

**CONRA COSTA
COMMUNITY COLLEGE DISTRICT**

**MEASURE A
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**
June 30, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Martinez, California

MEASURE A GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board and Measure A Citizens'
Bond Oversight Committee
Contra Costa Community College District
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of Contra Costa Community College District (the "District") Measure A General Obligation Bonds activity included in the General Obligation Bond Construction Fund (the "Bond Fund") of the District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's Bond Fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

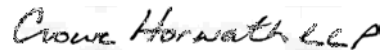
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure A General Obligation Bonds of Contra Costa Community College District, as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2017, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 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 for the Bond Fund. 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 internal control over financial reporting or on compliance for the Bond Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Contra Costa Community College District's internal control over financial reporting and compliance for the Bond Fund.



Crowe Horwath LLP

Sacramento, California
December 20, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2017

ASSETS

Restricted cash and cash equivalents (Note 2)	\$ 48,768,045
Investments (Note 3)	5,070,968
Interest Receivable	43,205
Due from other funds (Note 5)	<u>75,722</u>
 Total assets	 <u>\$ 53,957,940</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 1,441,493
 Fund balance:	
Restricted – capital projects	 <u>52,516,447</u>
 Total liabilities and fund balances	 <u>\$ 53,957,940</u>

See accompanying notes to financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2017

Revenues:	
Interest income	\$ 525,928
Other local revenue	<u>124,990</u>
Total revenue	<u>650,918</u>
Expenditures:	
Current:	
Classified salaries	811,766
Employee benefits	335,749
Supplies and Materials	1,545
Services and other expenditures	1,996,400
Capital outlay	10,470,395
Other outgo	<u>50,167</u>
Total expenditures	<u>13,666,022</u>
Change in fund balance	(13,015,104)
Fund balance, July 1, 2016	<u>65,531,551</u>
Fund balance, June 30, 2017	<u>\$ 52,516,447</u>

See accompanying notes to financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Contra Costa Community College District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California community colleges. The District accounts for its financial transactions in accordance with policies and procedures of the State Chancellor Office's *California Community Colleges Budget and Accounting Manual*. The activities of the 2006 Measure A Bonds are recorded along with other activities in the District's 2006 Measure A Building Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include only the 2006 Measure A Building Fund of the District. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2006. The authorized issuance amount of the bonds is \$286,500,000. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses 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 financial statements represent the 2006 Measure A Building Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose of financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Contra Costa County Treasury are considered cash equivalents.

Nonspendable Fund Balance: Nonspendable fund balance includes amounts that are not in spendable form, such as prepaid expenditures.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the 2006 Measure A Building Fund in accordance with the Bond Project List for 2006 Measure A General Obligation Bonds.

Accounting Estimates: The presentation 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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
 MEASURE A GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2017 consisted of \$48,768,045 held in the County Treasury investment pool.

Credit Risk: In accordance with Education Code Section 41001, the 2006 Measure A Building Fund maintains substantially all of its cash in the Contra Costa County Treasury. The County Treasurer of Contra Costa County acts as the Measure A General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the 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 Treasury, which is recorded on the amortized cost basis.

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

In accordance with applicable State laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2017, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Fund	None	None	None

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.

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
 MEASURE A GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 – INVESTMENTS

Fair Value of Financial Instruments: The following methods and assumptions were used by the Bond Fund to estimate the fair value of its financial instruments at June 30, 2017.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value: The following table presents information about the Bond Fund's assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. Treasuries	\$ 1,693,691	\$ -	\$ 1,693,691	\$ -
Federal Agency Bonds	<u>3,377,277</u>	<u>-</u>	<u>3,377,277</u>	<u>-</u>
Total	<u>\$ 5,070,968</u>	<u>\$ -</u>	<u>\$ 5,070,968</u>	<u>\$ -</u>

Valuation Approach: The Bond Fund's investments are classified within Level 2 of the fair value hierarchy because they are valued using observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

There were no changes in the valuation techniques used during the year ended June 30, 2017. There were no transfers of assets between the fair value levels for the year ended June 30, 2017.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
 MEASURE A GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 – INVESTMENTS (Continued)

Investment Interest Rate Risk: The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturities of investments held at June 30, 2017 consist of the following:

<u>Investment Type</u>	<u>Investment Maturities</u>			
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year through Five Years</u>	<u>Six Years through Ten Years</u>
U.S. Treasuries	\$ 1,693,691	\$ 1,693,691	\$ -	\$ -
Federal Agency Bonds	<u>3,377,277</u>	<u>3,377,277</u>	-	-
Total Investments	<u>\$ 5,070,968</u>	<u>\$ 5,070,968</u>	<u>\$ -</u>	<u>\$ -</u>

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 what is stipulated by the California Government code. The District investments (other than U.S. Treasuries, mutual funds and external investment pools, which are exempt from this disclosure) in any one issuer that represents five percent or more of the total investments were as follows:

Bond assets that exceeded 5% of the total asset as of June 30, 2017 are as follows:

Fannie Mae	\$ 3,377,277	66.60%
United States Treasury	<u>1,693,691</u>	33.40%
Total Investments	<u>\$ 5,070,968</u>	

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. At June 30, 2017, the Bond Fund's investments totaling \$5,070,968 were rated AA+ Bond investments by Standard and Poor's (S&P).

NOTE 4 – INTERFUND TRANSACTIONS

As of June 30, 2017, the Bond Fund - 2006 Measure A has an amount of \$75,722, due from the General Fund.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure A by at least 55% of the registered voters voting on the proposition at an election held on June 6, 2006 Contra Costa Community College District was authorized to issue and sell bonds of up to \$286,500,000 in aggregate principal amount. The District received affirmative votes from 57% of voters, which exceeded the 55% requirement.

Purpose of Bonds

The proceeds of the Bonds may be used:

"To renovate aging college facilities (making energy savings, safety, and handicapped accessibility improvements), and update facilities used by transfer, career and vocational students (for math, science, nursing, technology and other programs) at Contra Costa College, Diablo Valley College, Los Medanos College, the San Ramon Valley and Brentwood centers, shall the Contra Costa Community College District issue \$286,500,000 of bonds at legal interest rates with annual audits and a citizens' oversight committee to monitor spending"

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

NOTE 6 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District. The Boards of Supervisor of Contra Costa County are obligated to levy *ad valorem* taxes for the payment, without limitation as to amount, upon all property within their respective counties subject to taxation by the District (except certain personal property which is taxable at limited rates) for payment of principal of and interest on the Bonds when due.

In August 2007, the District issued \$73,000,000. In March 2010, the District issued an additional \$73,000,000. In August 2013, the District issued the final \$140,500,000 of bonds under Measure A.

NOTE 7 – COMMITMENTS

At June 30, 2017, the District has \$3,061,336 in outstanding commitments on construction contracts

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

To the Governing Board and Measure A Citizens'
Bond Oversight Committee
Contra Costa Community College District
Martinez, California

We have audited, in accordance with the 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, the financial statements of Contra Costa Community College District (the "District") Measure A General Obligation Bonds (the "Bond Fund") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's Measure A General Obligation Bonds financial statements, and have issued our report thereon dated December 20, 2017. The financial statements present only the District's Bond Fund and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2017, and the changes in its financial position for the year then ended.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Bond Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Bond Fund.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance for the Bond Fund. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance for the Bond Fund. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 20, 2017

**CONTRA COSTA
COMMUNITY COLLEGE DISTRICT**
Martinez, California

**MEASURE A
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**
June 30, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Martinez, California

MEASURE A GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board and Measure A Citizens'
Bond Oversight Committee
Contra Costa Community College District
Martinez, California

We have conducted a performance audit of the Contra Costa Community College District (the "District"), Measure A General Obligation Bond funds for the year ended June 30, 2017.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure A General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Contra Costa Community College District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Contra Costa Community College District to determine the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Contra Costa Community College District expended Measure A General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 20, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establishes and appoints members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT, MEASURE A GENERAL OBLIGATION BONDS

The Contra Costa Community College District, and Contra Costa County, California Election of 2006 General Obligation Bonds, Measure A were authorized at an election of the registered voters of the Contra Costa Community College District held on June 6, 2006 at which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$286,500,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the construction, rehabilitation and modernization of certain District property and facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. A summary of the text of the ballot language was as follows:

"To renovate aging college facilities (making energy savings, safety, and handicapped accessibility improvements), and update facilities used by transfer, career and vocational students (for math, science, nursing, technology and other programs) at Contra Costa College, Diablo Valley College, Los Medanos College, the San Ramon Valley and Brentwood centers, shall the Contra Costa Community College District issue \$286,500,000 of bonds at legal interest rates with annual audits and a citizens' oversight committee to monitor spending"

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSION

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure A General Obligation Bond funds for the year ended June 30, 2017 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure A General Obligation Bond project expenditures for the year ended June 30, 2017 (the "List"). A total of \$13,666,022 in expenditures from July 1, 2016 through June 30, 2017 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure A General Obligation Bond project expenditures for the year ended June 30, 2017:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting and determined that controls have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed tests to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the expenditures List.
- Reconciled the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2017, presented as the Bond Construction Fund (Fund 43).
- Examined a sample of the salaries and related benefits, which totaled \$166,721. We also selected a sample of 25 non-payroll expenditures totaling \$2,775,181 from Measure A. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that funds from the Measure A Building Fund of the District were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, Contra Costa Community College District expended Measure A General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

**CONRA COSTA
COMMUNITY COLLEGE DISTRICT**

**MEASURE E
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**
June 30, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Martinez, California

MEASURE E GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board and Measure E Citizens'
Bond Oversight Committee
Contra Costa Community College District
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of Contra Costa Community College District (the "District") Measure E General Obligation Bonds activity included in the General Obligation Bond Construction Fund (the "Bond Fund") of the District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's Bond Fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure E General Obligation Bonds of Contra Costa Community College District, as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2017, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 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 for the Bond Fund. 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 internal control over financial reporting or on compliance for the Bond Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Contra Costa Community College District's internal control over financial reporting and compliance for the Bond Fund.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 20, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2017

ASSETS

Restricted cash and cash equivalents (Note 2)	\$ 15,610,080
Investments (Note 3)	97,028,647
Interest receivable	458,912
Due from other funds (Note 4)	<u>25,115</u>
 Total assets	 <u>\$ 113,122,754</u>

LIABILITIES AND FUND BALANCE

Accounts payable and accrued expenses	\$ 796,995
 Fund balance:	
Restricted – capital projects	<u>112,325,759</u>
 Total liabilities and fund balances	 <u>\$ 113,122,754</u>

See accompanying notes to financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
For the Year Ended June 30, 2017

Revenues:	
Interest income	\$ <u>1,371,558</u>
Expenditures:	
Current:	
Classified salaries	156,911
Employee benefits	65,236
Services and operating expenditures	102,791
Capital outlay	6,892,057
Other outgo	<u>564,155</u>
Total expenditures	<u>7,781,150</u>
Change in fund balance	(6,409,592)
Fund balance, July 1, 2016	<u>118,735,351</u>
Fund balance, June 30, 2017	<u>\$ 112,325,759</u>

See accompanying notes to financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Contra Costa Community College District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California community colleges. The District accounts for its financial transactions in accordance with policies and procedures of the State Chancellor Office's *California Community Colleges Budget and Accounting Manual*. The activities of the Measure E Bonds are recorded along with other activities in the District's 2014 Measure E Building Fund. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include only the 2014 Measure E Building Fund (the "Bond Fund") of the District. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2014. The authorized issuance amount of the bonds is \$450,000,000. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses 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 financial statements represent the 2014 Measure E Building Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose of financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Contra Costa County Treasury are considered cash equivalents.

Nonspendable Fund Balance: Nonspendable fund balance includes amounts that are not in spendable form, such as prepaid expenditures.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Building Fund - 2014 Measure E in accordance with the Bond Project List for 2014 Measure E General Obligation Bonds.

Accounting Estimates: The presentation 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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
 MEASURE E GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and investments at June 30, 2017 consisted of \$15,610,080 held in the County Treasury investment pool.

Credit Risk: In accordance with Education Code Section 41001, the 2014 Measure E Building Fund maintains substantially all of its cash in the Contra Costa County Treasury. The County Treasurer of Contra Costa County acts as the Measure E General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the 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 Treasury, which is recorded on the amortized cost basis.

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

In accordance with applicable State laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2017, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Fund	None	None	None

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.

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
 MEASURE E GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 – INVESTMENTS

Fair Value of Financial Instruments: The following methods and assumptions were used by the Bond Fund to estimate the fair value of its financial instruments at June 30, 2017.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value: The following table presents information about the Bond Fund's assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. Treasuries	\$ 10,046,220	\$ -	\$ 10,046,220	\$ -
Federal Agency Bonds	45,690,073	-	45,690,073	-
Corporate Notes	23,032,977	-	23,032,977	-
Commercial Papers	11,618,239	11,618,239	-	-
Certificates of Deposit	<u>6,641,138</u>	<u>6,641,138</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 97,028,647</u>	<u>\$ 18,259,377</u>	<u>\$ 78,769,270</u>	<u>\$ -</u>

Valuation Approach: The Bond Fund's investment in Commercial Papers and Certificates of Deposits are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices or broker or dealer quotations.

The Bond Fund's investments are generally classified within Level 2 of the fair value hierarchy because they are valued using observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

There were no changes in the valuation techniques used during the year ended June 30, 2017. There were no transfers of assets between the fair value levels for the year ended June 30, 2017.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – INVESTMENTS (Continued)

Investment Interest Rate Risk: The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturities of investments held at June 30, 2017 consist of the following:

<u>Investment Type</u>	<u>Investment Maturities</u>			
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year through Five Years</u>	<u>Six Years through Ten Years</u>
U.S. Treasuries	\$ 10,046,220	\$ -	\$ -	\$ 10,046,220
Federal Agency Bonds	45,690,073	6,928,218	29,744,302	9,017,553
Corporate Note	23,032,977	6,811,507	15,117,953	1,103,517
Commercial Paper	11,618,239	11,618,239	-	-
Certificate of Deposit	<u>6,641,138</u>	<u>-</u>	<u>6,641,138</u>	<u>-</u>
 Total Investments	 <u>\$ 97,028,647</u>	 <u>\$ 25,357,964</u>	 <u>\$ 51,503,393</u>	 <u>\$ 20,167,290</u>

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 what is stipulated by the California Government code. The District investments (other than U.S. Treasuries, mutual funds and external investment pools, which are exempt from this disclosure) in any one issuer that represents five percent or more of the total investments were as follows:

Bond assets that exceeded 5% of the total asset as of June 30, 2017 are as follows:

Fannie Mae	\$ 13,795,940	14.22%
Federal Home Loan Banks	20,234,070	20.84%
Freddie Mac	11,660,062	12.02%
United States Treasury	<u>10,046,220</u>	10.35%
 Total Investments Exceeding 5%	 <u>\$ 55,736,292</u>	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
 MEASURE E GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 – INVESTMENTS (Continued)

Bond investments were rated by Standard and Poor's (S&P) as of June 30, 2017 and consist of the following as of June 30, 2017:

<u>S&P Ratings</u>	<u>Portfolio</u>
AAA	1.51%
AA+	57.44
AA	2.04
AA-	4.36
A	4.06
A+	6.46
A-	5.14
A-1+	2.06
A-1	9.92
BBB+	<u>7.01</u>
	<u>100.00%</u>

NOTE 4 – INTERFUND TRANSACTIONS

As of June 30, 2017, the Bond Fund - 2014 Measure E has an amount of \$25,115, due from the General Fund.

NOTE 5 – PURPOSE OF BOND ISSUANCE

Bond Authorization: By approval of the proposition for Measure E by at least 55% of the registered voters voting on the proposition at an election held on June 3, 2014, Contra Costa Community College District was authorized to issue and sell bonds of up to \$450,000,000 in aggregate principal amount. The District received affirmative votes from 57.58% of voters, which exceeded the 55% requirement.

Purpose of Bonds

The proceeds of the Bonds may be used:

" To upgrade educational facilities at Diablo Valley, Contra Costa, and Los Medanos Colleges, and the San Ramon and Brentwood centers, and help prepare students for jobs and college transfer by modernizing classrooms and labs, building facilities for health, medical, science, and technology training, and implementing earthquake safety, accessibility, and infrastructure improvements, shall the Contra Costa Community College District issue \$450 million of bonds at legal interest rates with independent oversight, audits, and all funds spent on local sites?"

As required by the California Constitution, the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District. The Board of Supervisors of Contra Costa County are obligated to levy *ad valorem* taxes for the payment, without limitation as to amount, upon all property within their respective counties subject to taxation by the District (except certain personal property which is taxable at limited rates) for payment of principal of and interest on the Bonds when due.

On August 13, 2014 the District issued Measure E General Obligation Bonds totaling \$120,000,000. The Bonds bear interest rates from 2% to 4% and are payable on February 1st and August 1st of each year until maturity.

NOTE 7 – COMMITMENTS

At June 30, 2017, the District has \$8,066,433 in outstanding commitments on construction contract.

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

To the Governing Board and Measure E Citizens'
Bond Oversight Committee
Contra Costa Community College District
Martinez, California

We have audited, in accordance with the 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, the financial statements of Contra Costa Community College District (the "District") Measure E General Obligation Bonds (the "Bond Fund") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's Measure E General Obligation Bonds financial statements, and have issued our report thereon dated December 20, 2017. The financial statements present only the District's Bond Fund and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2017, and the changes in its financial position for the year then ended.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Bond Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Bond Fund.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance for the Bond Fund. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance for the Bond Fund. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 20, 2017

**CONTRA COSTA
COMMUNITY COLLEGE DISTRICT**
Martinez, California

**MEASURE E
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**
June 30, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Martinez, California

MEASURE E GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Citizens' Bond Oversight Committee for
Measure E, and the Board of Trustees
Contra Costa Community College District
Martinez, California

We have conducted a performance audit of the Contra Costa Community College District (the "District"), Measure E General Obligation Bond funds for the year ended June 30, 2017.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure E General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Contra Costa Community College District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Contra Costa Community College District to determine the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Contra Costa Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 20, 2017

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establishes and appoints members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT, MEASURE E GENERAL OBLIGATION BONDS

The Contra Costa Community College District, and Contra Costa County, California Election of 2014 General Obligation Bonds, Measure E were authorized at an election of the registered voters of the Contra Costa Community College District held on June 3, 2014 at which more than 55 percent of the persons voting on the proposition voted to authorize the issuance and sale of \$450,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the construction, rehabilitation and modernization of certain District property and facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. A summary of the text of the ballot language was as follows:

"To upgrade educational facilities at Diablo Valley, Contra Costa, and Los Medanos Colleges, and the San Ramon and Brentwood centers, and help prepare students for jobs and college transfer by modernizing classrooms and labs, building facilities for health, medical, science, and technology training, and implementing earthquake safety, accessibility, and infrastructure improvements, shall the Contra Costa Community College District issue \$450 million of bonds at legal interest rates with independent oversight, audits, and all funds spent on local sites?"

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
MEASURE E GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSION

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure E General Obligation Bond funds for the year ended June 30, 2017 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure E General Obligation Bond project expenditures for the year ended June 30, 2017 (the "List"). A total of \$7,781,150 in expenditures from July 1, 2016 through June 30, 2017 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure E General Obligation Bond project expenditures for the year ended June 30, 2017:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting and determined that controls have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed tests to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the expenditures List.
- Reconciled the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2017, presented as Bond Construction Fund (Fund 44).
- Examined a sample of the salaries and related benefits, which totaled \$30,346. We also selected a sample of 25 non-payroll expenditures totaling \$1,776,529 from Measure E. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that funds from the Measure E Building Fund of the District were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, Contra Costa Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2017 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.