SOLANO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

SOLANO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2012

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Solano Community College District
Fairfield, California

We have audited the accompanying basic financial statements of Solano Community College District (the District) as of and for the years ended June 30, 2012 and 2011 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 opinions.

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, 2012 and 2011, 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 31, 2012, 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 31, 2012

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, 2012. 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, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

The Fiscal Year 2011-12 budget was adopted with an approximate $1.46 million deficit as a result of the estimated $3.7 million apportionment revenue loss, a revenue loss that translated into a workload reduction for the college of about 758 FTES. Additionally, this fiscal year also brought neither funding for growth nor cost of living adjustments, and the district increased enrollment fees increase from $26 to $36 per unit. The aforementioned represented the most significant elements for the college in the State budget for 2011-12. To address such budget challenges Solano College reduced about 500 sections for the academic year, re-organized Academic Affairs, did not fill a number of vacancies and reduced spending on supplies and other operating expenditures.

Despite the continued difficult times for California Community Colleges, the District ended the year as planned achieving the $1.46 million deficit target and ending the year with an approximate $2.84 million of designated reserve, or the equivalent of 5.95% of the General Fund Unrestricted expenditures.

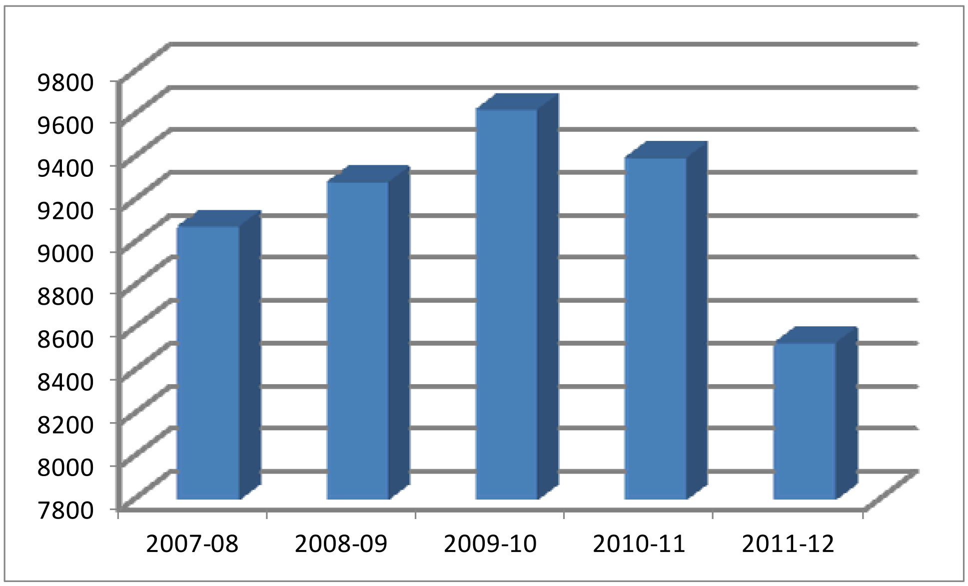
As cash flow continues to be a concern for all California school and community college districts, given the additional intra and inter year apportionment deferrals, the District once again was able to make accommodations through the Solano County Treasurer and Auditor-Controller to cover any temporary 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.

State apportionment deferrals at June 30, received in July, resulted in a deficit cash balance and higher receivables, the first which was covered via the County's temporary funds transfer arrangement. Restricted Cash, mainly Measure G bond funds, remained relatively stable. Inventories declined drastically because managing of the Bookstore was assumed by Barnes & Noble. Prepaid expenditures were up due to the 2012-13 pre-payment of the early retiree annuity. Accounts payable rose significantly because of the temporary funds transfer from the County; 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.

ATTENDANCE HIGHLIGHTS

Solano Community College District showed a decline of about 800 full-time equivalent students from prior year FY 2010-11 due to significant class reductions with the District actually serving 8,526 full-time equivalent students (FTES) on the Final CCFS 320 enrollment report to the Chancellor's Office. The chart below shows actual FTES served.

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



THE DISTRICT AS A WHOLE

Net Assets

Table 1

ASSETS	2012	2011	Change	2010	Change
Current Assets					
Cash and investments	$ 724,744	$ 3,962,112	$ (3,237,368)	$ 2,515,957	$ 1,446,155
Restricted cash and cash equivalents	28,292,243	28,448,858	(156,615)	30,350,077	(1,901,219)
Accounts receivable (net)	15,531,337	12,753,660	2,777,677	14,012,249	(1,258,589)
Store inventory	-	1,456,169	(1,456,169)	893,370	562,799
Prepaid expenses and other current assets	183,945	32,841	151,104	699,055	(666,214)
Total Current Assets	44,732,269	46,653,640	(1,921,371)	18,120,631	(1,817,068)
Noncurrent Assets:					
Capital assets (net)	125,619,915	125,633,033	(13,118)	127,186,447	(1,553,414)
Total Noncurrent Assets	125,619,915	125,633,033	(13,118)	127,186,447	(1,553,414)
Total Assets	$ 170,352,184	$ 172,286,673	$ (1,934,489)	$ 175,657,155	$ (3,370,482)
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	$ 7,298,612	$ 4,221,954	$ 3,076,658	$ 5,149,987	$ (928,033)
Deferred revenue	3,597,514	4,033,641	(436,127)	5,581,202	(1,547,561)
Deferred bond premium	479,081	479,081	-	479,081	-
Long-term liabilities due within one year	4,787,126	4,433,803	353,323	4,081,988	351,815
Total Current Liabilities	16,162,333	13,168,479	2,993,854	15,292,258	(2,123,779)
Long-term Debt	124,422,068	127,683,699	(3,261,631)	130,728,789	(3,045,090)
Total Liabilities	140,584,401	140,852,178	(267,777)	146,021,047	(5,168,869)
NET ASSETS					
Invested in capital assets, net of related debt	4,893,894	24,336,933	(19,443,039)	24,357,722	(20,789)
Restricted	6,734,084	7,931,982	(1,197,898)	8,683,582	(751,600)
Unrestricted	18,139,805	(834,420)	18,974,225	(3,405,196)	2,570,776
Total Net Assets	29,767,783	31,434,495	(1,666,712)	29,636,108	1,798,387
Total Liabilities and Net Assets	$ 170,352,184	$ 172,286,673	$ (1,934,489)	$ 175,657,155	$ (3,370,482)

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 $11 million in State aid apportionment, along with student accounts receivable and grants from the State and Federal government. Restricted cash includes amounts restricted for debt service.

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

Operating Results for the Year

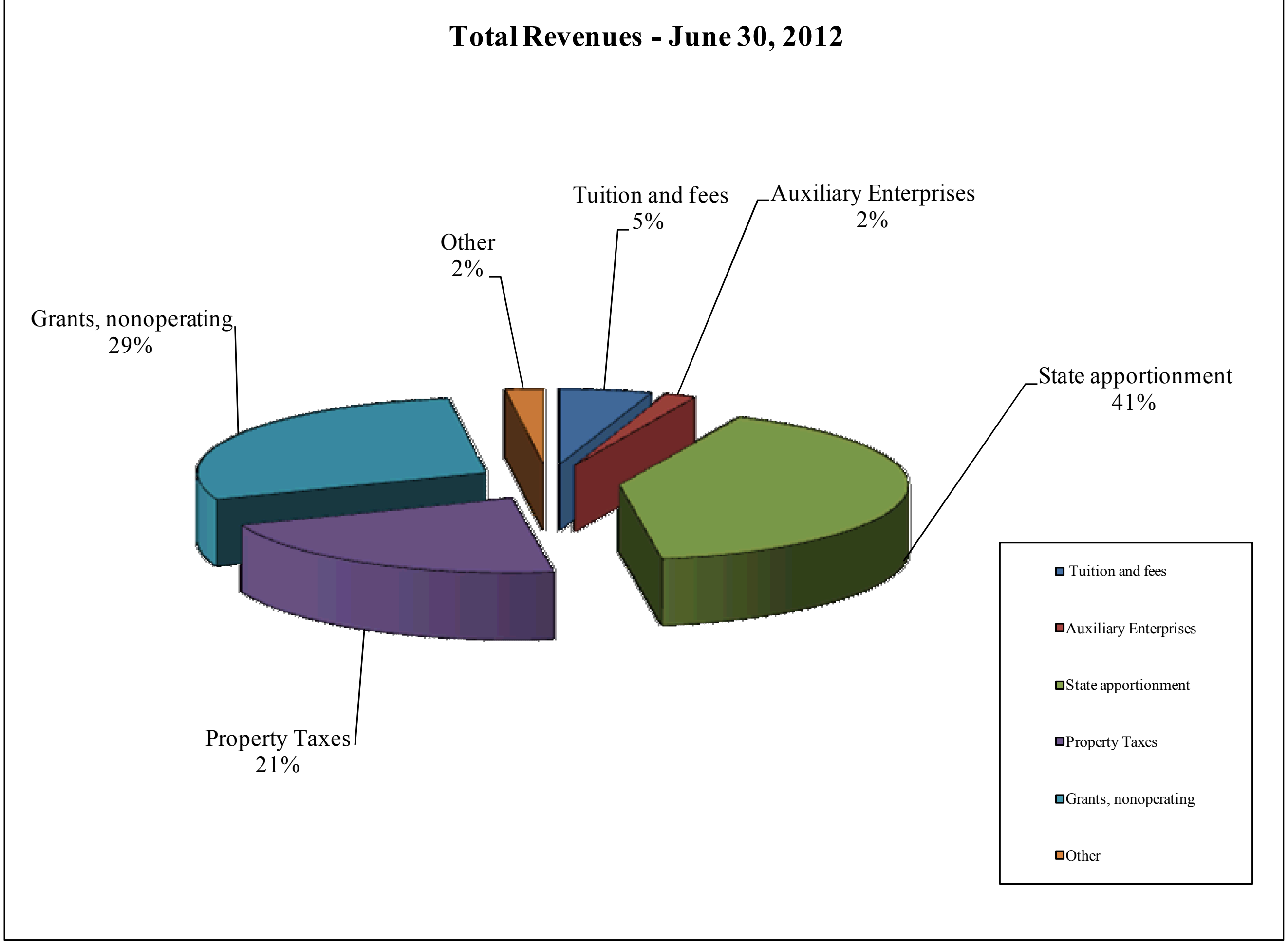
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 16.

Table 2

	2012	2011	Change	2010	Change
Operating Revenues					
Tuition and fees	$ 3,906,774	$ 4,389,782	$ (483,008)	$ 4,073,469	$ 316,313
Auxiliary sales and charges	1,322,839	3,687,735	(2,364,896)	3,945,539	(257,804)
Total Operating Revenues	5,229,613	8,077,517	(2,847,904)	8,019,008	58,509
Operating Expenses					
Salaries	29,624,357	32,051,584	(2,427,227)	33,612,620	(1,561,036)
Employee benefits	14,603,380	13,891,801	711,579	14,059,112	(167,311)
Supplies, Materials, Other Operating Expenses and Services	26,074,301	28,894,309	(2,820,008)	26,511,061	2,383,248
Depreciation	3,635,653	3,700,043	(64,390)	3,146,839	553,204
Total Operating Expenses	73,937,691	78,537,737	(4,600,046)	77,329,632	1,208,105
Loss on Operations	(68,708,078)	(70,460,220)	1,752,142	(69,310,624)	(1,149,596)
Nonoperating Revenues					
State apportionments, noncapital	31,283,738	36,577,090	(5,293,352)	34,070,997	2,506,093
Local property taxes	16,502,661	16,833,742	(331,081)	15,787,979	1,045,763
Federal	15,178,106	14,687,104	491,002	12,748,093	1,939,011
State	5,352,286	5,308,177	44,109	5,254,026	54,151
Local	1,461,480	2,128,259	(666,779)	1,961,619	166,640
State taxes and other revenues	1,383,043	1,117,169	265,874	1,130,109	(12,940)
Investment income	227,566	402,841	(175,275)	611,958	(209,117)
Interest Expense on Capital Asset-Related Debt	(5,125,674)	(5,183,262)	57,588	(5,278,045)	94,783
Other nonoperating revenues (expenses)	(102,513)	(31,671)	(70,842)	(23,014)	(8,657)
Total Nonoperating Revenue	66,160,693	71,839,449	(5,678,756)	66,263,722	5,575,727
GAIN (LOSS) BEFORE CAPITAL REVENUES	(2,547,385)	1,379,229	(3,926,614)	(3,046,902)	4,426,131
CAPITAL REVENUES					
State and local capital income	880,673	-	880,673	-	-
Grants and gifts, capital	-	419,158	(419,158)	648,464	(229,306)
TOTAL CAPITAL REVENUES	880,673	419,158	461,515	648,464	(229,306)
INCREASE (DECREASE) IN NET ASSETS	(1,666,712)	1,798,387	(3,465,099)	(2,398,438)	4,196,825
NET ASSETS BEGINNING OF YEAR	31,434,495	29,636,108	1,798,387	32,034,546	(2,398,438)
NET ASSETS END OF YEAR	$ 29,767,783	$ 31,434,495	$ (1,666,712)	$ 29,636,108	$ 1,798,387

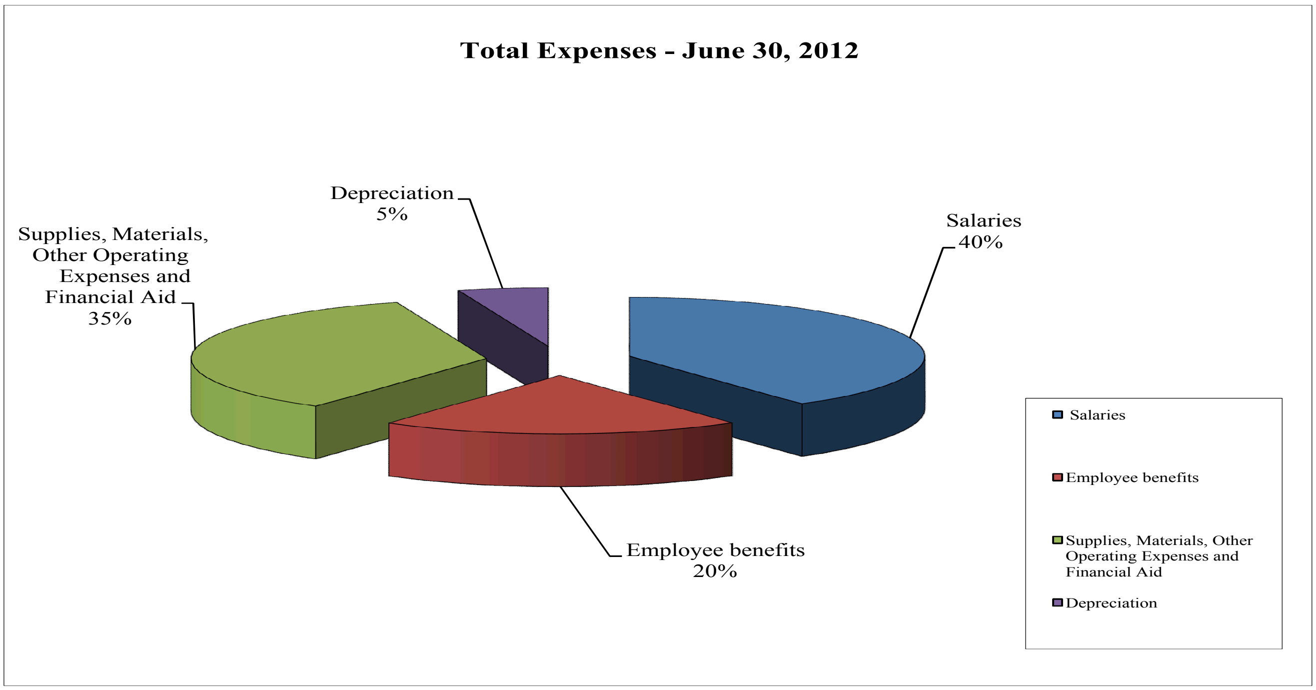
Significant revenue changes between 2011 and 2012 include:

- An increase in student tuition and fees, primarily related to the fee increase from $26 to $36 per unit resulted in a significant increase in financial aid applications, primarily Board of Governor's fee waivers, ultimately reducing net enrollment fee collections.
- Auxiliary revenues diminished as Bookstore operations were assumed by Barnes & Noble in December of 2011. As a result of this arrangement, the district now receives commissions on sales while improving services to students, faculty and staff.
- State apportionment decreased about $5 million due to a workload reduction of about 753 FTES, resulting in a re-benching of base funding.
- Federal funding increased due to various grants, and increased Pell Grants due to the increase in per-unit fees charged to students.
- State and local funding declined, principally due to prior year state revenue carry-overs cleared up in FY 2011-12. Additionally, Child Development revenues are now accounted for in its respective Special Fund, Theater Production and Other Local revenues are down significantly.
- Investment income down due to very low interest and lower cash balances due to the deferrals.
- Capital revenues are up one time, due to the redevelopment agency dissolution and resultant true-up.



Significant expenditure variances include:

- Employee salaries decreased due to not filling multiple vacancies and significant class offering reductions.
- Supplies, services, and other operating expenditures decreased significantly as a result of budget reduction strategies.
- Reserves were used in Fiscal Year 2011-12 to avert major lay-offs and preserve permanent jobs.



Changes in Cash Position

Table 4

	2012	2011	Change	2010	Change
Cash Provided by (Used in)					
Operating activities	$ (60,866,233)	$ (67,873,767)	$ 7,007,534	$ (73,559,754)	$ 5,685,987
Noncapital financing activities	60,689,820	68,490,907	(7,801,087)	62,754,977	5,735,930
Capital financing activities	(3,445,136)	(1,475,045)	(1,970,091)	(15,169,299)	13,694,254
Investing activities	227,566	402,841	(175,275)	-	402,841
Net Increase (Decrease) in Cash	(3,393,983)	(455,064)	(2,938,919)	(25,974,076)	25,519,012
Cash, Beginning of Year	32,410,970	32,866,034	(455,064)	58,840,110	(25,974,076)
Cash, End of Year	$ 29,016,987	$ 32,410,970	$ (3,393,983)	$ 32,866,034	$ (455,064)

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

The district incurred approximately $3.1 million in Construction in Progress, projects which will be capitalized upon completion.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 6,524,355	$ 3,134,612	$ -	$ 9,658,967
Buildings and improvements	141,048,935	57,091	-	141,106,026
Equipment and furniture	11,366,392	546,320	204,800	11,707,912
Subtotal	158,939,682	3,738,023	204,800	162,472,905
Accumulated depreciation	33,306,649	3,655,363	109,022	36,852,990
	$ 125,633,033	$ 82,660	$ 95,778	$ 125,619,915

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	$ 122,953,085	$ 2,129,078	$ 4,639,081	$ 120,443,082
Compensated absences	893,682	65,752	14,911	944,523
Capital leases	373,225	-	90,286	282,939
Supplemental retirement plan	699,112	-	174,778	524,334
OPEB liability	7,677,479	1,802,451	1,986,533	7,493,397
Total Long-Term Debt	$ 132,596,583	$ 3,997,281	$ 6,905,589	$ 129,688,275
Amount due within one year				$ 5,266,207

BUDGETARY HIGHLIGHTS

2012-13 BUDGETARY HIGHLIGHTS

On Monday, May 14th Governor Brown released the annual May Revision and relative to the budget proposal issued in January, no major changes were made.

The budget shortfall, which in January was $9.2 billion, is now estimated at $15.7 billion.

- 9.2 billion gap identified in January
- 4.3 billion current year revenue short of January estimates
- 2.4 billion increase in Prop 98 guarantee
- 1.7 billion removal of potential savings solutions
+ 1.9 billion expenditure declines
=15.7 billion budget shortfall

Revenues are down from January but Prop 98 obligations are up; while counterintuitive, that increase is the result of lower current year revenue projections. Growth of the Prop 98 guarantee (assuming successful passage of the November ballot initiatives) would reduce deferrals by $213 million, compared to the $218 million proposed in January.

Balancing of the 12/13 budget includes billions in additional expenditure reductions and other budget-balancing actions and is also predicated on the passage of a revised tax initiative. Additionally, the May Revision projects a $1 billion reserve if the Governor‘s proposals are adopted.

- 8.3 billion expenditure reductions
- 5.9 billion tax measure
- 2.5 billion other
- 16.7 billion budget balancing actions

Current forecast shows problems of around $8 billion per year in 13/14 and 14/15 and $5.6 billion in 15/16; if the May Revision is adopted, including the proposed tax initiative, the Governor projects small structural surpluses of $300million to $800 million in future years through 15/16.

While the Legislative Analyst Office deems the revenue forecast reasonable, they are not in agreement with and view the Governor‘s estimate for RDA Liquid Asset shifts, estimated at $1.4 billion, highly uncertain.

Should the tax initiative fail, trigger cuts (billions) are focused on schools, with 90%of the reductions coming from schools and community colleges:

Prop 98	$ 5.50
UC	0.25
CSU	0.25
Other	0.10
Total statewide trigger cuts	$ 6.10

May Revise -Impact on Community Colleges

As noted above, the increased growth in the Prop 98 guarantee (assuming the November tax measure passes) would be used to buy down the deferrals rather than provide the community colleges with new monies to support student services and adding back course sections.

Categorical funding once again is being considered for consolidation, including the revision of the current FTES funding model.

Similarly to January, there are no proposals for growth, COLA, or increases to categorical programs.

The Governor's proposal also includes shifts of $48 million in SB 70 programmatic money through Prop 98, relieving the state on the non-Prop 98 side of the budget. He also is eliminating the mandate claiming process to move toward block grants, increasing funding to $28/FTES.

Threats in the current year include enrollment fee and property tax shortfalls, revised down from $179 million to $129 million (reduced by San Mateo CCD becoming basic aid).

Institutions participating in Cal Grants will now be held to minimum performance standards, including graduation and default rates, although the Chancellor's Office believes this proposal will not impact community colleges.

Lastly, should the November tax initiative fail, about 90% of the cuts would be borne by schools and colleges. The community colleges would lose the $213 million in deferrals repayments as well as incur additional base cuts of $338 million, representing an approximate 7.3%workload reduction.

To address the 2012-13 State's financial situation, Solano College in turn developed a conservative 2012-13 budget anticipating failure of Proposition 30, which would mean an approximate $2.8 million mid-year apportionment revenue cut. The college continues working through the shared governance process to identify necessary budget cuts for the current and budget year (2012-13). All areas of spending are on the table, so to speak, with nothing sacred or protected from cuts.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SOLANO COMMUNITY COLLEGE DISTRICT

In 2011-12 the district served 8,526 full-time equivalent students. 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 District FTES target for 2012-13 is 8,526.

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; (707) 864-7209; yulian.ligioso@solano.edu.

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 724,744	$ 3,962,112
Restricted cash and cash equivalents	28,292,243	28,448,858
Accounts receivable, net	15,531,337	12,753,660
Prepaid expenses	183,945	32,841
Stores inventories	-	1,456,169
Total Current Assets	44,732,269	46,653,640
Noncurrent Assets		
Nondepreciable capital assets	9,658,967	6,524,355
Depreciable capital assets, net of depreciation	115,960,948	119,108,678
Total Noncurrent Assets	125,619,915	125,633,033
TOTAL ASSETS	170,352,184	172,286,673
LIABILITIES		
Current Liabilities		
Accounts payable	5,859,467	2,713,476
Interest payable	1,439,145	1,508,478
Deferred revenue	3,597,514	4,033,641
Deferred bond premium - current portion	479,081	479,081
Lease obligations - current portion	92,348	90,286
Supplemental retirement plan - current portion	174,778	183,517
Bonds payable - current portion	4,520,000	4,160,000
Total Current Liabilities	16,162,333	13,168,479
Noncurrent Liabilities		
Deferred bond premium	5,027,639	5,506,720
Compensated absences payable - noncurrent portion	944,523	893,682
OPEB liability - noncurrent portion	7,493,397	7,677,479
Lease obligations - noncurrent portion	190,591	282,939
Supplemental retirement plan - noncurrent portion	349,556	515,595
Bonds payable - noncurrent portion	110,416,362	112,807,284
Total Noncurrent Liabilities	124,422,068	127,683,699
TOTAL LIABILITIES	140,584,401	140,852,178
NET ASSETS		
Invested in capital assets, net of related debt	4,893,894	24,336,933
Restricted for:		
Debt service	6,734,084	6,436,093
Capital projects	-	1,495,889
Unrestricted	18,139,805	(834,420)
TOTAL NET ASSETS	$ 29,767,783	$ 31,434,495

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, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Student Tuition and Fees	$ 8,333,266	$ 7,528,497
Less: Scholarship discount and allowance	(4,426,492)	(3,138,715)
Net tuition and fees	3,906,774	4,389,782
Auxiliary Enterprise Sales and Charges		
Bookstore	1,322,839	3,687,735
TOTAL OPERATING REVENUES	5,229,613	8,077,517
OPERATING EXPENSES		
Salaries	29,624,357	32,051,584
Employee benefits	14,603,380	13,891,801
Supplies, materials, and other operating expenses	26,074,301	28,894,309
Depreciation	3,635,653	3,700,043
TOTAL OPERATING EXPENSES	73,937,691	78,537,737
OPERATING LOSS	(68,708,078)	(70,460,220)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	31,283,738	36,577,090
Local property taxes, levied for general purposes	8,523,670	8,978,960
Taxes levied for other specific purposes	7,978,991	7,854,782
Federal grants	15,178,106	14,687,104
State grants	5,352,286	5,308,177
Local grants and other revenues	1,461,480	2,128,259
State taxes and other revenues	1,383,043	1,117,169
Investment income	227,566	402,841
Interest expense on capital related debt	(5,125,674)	(5,183,262)
Investment income on capital asset-related debt, net	23,472	30,616
Transfer from agency fund	24,275	902,000
Transfer to agency fund	(150,260)	(964,287)
TOTAL NONOPERATING REVENUES (EXPENSES)	66,160,693	71,839,449
INCOME BEFORE OTHER REVENUES AND EXPENSES	(2,547,385)	1,379,229
OTHER REVENUES AND EXPENSES		
Local revenues, capital	880,673	419,158
CHANGE IN NET ASSETS	(1,666,712)	1,798,387
NET ASSETS, BEGINNING OF YEAR	31,434,495	29,636,108
NET ASSETS, END OF YEAR	$ 29,767,783	$ 31,434,495

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, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,611,069	$ 3,773,549
Payments to vendors for supplies and services	(8,447,675)	(15,209,531)
Payments to or on behalf of employees	(43,355,966)	(46,888,725)
Payments to students for scholarships and grants	(14,774,151)	(13,813,388)
Auxiliary enterprise sales and charges:	1,322,839	3,687,735
Other operating receipts (payments)	777,651	576,593
Net Cash Flows From Operating Activities	(60,866,233)	(67,873,767)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	28,501,442	35,451,552
Grant and contracts	20,969,795	20,502,677
Property taxes - nondebt related	8,523,670	8,978,960
State taxes and other apportionments	1,383,043	1,268,999
Transfers from fiduciary funds	24,275	902,000
Transfers to fiduciary funds	(150,260)	(964,287)
Other nonoperating	1,437,855	2,351,006
Net Cash Flows From Noncapital Financing Activities	60,689,820	68,490,907
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(3,642,245)	(2,166,063)
Local revenue, capital projects	880,673	419,158
Property taxes - related to capital debt	7,978,991	7,854,782
Principal paid on capital debt	(4,250,286)	(3,934,668)
Interest paid on capital debt	(4,412,269)	(3,648,254)
Net Cash Flows From Capital Financing Activities	(3,445,136)	(1,475,045)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	227,566	402,841
Net Cash Flows From Investing Activities	227,566	402,841
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,393,983)	(455,064)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,410,970	32,866,034
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,016,987	$ 32,410,970

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (68,708,078)	$ (70,460,220)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation and amortization expense	3,635,653	3,700,043
Changes in Assets and Liabilities:		
Receivables	(210,448)	1,258,589
Stores inventories	1,456,169	(562,799)
Prepaid expenses	(151,104)	666,214
Notes receivables, net		
Accounts payable and accrued liabilities	3,196,832	(928,033)
Deferred revenue	(85,257)	(1,547,561)
Total Adjustments	7,841,845	2,586,453
Net Cash Flows From Operating Activities	$ (60,866,233)	$ (67,873,767)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 485,652	$ 3,926,963
Cash equivalents, County Cash	28,335,600	28,288,272
Cash equivalents, Local Agency Investment fund	195,735	195,735
Total Cash and Cash Equivalents	$ 29,016,987	$ 32,410,970
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 886,274	$ 722,836

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 939,662	$ 756,847
Investments	1,286,411	1,108,486
Accounts receivable, net	68,132	64,663
Total Assets	2,294,205	1,929,996
LIABILITIES		
Accounts payable	425	65
Deferred revenue	46,148	59,216
Total Liabilities	46,573	59,281
NET ASSETS		
Unrestricted	2,247,632	1,870,715
Total Net Assets	$ 2,247,632	$ 1,870,715

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

SOLANO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
ADDITIONS		
Federal revenues	$ 17,045	$ 86,838
Tuition and fees	107,981	116,636
Local revenues	792,813	179,367
Total Additions	917,839	382,841
DEDUCTIONS		
Classified salaries	-	9,552
Employee benefits	-	1,384
Books and supplies	53,458	5,689
Services and operating expenditures	162,996	246,485
Capital outlay	-	29,625
Total Deductions	216,454	292,735
	701,385	90,106
OTHER FINANCING SOURCES (USES)		
Operating transfers in	23,737	974,135
Operating transfers out	(342,243)	(1,041,175)
Total Other Financing Sources (Uses)	(324,468)	(67,040)
Change in Net Assets	376,917	23,066
Net Assets - Beginning	1,870,715	1,847,649
Net Assets - Ending	$ 2,247,632	$ 1,870,715

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 is a comprehensive, public, two-year institution offering 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. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District’s policies comply with the California Community Colleges Chancellor’s Office *Budget and Accounting Manual*. 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 District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (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.

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

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2012 and 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

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 $651,739 and $430,036 for the years ended June 30, 2012 and 2011, 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.

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. To the extent debt had been incurred, but not yet expended for capital assets, such accounts are not included as a component in vested in capital assets – net of related debt.

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.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers 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. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District of the year ended June 30, 2012, was $886,274 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

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, 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.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4 introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

> Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
>
> Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
>
> Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier 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 (ECS) 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, 2012, are classified in the accompanying financial statements as follows:

Business-type activities	$ 29,016,987
Fiduciary funds	2,226,073
Total Deposits and Investments	$ 31,243,060

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	$ 965,908
Cash in revolving	37,090
Investments	30,240,062
Total Deposits and Investments	$ 31,243,060

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	$ 1,286,411	Less than one
County Pool	28,757,916	Less than one
State Investment Pool	195,735	.73 years
Total	$ 30,240,062	

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, 2012.

		Not Required	Rating as of Year End		
Investment Type	Fair Value	To Be Rated	AAA	Aa	Unrated
County Pool	$ 28,757,916	$ 28,757,916	$ -	$ -	$ 28,757,916
Joint Powers Agency Risk Pools	1,286,411	1,286,411	-	-	1,286,411
State Investment Pool	195,735	195,735	-	-	195,735
Total	$ 30,240,062	$ 30,240,062	$ -	$ -	$ 30,240,062

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, 2012, approximately $1,000,000 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	
	2012	2011
Federal Government		
Categorical aid	$ 281,662	$ 384,534
State Government		
Apportionment	11,291,815	8,509,519
Categorical aid	334,054	551,483
Lottery	322,345	154,774
Local Sources		
Student receivables, net	2,491,347	2,280,899
Other local sources	810,114	872,451
Total	$ 15,531,337	$ 12,753,660
Student receivables	$ 3,143,086	$ 2,710,935
Less allowance for bad debt	(651,739)	(430,036)
Student receivables, net	$ 2,491,347	$ 2,280,899

Fiduciary Funds

	Fiduciary Funds	
	2012	2011
Local Sources		
Student receivables, net	$ 68,132	$ 64,663

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

The District paid for July 2012 health insurance and workers compensation insurance prior to June 30, 2012.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2012, was as follows:

	Balance Beginning of Year	Additions / Adjustments	Deductions / Adjustments	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 6,524,355	$ -	$ -	$ 6,524,355
Construction in progress	-	3,134,612	-	3,134,612
Total Capital Assets Not Being Depreciated	6,524,355	3,134,612	-	9,658,967
Capital Assets Being Depreciated				
Land improvements	8,683,899	-	-	8,683,899
Buildings	126,321,031	-	-	126,321,031
Building improvements	6,044,005	57,091	-	6,101,096
Furniture and equipment	11,366,392	546,320	204,800	11,707,912
Total Capital Assets Being Depreciated	152,415,327	603,411	204,800	152,813,938
Total Capital Assets	158,939,682	3,738,023	204,800	162,472,905
Less Accumulated Depreciation				
Land improvements	3,719,444	261,981	-	3,981,425
Buildings	19,956,979	2,544,334	-	22,501,313
Building improvements	1,273,469	303,596	-	1,577,065
Furniture and equipment	8,356,757	545,452	109,022	8,793,187
Total Accumulated Depreciation	33,306,649	3,655,363	109,022	36,852,990
Net Capital Assets Being Depreciated	119,108,678	(3,051,952)	95,778	115,960,948
Net Capital Assets	$ 125,633,033	$ 82,660	$ 95,778	$ 125,619,915

Depreciation expense for the year 2012 was $3,655,363.

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 2011 was $3,732,080.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government 2012	Primary Government 2011
Accrued payroll and related liabilities	$ 915,391	$ 621,875
Other	4,944,076	2,091,601
Total	$ 5,859,467	$ 2,713,476

Fiduciary Funds

	Fiduciary Funds 2012	Fiduciary Funds 2011
Other	$ 425	$ 65

NOTE 8 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2012	2011
Federal financial assistance	$ 71,554	$ 5,602
State categorical aid	1,203,237	1,591,338
Enrollment fees	2,163,386	2,248,643
Other local	159,337	188,058
Total	$ 3,597,514	$ 4,033,641

Fiduciary Funds

	Fiduciary Funds	
	2012	2011
Other local	$ 46,148	$ 59,216

NOTE 9 - 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, 2012, the amount owed between the government and the fiduciary funds was $422,316, 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 2012 fiscal year the amount transferred to the primary government from the fiduciary fund amounted to $24,275. The amounts transferred to the fiduciary funds from the primary government were $150,260.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2012 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 116,967,284	$ 2,129,078	$ 4,160,000	$ 114,936,362	$ 4,520,000
Bond premiums	5,985,801	-	479,081	5,506,720	479,081
Total Bonds and Notes Payable	122,953,085	2,129,078	4,639,081	120,443,082	4,999,081
Other Liabilities					
Compensated absences	893,682	65,752	14,911	944,523	-
Capital leases	373,225	-	90,286	282,939	92,348
Supplemental retirement plan	699,112	-	174,778	524,334	174,778
OPEB Liability	7,677,479	1,802,451	1,986,533	7,493,397	-
Total Other Liabilities	9,643,498	1,868,203	2,266,508	9,245,193	267,126
Total Long-Term Debt	$ 132,596,583	$ 3,997,281	$ 6,905,589	$ 129,688,275	$ 5,266,207

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
Bonds and Notes Payable					
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
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

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, 2011	Accreted	Redeemed	Bonds Outstanding June 30, 2012
Mar-05	8/1/2022	3.0-5.0%	$ 81,349,812	$ 67,878,678	$ 386,265	$ 3,680,000	$ 64,584,943
Sep-06	8/1/2031	4.0-5.0%	44,495,279	49,088,606	1,742,813	480,000	50,351,419
				$ 116,967,284	$ 2,129,078	$ 4,160,000	$ 114,936,362

Debt Maturity

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2013	$ 4,520,000	$ 3,363,548	$ -	$ 7,883,548
2014	4,900,000	3,175,148	-	8,075,148
2015	5,300,000	2,971,160	-	8,271,160
2016	5,720,000	2,729,723	-	8,449,723
2017	5,962,169	2,448,023	242,831	8,653,023
2018-2022	34,384,560	7,418,123	4,835,441	46,638,123
2023-2027	20,990,712	2,642,057	26,389,287	50,022,056
2028-2031	22,667,650	2,197,125	25,772,351	50,637,126
Total	104,445,091	$ 26,944,904	$ 57,239,909	$ 188,629,904
Accretions to date	10,491,272			
Total	$ 114,936,362			

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	624,000
Total	$ 1,824,000

Year Ending June 30,	Lease Payment
2013	$ 98,327
2014	98,327
2015	98,327
Total	294,981
Less: Amount Representing Interest	12,042
Present Value of Minimum Lease Payments	$ 282,939

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
2013	$ 174,778
2014	174,778
2015	174,778
Total	$ 524,334

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2012, was $1,802,451, and contributions made by the District during the year were $1,986,533, which resulted in a net decrease to the net OPEB obligation of $184,082. As of June 30, 2012, the net OPEB obligation was $7,493,397. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (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 118 retirees and beneficiaries currently receiving benefits, and 329 active employee 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 2011-2012, the District paid $1,986,533 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 Asset/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		(1,986,533)
Increase (decrease) in net OPEB asset/obligation		(184,082)
Net OPEB obligation, July 1, 2011		7,677,479
Net OPEB obligation, June 30, 2012	$	7,493,397

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	$ 1,986,533	110%	$ 7,493,397
June, 2010	1,509,429	1,604,049	106%	7,677,479
June, 2009	1,509,429	1,671,196	111%	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, 2012, was 22 years. The actuarial value of assets was $1,016,238 as of this actuarial valuation.

NOTE 12 - RISK MANAGEMENT

Insurance Coverage

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, 2012, 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 2011-2012, 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.

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.

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

NOTE 13 - 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 2011-2012 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, 2012, 2011, and 2010, were $1,301,476, $1,401,028, and $1,505,322, 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 2011-2012 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were $1,076,649, $1,098,965, and $1,024,860, 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 $886,274 (4.855 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behlf contributions rate for CalPERS. 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 14 - 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, 2012, the District made payments of approximately $1,008,679 to the Northern California Community Colleges Self Insurance Authority.

NOTE 15 - 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, 2012.

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, 2012.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Building 1300	$ 4,931,847	04/30/13
Building 1600	293,742	06/30/14
Building 200A and 200B	836,862	08/31/13
Building 1900 renovation and equipment	186,305	06/30/14
Upgrade security and exterior lighting	193,334	12/31/12
Campus wide landscape	134,289	06/30/14
Building 600 renovation and equipment	5,813,413	08/31/14
Building 2112 stadium renovations and track	330	06/30/14
Campus wide technology upgrades	320,913	08/31/14
Campus wide signage	81,616	06/30/14
Campus wide exterior painting	8,839	06/30/14
Vallejo parking expansion	1,245,585	12/31/12
Building 300 (2) Science rooms	6,703	06/30/14
Bat exclusion	22,000	06/30/14
CTE lab renovation	141,782	06/30/14
Vacaville parking lot expansion	850,000	08/31/13
Overall program costs	186,509	06/30/14
	$ 15,254,069	

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2011-2012 fiscal year have been deferred to the 2012-2013 fiscal year. The total amount of funding deferred into the 2012-2013 fiscal year was $11,291,815. As of the date of the audit report, the entire amount has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012

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

SOLANO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2012

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
Rosemary Thurston	President	2012
Sarah E. Chapman	Vice-President	2014
Pam Keith	Member	2014
A. Marie Young	Member	2014
Denis Honeychurch, J.D.	Member	2014
Catherine M. Ritch	Member	2012
Phil McCaffrey	Member	2012
Kayla Salazar	Student Trustee	2012

ADMINISTRATION

Jowel C. Laguerre, PhD	Secretary
Yulian Ligioso	Vice President, Finance and Administration
Patrick Killingsworth	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, 2012

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]	$ 182,945
Pell Grant	84.063	[1]	10,435,955
Student Financial Aid Administrative Allowance	84.063	[1]	5,841
Federal Work Study Program	84.033	[1]	161,924
Federal Direct Student Loans	84.268	[1]	3,115,122
Subtotal Student Financial Aid Cluster			13,901,787
Veteran Assistance Title 38	84.111	[1]	9,740
Passed through California State Chancellors Office			
Career and Technical Education - Basic Grants to States	84.048	11-C01-060	482,601
Career and Technical Education - Basic Grants to States - CTE Transitions	84.048	11-112-280	46,970
Total U.S. Department of Education			14,441,098
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Post-9/11 Veterans Educational Assistance	64.028	[1]	217,706
U.S DEPARTMENT OF LABOR			
Passed through the Employment Development Department			
Alternative and Renewable Fuel Technology	17.258	[2]	187,182
Total U.S. Department of Labor			187,182
U.S DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care Food Program	10.558	03628	40,278
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Foster Care Title IV-E	93.658	10011	94,739
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			
Passed through California State Chancellors Office			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	54,530
Total U.S. Department of Health and Human Services			149,269
SMALL BUSINESS ADMINISTRATION			
Passed through Humboldt State University			
Small Business Development Centers	59.037	F2144, F0305, F0405	142,573
			$ 15,178,106

[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, 2012

	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	$ 118,753	$ 51,412	$ 170,165	$ 170,165	$ -	$ 70,191	$ 99,974	$ 99,974
BIC - Coastline Community College	6,000	-	6,000	6,000	-	-	6,000	6,000
Cal Works	168,415	-	168,415	168,415	-	-	168,415	168,415
Cal Grants	476,442	-	476,442	476,442	-	-	476,442	463,788
CTE - Career Strengthening	-	188,724	188,724	188,724	-	-	188,724	188,724
CARE	47,479	-	47,479	47,479	-	-	47,479	47,479
CTE 09-140	-	207,302	207,302	207,302	-	-	207,302	207,302
CTE 09-141	-	45,377	45,377	45,377	-	-	45,377	45,377
CTE 09-142	-	99,042	99,042	99,042	-	-	99,042	99,042
CDC WORKs	49,352	-	49,352	49,352	-	-	49,352	49,352
Child Ctr. - General Child Care	267,744	-	267,744	267,744	-	-	267,744	267,744
Community Collaborative	-	430,000	430,000	430,000	-	340,500	89,500	89,500
CTE: Community Collaborative Supplement	-	100,000	100,000	100,000	-	76,076	23,924	23,924
CTE: Community Collaborative Project	411,350	-	411,350	329,080	-	329,080	-	-
CSPP State Preschool	359,048	-	359,048	359,048	-	-	359,048	359,048
Disabled Students Programs and Services	452,933	-	452,933	452,933	-	-	452,933	452,733
Economic Development - SBDC	92,406	-	92,406	-	92,406	-	92,406	92,406
Extended Opportunity Program and Services	317,380	-	317,380	317,380	-	-	317,380	317,380
FEP: RSCC Dist: DO-11-027	11,625	-	11,625	2,906	8,719	2,396	9,229	9,229
Foster and Kinship Care	116,684	-	116,684	85,170	31,514	-	116,684	116,684
Instructional Equipment, on going	-	19,094	19,094	19,094	-	9,912	9,182	9,182
Lottery - Prop. 20	296,387	278,926	575,313	408,697	166,615	357,209	218,103	218,103
Matriculation - Credit	298,251	-	298,251	298,251	-	-	298,251	298,251
Matriculation - Non-Credit	180	-	180	180	-	-	180	-
MESA	48,414	-	48,414	37,875	10,539	-	48,414	48,414
Nurse Enrollment Growth	-	108,441	108,441	108,441	-	-	108,441	108,441
Nurse Enrollment Growth 10-116-047	29,461	-	29,461	5,200	24,261	-	29,461	29,461
Staff Diversity	5,852	702	6,554	6,554	-	-	6,554	6,554
Student Financial Aid Administrative Allowanc	337,979	-	337,979	337,979	-	-	337,979	337,979
State Meal Program	7,746	-	7,746	7,746	-	-	7,746	7,746
State Scholarships	15,000	-	15,000	15,000	-	-	15,000	15,000
Transfer Education and Articulation	-	1,083	1,083	1,083	-	951	132	132
TTIP	-	16,922	16,922	16,922	-	16,922	-	-
YESS Program	-	22,209	22,209	22,209	-	-	22,209	22,209
Subtotal	$3,934,881	$4,502,902	$5,481,906	$5,087,790	$ 334,054	$1,203,237	$4,218,607	$ 4,205,573

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, 2012

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit **	-	-	-
2. Credit	873.39	-	873.39
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit **	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,958.20	(2.73)	5,955.47
(b) Daily Census Contact Hours	251.48	(4.96)	246.52
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	1.46	-	1.46
(b) Credit	391.65	-	391.65
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Contact Hours	980.40	-	980.40
(b) Daily Census Contact Hours	69.88	-	69.88
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	8,526.46	(7.69)	8,518.77

SUPPLEMENTAL INFORMATION (Subset of Above Information)

E. In Service Training Courses (FTES)			
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	-	-	-
2. Credit	794.87	-	794.87

CCFS-320 Addendum

Centers FTES			
1 Noncredit **	-	-	-
2 Credit	1,662.71	-	1,662.71
	1,662.71	-	1,662.71

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 9,885,525	$ -	$ 9,885,525	$ 9,908,689	$ -	$ 9,908,689
Other	1300	5,426,417	-	5,426,417	5,426,417	-	5,426,417
Total Instructional Salaries		15,311,942	-	15,311,942	15,335,106	-	15,335,106
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,735,061	-	2,735,061
Other	1400	-	-	-	199,108	-	199,108
Total Noninstructional Salaries		-	-	-	2,934,169	-	2,934,169
Total Academic Salaries		15,311,942	-	15,311,942	18,269,275	-	18,269,275
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	6,817,919	-	6,817,919
Other	2300	-	-	-	424,407	-	424,407
Total Noninstructional Salaries		-	-	-	7,242,326	-	7,242,326
Instructional Aides							
Regular Status	2200	832,346	-	832,346	832,346	-	832,346
Other	2400	273,328	-	273,328	273,328	-	273,328
Total Instructional Aides		1,105,674	-	1,105,674	1,105,674	-	1,105,674
Total Classified Salaries		1,105,674	-	1,105,674	8,348,000	-	8,348,000
Employee Benefits	3000	5,738,952	-	5,738,952	12,902,422	-	12,902,422
Supplies and Material	4000	-	-	-	374,939	-	374,939
Other Operating Expenses	5000	836,171	-	836,171	6,548,709	-	6,548,709
Equipment Replacement	6420	-	-	-	17,427	-	17,427
Total Expenditures Prior to Exclusions		22,992,739	-	22,992,739	46,460,772	-	46,460,772

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 912,714	$ -	$ 912,714	$ 985,758	$ -	$ 985,758
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,000,945	-	1,000,945
Objects to Exclude							
Rents and Leases	5060	-	-	-	113,088	-	113,088
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	406,145	-	406,145
Classified Salaries	2000	-	-	-	112,610	-	112,610
Employee Benefits	3000	-	-	-	219,220	-	219,220
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	259,187	-	259,187
Total Supplies and Materials		-	-	-	259,187	-	259,187

See accompanying note to supplementary information.

SOLANO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 133,947	$ -	$ 133,947
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	27,813	-	27,813
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	478	-	478
Total Equipment		-	-	-	28,291	-	28,291
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		912,714	-	912,714	3,259,191	-	3,259,191
Total for ECS 84362, 50 Percent Law		$ 22,080,025	$ -	$ 22,080,025	$ 43,201,581	$ -	$ 43,201,581
Percent of CEE (Instructional Salary Cost/Total CEE)		51.11%		51.11%	100.00%		100.00%
50% of Current Expense of Education					$ 21,600,791		$ 21,600,791

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

There following is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	Bookstore Fund
June 30, 2012, Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	$ 975,646
Adjustments to Increase (Decrease) Fund Balance	
Inventory	(733)
Audited Fund Balance	$ 974,913

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

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

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

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

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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, 2012 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2012. 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.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as previously defined.

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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 31, 2012.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2012

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

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, 2012. 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, 2012.

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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 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 previously defined.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2012

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

VALUE THE DIFFERENCE

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, 2012, and have issued our report thereon dated December 31, 2012.

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 in accordance with Section 400 of the Chancellor's Office California Colleges Contracted District Audit Manual (CDAM) issued in May 2012 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 Funding System
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 433	California Work Opportunity and Responsibility to Kids (CalWORKS)
Section 435	Open Enrollment
Section 437	Student Fee – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fees

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Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
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 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 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 31, 2012

Schedule of Findings and Questioned Costs

SOLANO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
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
84.033, 84.007, 84.268, 84.063	Student Financial Aid Cluster

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:	Qualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

None noted

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

None noted

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

2012-1 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

- In one course, the catalog and outline did not indicate that the lab was a lab-by-arrangement.
- We noted courses where instructional activities to be conducted during the TBA hours were not described in the official course outlines.
- Three course syllabi did not indicate the TBA instructional activities or expectations.
- We noted courses where TBA hours were reported without having supporting attendance records for those hours.

Questioned Costs

1 Daily Census Course of 4.96 FTES and 14 Weekly Census Courses of 2.73 FTES.

Context

We discovered the exceptions noted above during our testing of 25 To-Be-Arranged courses.

Effect

FTES reported on the Annual Form 320 were overstated. In addition, course materials did not concisely and consistently describe the TBA expectations, activities and hours.

Cause

The District did not adjust the Annual Form 320 Report of Attendance for those students who did not participate for a minimum amount of To-Be-Arranged Hours. In addition, course information had not been updated to consistently reflect the TBA requirements.

Recommendation

We recommend the District review those courses that have a To-Be-Arranged component to verify the outline and syllabus adequately describe the instructional activities that will occur during the TBA portion of the course. In addition, internal reviews of TBA attendance documents should be performed to verify only students who have completed the minimum TBA requirements are claimed for apportionment.

Management's Response and Corrective Action Plan

The District agrees and has removed contact hours for those students who did not participate in the To-Be-Arranged courses on the Form 320 recalculation report. 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.

2012-2 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 three students whose salaries were paid from Calworks Work Study funds but were ineligible Calworks recipients at the time the payments were made.

Questioned Costs

$8,847 in salaries was paid out to these three ineligible students during the fiscal year.

Context

We tested 13% of total Calworks expenditures and a total of 13 students whose work study salaries were charged to the grant after the student no longer qualified for the grant.

Effect

Ineligible charges to the program could be charged to the program.

Cause

The Calworks office failed to notify the Payroll Department and request adjustments to the Calworks account.

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.

Management's Response and Corrective Action Plan

Several recent personnel changes in the Solano College CalWorks Program 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.

2012-3 Finding – Instructional Materials
Significant Deficiency

Criteria or Specific Requirement

Education Code Section 76365 allows districts to require students to provide various types of instructional materials. The governing boards of districts that require students to provide instructional materials or other materials for a course must have adopted policies or regulations that specify the conditions under which such materials will be required.

Districts may only require students to provide instructional materials which are of a continuing value to the students outside of the classroom setting, is tangible personal property that is owned or primarily controlled by the student, and the material must not be solely or exclusively available from the district. Such materials include, but are not limited to, textbooks, tools, equipment, clothing, and those materials, which are necessary for a student's vocation training and employment.

Condition

We noted that the Cosmetology 101 course required fees of $100 per student, but support indicating the items received for the fee was not provided. Therefore, there is no indication of whether the items provided lasting value to the student and whether the district received a profit from collecting the fees.

Questioned Costs

Enrollment in the fall and spring sessions of the course in question was 35 students. The material fees were $100 totaling $3,500.

Context

We noted the condition above during our review of courses that charge instructional material fees.

Effect

Noncompliance with State instructional material fee requirements.

Cause

The District did not have a process in place to track revenues and expenditures related to the courses that charge fees for all instructional materials to determine compliance with State requirements.

Recommendation

We recommend the departments document what materials will be purchased for courses that charge material fees and estimate the costs of those materials annually in order to estimate the appropriate fees to charge students. Tracking the items purchased will assist in assuring compliance with State instructional material requirements and determining the appropriateness of the fees charged.

Management's Response and Corrective Action Plan

The District concurs with the finding and will develop detailed support for the amounts charged.

2012-4 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 1 out of 40 files reviewed did not have a Student Education Contract or Student Educational Plan.

Questioned Costs

None.

Context

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

Effect

Noncompliance with the DSPS documentation requirements.

Cause

The College DSPS department did not have a process to verify completeness of all student files.

Recommendation

The DSPS department should consider adopting a checklist that includes all required documents in order to assure that each student served by the department is in compliance with State requirements.

Management's Response and Corrective Action Plan

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.

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.

Current Status:

Implemented

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.

Current Status:

Not implemented, see current year finding 2012-1.

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.

Current Status:

Not implemented, see current year finding 2012-2.

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.

Current Status:

Partially implemented, see Finding 2012-4.