Mar-05	8/1/2022	3.0-5.0%	$ 81,349,812	$ 70,841,756	$ 366,922	$ 3,330,000	$ 67,878,678
Sep-06	8/1/2031	4.0-5.0%	44,495,279	47,924,874	1,658,732	495,000	49,088,606
				$ 118,766,630	$ 2,025,654	$ 3,825,000	$ 116,967,284

Debt Maturity

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2012	$ 4,160,000	$ 3,537,147	$ -	$ 7,697,147
2013	4,520,000	3,363,547	-	7,883,547
2014	4,900,000	3,175,147	-	8,075,147
2015	5,300,000	2,971,160	-	8,271,160
2016	5,720,000	2,729,723	-	8,449,723
2017-2021	36,132,169	9,037,389	242,831	45,412,389
2022-2026	17,753,032	2,982,563	19,596,968	40,332,563
2026-2030	17,362,446	2,441,250	30,657,553	50,461,249
2031-2031	12,757,443	244,125	6,742,558	19,744,126
Total	108,605,090	$ 30,482,051	$ 57,239,909	$ 196,327,050
Accretions to date	8,362,194			
Total	$ 116,967,284			

Capital Lease Obligations

The District has entered into various lease-purchase agreements for equipment originally valued at $1,200,000 under agreements which provide for title to pass upon expiration of the lease period. Interest charged on certain lease-purchase agreements is calculated at 65 percent to 72 percent of prime rates. The capitalized lease obligations are generally collateralized by the leased property. The annual debt service for these leases is paid from the operating revenues of the District.

Capital improvements	$ 1,200,000
Less: Estimated accumulated depreciation	(576,000)
Total	$ 624,000

Year Ending June 30,	Lease Payment
2012	$ 98,327
2013	98,327
2014	98,327
2015	98,327
Total	393,308
Less: Amount Representing Interest	20,083
Present Value of Minimum Lease Payments	$ 373,225

Supplemental Retirement Plan

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

Year Ending June 30,	Retirement Payment
2012	$ 174,778
2013	174,778
2014	174,778
2015	174,778
Total	$ 699,112

Other Postemployment Benefit Obligation

The District's annual required contribution for the year ended June 30, 2011, was $1,802,451, and contributions made by the District during the year were $1,604,049, which resulted in an increase to the net OPEB obligation of $198,402. As of June 30, 2011, the net OPEB obligation was $7,677,479. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

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

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

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

* Some retirees do not receive all three benefit types.

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

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

Plan Description

The District Plan provides medical and dental, and vision insurance benefits to eligible retirees and their spouses. Membership in the Plan consists of 111 retirees and beneficiaries currently receiving benefits, and 341 active plan members. The District is a member of the California Community College League Retiree Health Benefit Program, which is an investment program used to set aside funds for future retiree benefits. Separate financial statements for the Investment Trust can be obtained by contacting the California Community College League Retiree Health Benefit Program at 2017 O Street, Sacramento CA 95811.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2010-2011, the District paid $1,604,049 in pay as you go health premiums and did not contribute any additional amounts to the JPA Investment Trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed through payment of pay as you go amounts and contributions to the Investment Trust, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,802,451
Total contributions	(1,604,049)
Increase (decrease) in net OPEB obligation	198,402
Net OPEB obligation, July 1, 2010	7,479,077
Net OPEB obligation, June 30, 2011	$ 7,677,479

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

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
June, 2011	$ 1,802,451	$ 1,604,049	89%	$ 7,677,479
June, 2010	1,509,429	1,671,196	111%	7,479,077
June, 2009	1,509,429	1,411,035	93%	7,640,844

Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Investment Trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the October 1, 2010, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates 4 percent. The UAAL is being amortized using the level percent of payroll method. The remaining amortization period at June 30, 2011, was 22 years. The actuarial value of assets was $1,016,238 as of this actuarial valuation.

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2011, the District contracted with the Northern Community Colleges Self Insurance Authority, a Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2010-2011, the District participated in the Northern Community Colleges Self Insurance Authority Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

Employee Medical Benefits

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were $1,401,028, $1,505,322, and $1,499,622, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were $1,098,965, $1,024,860, and $990,330, respectively, and equaled 100 percent of the required contributions for each year.

Tax Deferred Annuity

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

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $722,836 (4.267 percent) of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

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

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

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

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

During the year ended June 30, 2011, the District made payments of approximately $500,000 to the Northern California Community Colleges Self Insurance Authority.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

Construction Commitments

The District had no significant construction or other commitments as of June 30, 2011.

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was $8,509,519. As of the date of the audit report, the entire amount has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2008	$ 937,234	$ 14,444,447	$ 13,507,213	6.5%	$ 34,304,656	39.4%
October 1, 2010	1,016,238	17,015,810	15,999,572	6.0%	$ 35,333,796	45.3%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2011

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Denis Honeychurch	President	2014
A. Marie Young	Vice President	2014
Sarah E. Chapman	Member	2014
James M. Claffey	Member	2012
Pam Keith	Member	2014
Phil McCaffrey	Member	2012
Rosemary Thurston	Member	2012
John Glidden	Student Trustee	2011

ADMINISTRATION

Jowel C. Laguerre, Ph D.	Secretary
Yulian Ligioso	Vice President, Finance and Administration
Susan Foft	Director of Fiscal Services

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL AID CLUSTER			
Supplemental Educational Opportunity Grant (SEOG)	84.007	[1]	$ 202,490
Pell Grant	84.063	[1]	11,064,939
Federal Work Study Program	84.033	[1]	158,744
Federal Direct Student Loans	84.268	[1]	2,010,252
Academic Competitiveness Grant (ACG)	84.375	[1]	34,670
Subtotal Student Financial Aid Cluster			13,471,095
Veteran Assistance Title 38	84.111	[1]	5,914
Passed through California State Chancellors Office			
ARRA - State Fiscal Stabilization Funds	84.394	25008	21,716
Career and Technical Education - Basic Grants to States	84.048	03303	326,641
Career and Technical Education - Tech Prep Education	84.243	03207	69,708
Total U.S. Department of Education			13,895,074
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Post-9/11 Veterans Educational Assistance	64.028	[1]	157,004
U.S DEPARTMENT OF LABOR			
Passed through the Employment Development Department			
ARRA - WIA Green Education	17.258	[2]	146,026
Total U.S. Department of Labor			146,026
U.S. DEPARTMENT OF ENERGY			
Passed through the Employment Development Department			
ARRA - State Energy Program - Energy Commission - Workforce Training Program	81.041	[2]	166,626
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	03628	23,137
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Child Care and Development Block Grant	93.575	[2]	6,434
ARRA - Child Care and Development Block Grant	93.713	[2]	1,737
Federal General Child Care and Development CCTR	93.596	13609	131,410
Foster Care Title IV-E	93.658	10011	104,360
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			
Passed through California State Chancellors Office			
ARRA - Emergency Contingency Fund TANF State Programs - Work Study	93.714	[2]	3,059
Temporary Assistance for Needy Families (TANF)	93.558	[2]	52,237
Total U.S. Department of Health and Human Services			299,237
			$ 14,687,104

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

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
Basic Skills - On Going	$ 90,000	$ 63,941	$ 153,941	$ 153,627	$ -	$ 51,412	$ 102,215	$ 102,215
Cal Works	160,030	-	160,030	160,030	-	-	160,030	160,030
Cal Grants	473,866	-	473,866	471,357	2,509	-	473,866	473,866
CTE - Career Strengthening	-	387,853	387,853	387,853	-	230,065	157,788	157,788
CTE - Nurse Equipment	53,645	-	53,645	-	53,645	-	53,645	53,645
CARE	47,479	9,765	57,244	57,244	-	-	57,244	57,244
CTE 07-170-020	-	374,174	374,174	160,611	-	-	160,611	160,611
CTE 08-140-281	-	116,596	116,596	116,596	-	-	116,596	116,596
CTE 08-141-281	-	86,178	86,178	86,178	-	-	86,178	86,178
CTE 09-140	309,990	-	309,990	268,649	-	165,961	102,688	102,688
CTE 09-141	78,874	-	78,874	78,874	-	45,377	33,497	-
CTE 09-142	150,000	-	150,000	150,000	-	99,042	50,958	50,958
CDC WORKs	33,954	-	33,954	20,471	13,483	-	33,954	33,954
Child Ctr. - General Child Care	160,176	-	160,176	146,718	13,458	-	160,176	160,176
Child Development Training Consortium	13,750	-	13,750	12,604	1,146	-	13,750	13,750
Community Collaborative	430,000	-	430,000	430,000	-	430,000	-	-
CTE: Community Collaborative Supplement	100,000	-	100,000	100,000	-	100,000	-	-
CSPP State Preschool	424,742	-	424,742	389,064	35,293	-	424,357	424,357
Disabled Students Programs and Services	463,642	-	463,642	463,642	-	-	463,642	463,642
Economic Development - SBDC	-	66,085	66,085	66,085	168,488	-	234,573	234,573
Extended Opportunity Program and Services	308,530	176,976	485,506	485,506	-	-	485,506	485,506
First 5 Solano	-	140	140	140	-	-	140	140
Foster and Kinship Care	105,759	-	105,759	52,880	52,879	-	105,759	105,759
Instructional Equipment, on going	-	155,276	155,276	155,276	-	19,094	136,182	136,182
Instructional Equipment, one time	-	50,766	50,766	50,766	-	-	50,766	50,766
Lottery - Prop. 20	189,953	366,903	556,856	391,090	165,766	278,926	277,930	89,973
Matriculation - Credit	298,440	-	298,440	298,440	-	-	298,440	298,440
Matriculation - Non-Credit	180	-	180	180	-	-	180	180
Mentor Program	-	686	686	686	-	303	383	383
MESA	50,500	-	50,500	37,875	12,625	-	50,500	50,500
Nurse Education	-	508,685	508,685	502,315	6,370	-	508,685	508,685
Nurse: CTE Faculty Recruitment	32,695	-	32,695	32,695	-	-	32,695	32,695
Nurse Enrollment Growth	135,287	-	135,287	113,641	-	108,441	5,200	5,200
Renovation and Repair	1,683	-	1,683	-	-	-	-	-
Staff Diversity	5,852	8,390	14,242	14,242	-	702	13,540	13,540
State Block Grant	-	1,170	1,170	1,170	-	-	1,170	1,170
Staff Development	-	45,693	45,693	45,693	-	44,010	1,683	1,683
Student Financial Aid Administrative Allowance	311,726	-	311,726	311,726	-	-	311,726	311,726
Scheduled Maintenance - On Going	-	121,658	121,658	121,658	-	-	121,658	121,658
Scheduled Maintenance - One Time	-	155,218	155,218	155,218	-	-	155,218	155,218
State Meal Program	49,649	-	49,649	33,796	15,853	-	49,649	49,649
State General Child Care	-	161,884	161,884	-	-	-	-	-
State Preschool - CSPP	-	426,330	426,330	-	-	-	-	-
Transfer Education and Articulation	-	1,631	1,631	1,631	-	1,083	548	548
TTIP	-	16,922	16,922	16,922	-	16,922	-	-
YESS Program	22,500	-	22,500	-	9,968	-	9,968	9,968
Subtotal	$4,502,902	$4,059,293	$7,783,322	$6,543,149	$ 551,483	$1,591,338	$5,503,294	$ 5,281,840

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2011

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	976.30	-	976.30
2. Credit	-	-	-
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	2.52	-	2.52
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,244.48	-	7,244.48
(b) Daily Census Contact Hours	432.81	-	432.81
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	2.89	-	2.89
(b) Credit	438.81	-	438.81
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Contact Hours	229.84	-	229.84
(b) Daily Census Contact Hours	63.90	-	63.90
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	9,391.55	-	9,391.55
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	-	-	-
2. Credit	936.54	-	936.54
	936.54	-	936.54

* Annual report revised as of October 1, 2011.

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

	Unrestricted General Fund	Revenue Bond Interest and Redemption Fund	Bookstore Fund	Self Insurance Fund	Financial Aid Fund	Bookstore Fund	Other Post Employment Benefit Trust Fund
June 30, 2011, Annual Financial and Budget Report (CCFS-311)							
Reported Fund Balance	$ 5,713,219	$ 316,785	$1,229,367	$ 552,040	$ (334,964)	$ 328,726	$ -
Adjustments to Increase (Decrease) Fund Balance							
Post closing entries	(302,326)	(316,785)	-	-	-	-	-
Cash	(1,108,846)	-	-	-	-	(135,002)	1,108,846
Accounts receivable	-	-	-	(394,279)	328,457	-	-
Accumulated depreciation	-	-	(17,445)	-	-	-	-
Accounts payable	-	-	-	-	-	-	-
Net Adjustments	(1,411,172)	(316,785)	(17,445)	(394,279)	328,457	(135,002)	1,108,846
Audited Fund Balance	$ 4,302,047	$ -	$1,211,922	$ 157,761	$ (6,507)	$ 193,724	$ 1,108,846

See accompanying note to supplementary information.

NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

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

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

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

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

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

INDEPENDENT AUDITORS' REPORTS

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

VALUE THE DIFFERENCE

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

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the basic financial statements of Solano Community College District (the District) for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2011. We conducted our audits 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

The management of Solano Community College District is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audits, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solano Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Solano Community College District's internal control over financial reporting.

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

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

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2011-1 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Solano Community College District in a separate letter dated December 30, 2011.

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2011

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

VALUE THE DIFFERENCE

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

Board of Trustees
Solano Community College District
Fairfield, California

Compliance

We have audited Solano Community College District's (the District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Solano Community College District's major Federal programs for the year ended June 30, 2011. Solano Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Solano Community College District's management. Our responsibility is to express an opinion on Solano Community College District's compliance based on our audit.

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

In our opinion, Solano Community College District complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

The management of Solano Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Solano Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Solano Community College District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2011

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

REPORT ON STATE COMPLIANCE

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the basic financial statements of Solano Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Solano Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Solano Community College District's compliance with the State laws and regulations applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Required Data Elements
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 432	Enrollment Fee
Section 433	CalWORKS – Use of State and Federal TANF Funding
Section 435	Open Enrollment
Section 437	Student Fee – Instructional Materials and Health Fees
Section 473	Economic and Workforce Development (EWD)
Section 474	Extended Opportunity Programs and Services (EOPS)

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Section 475 Disabled Student Programs and Services (DSPS)
Section 477 Cooperative Agencies Resources for Education (CARE)
Section 478 Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
Section 479 to Be Arranged Hours (TBA)

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

Based on our audit, we found that for the items tested, the Solano Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Our audit does not provide a legal determination on Solano Community College District's compliance with the State laws and regulations referred to above.

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.003 (including ARRA), 84.007, 84.375, 84.268, 84.063	Student Financial Aid Cluster
17.258 (including ARRA), 81.041	WIA Green Jobs

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for State programs:	Unqualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

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

2011-1 Finding -Internal Control – Safeguarding of Assets

Significant Deficiency

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

Not applicable.

Context

A key control over the custody of cash was not operating as designed. We noted that the reconciliations for the revolving, county cash, and student body funds were completed in the Spring of 2011 but had not been performed routinely throughout the 2010-11 fiscal year. We also noted that the clearing account had significant carrying balances throughout the year.

Effect

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

Cause

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

Recommendation

In order to strengthen the internal controls over the safeguarding of cash, we recommend the District implement a monthly reconciliation procedure for all District accounts. In addition, all reconciliations should be reviewed by management and all unexplained reconciling items should be investigated in a timely manner. We also recommend that the District establish an expected level of funds to be held in the clearing account and ensure that whenever funds exceed that threshold the excess funds are transmitted to the county treasury within a specified timeframe.

District Response

The District agrees and has implemented monthly reconciliation procedures for all District accounts, with shared/split review responsibilities by the both Accounting Manager and Director of Fiscal Services. The District furthermore is establishing a threshold in the clearing account at which point excess funds are to be transferred to the County Treasury within a set time frame.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

None noted

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

2011-2 Finding – To Be Arranged Hours (TBA)
Significant Deficiency

Criteria or Specific Requirement

Pursuant to Title 5, Sections 58003.1(b) and (c), the TBA portion of a course uses an alternative method for regularly scheduling a credit course. In addition, Legal Advisory 08-02 To Be Arranged (TBA) Hours Compliance Advice indicates that documentation is required to substantiate that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures.

Title 5, Section 55002(a)(3), 55002(b)(2), 58050(5), and 58051(a)(1) require that specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5 Section 58102 and 58108 require that a clear description of the course, including the number of TBA hours required be published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

Condition

- We noted that contact hours for students where documentation of participation for at least 50 minutes of the To Be Arranged time was not available had not been removed from the 320.
- We noted courses where instructional activities to be conducted during the TBA hours were not indicated in the official course outlines.
- We noted courses where the number of TBA hours required was not documented in the catalog or in the official schedule of classes.

Questioned Costs

2,520 Weekly contact hours or 4.8 FTES needs to be removed due to lack of attendance support for Weekly TBA courses.

720 Daily contact hours or 1.37 FTES needs to be removed due to lack of attendance support for Daily TBA courses.

Context

- We reviewed 20 TBA weekly courses out of a population of approximately 200 courses. The courses included 626 enrolled students. We noted that TBA contact hours of 3,240 of 169,509 tested, were not supported by documented attendance records.
- We noted that instructional activities to be conducted during the TBA hours were not indicated in the official course outlines or course syllabus.
- We noted 13 courses where the number of TBA hours required was not documented in the catalog or in the official schedule of classes.

Effect

FTES reported on the Form 320 were overstated and the District received apportionment funding for those FTES. In addition, course materials do not concisely and consistently describe the TBA expectations, activities and hours.

Cause

The District was not adjusting Form 320 data for those students who did not participate for a minimum amount of To Be Arranged Hours. In addition, course materials are not consistent with each other.

Recommendation

We recommend the District review participation records for all To Be Arranged courses and remove contact hours for those students who are not participating. We also recommend the District review all TBA course outline, catalogs and course schedule material and verify that TBA is appropriately noticed and described.

District Response

The District agrees and will remove contact hours for those students who did not participate in the To-Be-Arranged courses. The District will also work with the Curriculum Office and the college's Academic Senate to develop guidelines to be in compliance with Title 5 regulations.

2011-3 Finding – Calworks
Significant Deficiency

Criteria or Specific Requirement

Calworks expenditures must directly provide support to eligible Calworks students.

Condition

During our testing of expenditures charged to the Calworks program, we noted two students whose student salaries were paid from Calworks funds but were ineligible Calworks recipients.

Questioned Costs

$5,532 is salaries were paid out to these two ineligible students during the fiscal year.

Context

We tested 25% of total Calworks expenditures and a total of 9 students whose work study salaries were charged to the grant.

Effect

Ineligible students could be getting paid from Calworks funds.

Cause

The Calworks office failed to notify the Business Services Payroll Department when students whose salaries are paid from Calworks funds are no longer eligible.

Recommendation

The Calworks office should track those students whose salaries are being paid from Calworks funds. Upon determining any student ineligible, they should communicate this to the payroll department and verify that the student's salary is no longer being charged to the program as of the date they became ineligible.

District Response

Several personnel changes in the Solano College CalWorks Program last year impacted the student eligibility tracking process and the college's CalWorks Coordinator is developing additional procedures to strengthen work-study tracking and eligibility verification. Part of that process will include ongoing communications with Solano County CalWorks and timely notification to the affected student, the respective hiring department, as well as the Payroll Department when the student becomes ineligible.

2011-4 Finding – Disabled Student Program and Services (DSPS)
Significant Deficiency

Criteria or Specific Requirement

Education Code Section 56002 specifies what documentation must be included in a student's file that is served by the DSPS program. The file must include a signed application for services and verification of enrollment at the community college, verification of disability and identification of educational limitations due to the disability, a Student Educational Contract or Student Educational Plan, and documentation of services provided.

Condition

We noted that in 6 out of 40 files reviewed documentation of the student's disability was dated after services were performed, and/or was not signed by all appropriate parties, 3 of the 40 student files did not have a Student Education Contract or Student Educational Plan, and 2 of the 40 student files did not have an Educational Accommodation Form present.

Questioned Costs

None, as information was subsequently received.

Context

We noted the condition above during our review of 40 student files served under the Disabled Students Program and Services Grant.

Effect

There could be more students served than the 6 identified above whose disability wasn't verified and therefore, might not have a disability as defined in the DSPS grant guidelines. Additionally, there might be more students served who are missing the required documentation necessary to be included in the College's report on students served which is used to determine subsequent year's funding.

Cause

The College DSPS department doesn't have an automated process to verify that the files are complete and failed to manually review each file to verify that the files had all required documentation.

Recommendation

We recommend that the DSPS department review the files of active students to verify that all required documentation is present.

District Response

The District will review the procedures for obtaining disability documentation for the disabled student program and services students served and implement a process to review files for completeness.

SOLANO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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

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

Financial Statement Findings

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

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

Not applicable.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Partially implemented, see current year comments.

2010-2 Finding – Year End Closing Process
Material Weakness

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

Not applicable.

Context

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

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

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

Effect

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

Cause

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

Recommendation

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

Current Status

Partially implemented, see current year management recommendation letter.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Awards Findings

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

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

State Awards Findings

2010-4 Finding – Concurrent Enrollment
Significant Deficiency

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None.

Context

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

Effect

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

Cause

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

Recommendation

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

District Response

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

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

Status

Implemented.

2010-5 Finding – Health Fees
Significant Deficiency

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented