

**CONTRA COSTA**  
**COMMUNITY COLLEGE DISTRICT**

**MEASURE A BOND FUND**

**FINANCIAL STATEMENTS**

**JUNE 30, 2003**

## ARMANINO MCKENNA LLP

Certified Public Accountants & Consultants  
12667 Alcosta Blvd., Suite 500  
San Ramon, CA 94583-4427  
ph: 925.790.2600  
fx: 925.790.2601  
[www.amllp.com](http://www.amllp.com)

October 31, 2003

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.

In conjunction with our fieldwork for the audit of the basic financial statements of the District, we performed the performance audit on the Measure A Bond Fund. 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 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:

- Reviewed the Prop 39 provisions, Article 13A, Section 1(b)(3) of the California Constitution, Measure A bond literature and other documents created by District staff and consultants that define the various capital and scheduled maintenance project categories approved under the Measure A provisions.
- Interviewed District staff and updated our documentation regarding the internal controls and procedures in place for the administration of Measure A bond funds.
- Reviewed a sample of vendor invoices paid with Measure A bond funds to ensure expenditures were properly authorized, processed within established internal control procedures and recorded under an approved project category.
- Reviewed the activity of inter-fund receivables/payables related to the administration of Measure A bond funds.

### **Findings and Recommendations**

Our performance audit disclosed no instances that we determined were instances of noncompliance with the terms of Prop 39 or Measure A. Nothing came to our attention to indicate that the District has not implemented appropriate management controls to ensure the bond proceeds are administered economically, efficiently and effectively.

Very truly yours,

  
ARMANINO McKENNA LLP

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	2
Statement of Revenues, Expenditures and Changes in Fund Balance	3
Notes to Financial Statements	4 - 7

**ARMANINO MCKENNA LLP**

Certified Public Accountants & Consultants  
12667 Alcosta Blvd., Suite 500  
San Ramon, CA 94583-4427  
ph: 925.790.2600  
fx: 925.790.2601  
[www.amllp.com](http://www.amllp.com)

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, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the standards identified by the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor's Office. 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 2, the financial statements present only the Measure A Bond Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2003, and the changes in its financial position for the year then ended 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, 2003, and the changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
ARMANINO MCKENNA LLP

October 31, 2003

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Balance Sheet

Measure A Bond Fund

June 30, 2003

---

ASSETS

Cash in County Treasury	\$ 3,524,961
Interest receivable	336,184
Due from other funds	40,034
Investments, at fair value	<u>33,834,740</u>
Total assets	<u>\$ 37,735,919</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 1,342,841
Due to other funds	<u>799,113</u>
Total liabilities	2,141,954
Fund balance	<u>35,593,965</u>
Total liabilities and fund balance	<u>\$ 37,735,919</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, 2003

---

Revenues	
Interest income	\$ 983,955
Unrealized gain on investments	603,262
Total revenues	<u>1,587,217</u>
Expenditures	
Capital projects	7,480,236
Scheduled maintenance projects	6,636,924
Election and bond issuance costs	386,368
Other expenditures	4,732
Total expenditures	<u>14,508,260</u>
Deficiency of revenues over expenditures	(12,921,043)
Other financing sources	
Net proceeds from bond issuance	<u>50,029,025</u>
Excess of revenues and other financing sources over expenditures	37,107,982
Fund balance, July 1, 2002	<u>(1,514,017)</u>
Fund balance, June 30, 2003	<u>\$ 35,593,965</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, 2003

---

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 series as necessary to fund Measure A projects beginning July 2, 2002. 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, 2003

---

2. Significant Accounting Policies (continued)

Measurement focus - fixed assets and long-term debt

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with the Measure A Bond Fund are determined by its measurement focus. The Measure A Bond Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet, and the reported fund balance is considered a measure of "available spendable resources." Thus, the fixed assets and long-term liabilities associated with the Measure A Bond Fund are accounted for in the basic financial statements of the District.

Fair value of investments

The District records its investments in the Contra Costa County Treasury and the Local Agency Investment Fund ("LAIF") at fair value, as reported by the County and the State. Investments in government securities are recorded at fair value based on available market quotes at June 30. Changes in fair value are reported as revenue (expenditure) in the statement of revenues, expenditures and changes in fund balance of the Measure A Bond Fund.

Fund balance

The fund balance represents amounts reserved for expenditure on Measure A approved projects.

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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
 MEASURE A BOND FUND  
 Notes to Financial Statements  
 June 30, 2003

---

3. Cash and Investments

Cash and investments at June 30, 2003 consisted of the following:

Pooled funds	
Cash in County Treasury	\$ 3,524,961
Total cash and cash equivalents	<u>\$ 3,524,961</u>
Investments	
LAIF investments	\$ 3,818,683
Government securities	<u>30,016,057</u>
Total investments	<u>\$33,834,740</u>

The investment in Local Agency Investment Fund ("LAIF") is held by a separate agency. The State of California pools these funds with those of other local agencies in the State and invests the cash as prescribed by the California Government Code. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account/Demand Deposits
- Repurchase Agreements

4. Bonds Payable

On March 5, 2002, \$120,000,000 in general obligation bonds were authorized by voters under Proposition 39/Measure A in an election held within the Contra Costa Community College District. On July 2, 2002, the District issued \$50,000,000 of the general obligation bonds, scheduled to mature annually in varying principal amounts, and paying interest in amounts ranging from 3.50% to 6.00%.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
 MEASURE A BOND FUND  
 Notes to Financial Statements  
 June 30, 2003

---

4. Bonds Payable (continued)

The bonds mature as follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,500,000	\$ 2,412,525	\$ 3,912,525
2005	1,900,000	2,340,775	4,240,775
2006	950,000	2,286,150	3,236,150
2007	1,000,000	2,252,025	3,252,025
2008	550,000	2,224,900	2,774,900
2009-2013	2,750,000	10,849,688	13,599,688
2014-2018	11,150,000	9,049,750	20,199,750
2019-2023	15,000,000	5,734,850	20,734,850
2024-2028	<u>15,200,000</u>	<u>1,570,000</u>	<u>16,770,000</u>
Totals	<u>\$50,000,000</u>	<u>\$38,720,663</u>	<u>\$88,720,663</u>

5. Interfund Transactions

Balances due to other funds of \$799,113 relate primarily to amounts payable to reimburse other funds for Measure A qualifying expenditures initially paid by those funds.

6. 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, 2003, no arbitrage liability has been recorded.