

CONTRA COSTA
COMMUNITY COLLEGE DISTRICT

MEASURE A BOND FUND

COUNTY OF CONTRA COSTA
MARTINEZ, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2002

ARMANINO MCKENNA LLP

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November 14, 2002

Citizens' Oversight Committee
Contra Costa Community College District
Martinez, California

Audit Objectives, Scope and Methodology

This performance audit of the Measure A Bond Fund is required under Proposition 39 ("Prop 39"), passed by California voters in the November 7, 2000 general election, which amended the California Constitution. Provisions of Prop 39 require an annual, independent performance audit to ensure that the proceeds from the sale of school facilities bonds have been expended on specified projects, and not for teacher and administrator salaries and other school operating expenses. On March 5, 2002, Contra Costa County voters approved Measure A, a facilities and equipment bond measure for the Contra Costa Community College District (the "District"). Based on this requirement, we identified the following objectives:

- Identify all school facility projects authorized under Prop 39 and approved by the passing of Measure A.
- Review the administration of the Measure A bond funds, including the development and maintenance of internal controls and procedures to ensure compliance with both Prop 39 and Measure A provisions.

During the period October 4, 2002 through November 8, 2002, we conducted our fieldwork for the audit of the basic financial statements of the District. The scope of the audit encompassed the District's Measure A Bond Fund (Fund #42) established within the financial reporting system of the District.

To achieve the performance audit objectives, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The following audit procedures were performed:

- Review of Prop 39 provisions, Article 13A, Section 1(b)(3) of the California Constitution, Measure A bond literature and any other documents deemed necessary.



- Interview District staff and document the internal controls and procedures established for the administration of Measure A bond funds.
- Review a sample of vendor invoices paid with Measure A bond funds to ensure expenditures were properly authorized and processed according to established internal control procedures and recorded under an approved project.
- Review the recording of inter-fund receivables/payables related to activity in the administration of Measure A bond funds.

Findings and Recommendations

Our audit disclosed no instances that we determined were instances of noncompliance with the terms of Prop 39 or Measure A. Due to the first bond issuance occurring subsequent to year-end, the District had limited activity in the Measure A Bond Fund, consisting primarily of the payment of election and bond costs and scheduled maintenance work. Nothing came to our attention to indicate that the District didn't implement appropriate management controls to ensure the bond proceeds are administered economically, efficiently and effectively.

Very truly yours,

Armanino McKenna LLP
ARMANINO McKENNA LLP

CONTRA COSTA COMMUNITY COLLEGE DISTRICT-MEASURE A BOND FUND
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INDEPENDENT AUDITORS' REPORT

Citizens' Oversight Committee
Contra Costa Community College District
Martinez, California

We have audited the accompanying financial statements of the Measure A Bond Fund of the Contra Costa Community College District (the "District") as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

As discussed in Note 1, the financial statements present only the Measure A Bond Fund and are not intended to present the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure A Bond Fund of the District as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Armanino McKenna LLP

ARMANINO MCKENNA LLP

November 8, 2002



CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Balance Sheet
Measure A Bond Fund
June 30, 2002

ASSETS

Receivables	\$ 15,081
Due from other funds	<u>39,524</u>
Total assets	<u>\$ 54,605</u>

LIABILITIES AND FUND BALANCE

Amount to be provided from bond proceeds	\$ 902,771
Accounts payable	616,679
Due to other funds	<u>49,172</u>
Total liabilities	1,568,622
Fund balance	<u>(1,514,017)</u>
Total liabilities and fund balance	<u>\$ 54,605</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Measure A Bond Fund
For the Year Ended June 30, 2002

Revenues	
Deposit from bond underwriter	\$ <u>350,000</u>
Expenditures	
Interest expense on advances from general fund	1,745
Scheduled maintenance costs	1,432,315
Election and bond issuance costs	<u>429,957</u>
Total expenditures	<u>1,864,017</u>
Deficiency of revenues under expenditures	(1,514,017)
Fund balance, July 1, 2001	<u>-</u>
Fund balance, June 30, 2002	<u>\$ (1,514,017)</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A BOND FUND
Notes to Financial Statements
June 30, 2002

1. General Information

The Contra Costa Community College District (the "District") operates three colleges in Contra Costa County, California. The colleges are Diablo Valley College in Pleasant Hill, Los Medanos College in Pittsburg, and Contra Costa College in San Pablo.

Measure A is a facilities and equipment bond measure for the District adopted unanimously by the District Governing Board and passed by voters on March 5, 2002. Measure A provides \$120 million, financed over a 25-year period, to be sold in four series beginning July 1, 2002 and ending on or before August 1, 2008. The Board of Supervisors of Contra Costa County (the "County") is required to levy taxes estimated to be in the range of \$4.80-\$5.80 per \$100,000 of assessed value on property owners within the County for the payment of semi-annual interest on the outstanding bonds and principal when the bonds mature. The District has established a separate capital project fund to account for the activities of the Measure A Bond.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements include only the Measure A Bond Fund of the Contra Costa Community College District.

Basis of accounting

Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Measure A Bond Fund is a governmental fund type. Governmental fund types are generally accounted for using the modified accrual basis of accounting; whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A BOND FUND
Notes to Financial Statements
June 30, 2002

2. Significant Accounting Policies (continued)

Receivables

Receivables represent bond issuance expenses refundable to the District.

Fund Balance

The fund balance represents amounts reserved for expenditure on Measure A approved projects. At June 30, 2002, expenditures exceeded revenue due to proceeds from the initial bond issuance received subsequent to year-end (Note 4).

Estimates

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

3. Interfund Transactions

Due from / to other funds

Individual amounts due from / to other funds at June 30, 2002 are as follows:

<u>Fund / Fund Type</u>	<u>Due From</u>	<u>Due To</u>
General	<u>\$39,524</u>	<u>\$49,172</u>

4. Commitments and Contingencies

As part of tax laws surrounding tax-exempt bonds, investment earnings, with certain adjustments, on unexpended bond proceeds are limited to the interest rate paid on the bond debt. Arbitrage (i.e. excess investment earnings) is required to be rebated to the Federal government every five years for as long as the bonds are outstanding. At June 30, 2002, no arbitrage liability has been recorded due to the first bond issuance occurring subsequent to year-end.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A BOND FUND
Notes to Financial Statements
June 30, 2002

5. Subsequent Events

On July 1, 2002, the District issued the first series of Measure A General Obligation Bonds totaling \$50,000,000, maturing between August 1, 2003 and August 1, 2026, with an average effective interest rate of 4.91%. The sale was completed on July 2, 2002.