

**CONTRA COSTA COMMUNITY  
COLLEGE DISTRICT**

**MEASURE A BOND FUND**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2007**



**Gilbert Associates, Inc.**  
CPAs and Advisors

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Contra Costa Community College District and  
Measure A Bond Oversight Committee  
500 Court Street  
Martinez, California 94553

We have performed the procedures enumerated below, which were agreed to by Contra Costa Community College District (District) and Bond Oversight Committee (the specified parties, collectively), for the 2002 and 2006 General Obligation Bonds Series A solely to assist the District in documenting its compliance with the regulations of article XIII A, Section 1(b) (3) of the California Constitution for the fiscal year ending June 30, 2007. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. As directed by the specified parties, we judgmentally selected a sample of expenditures from bond related project costs identified by the District and performed the following:
  - a. Verified that expenditures were valid and in compliance with the regulation of the article XIII A, Section 1 (b)(3) of the California Constitution. No exceptions were found as a result of applying this procedure.
  - b. Ensured that expenditures were not used for teacher or administrative charges or other school operating expenses. No exceptions were found as a result of applying this procedure.
2. Examined the expenditures to ensure that they were only for construction projects as outlined in the bond documents, and authorized under Proposition 39 and approved by the passing of Measure A. No exceptions were found as a result of applying this procedure.
3. Obtained an understanding of the system used, and internal controls in place by the District for monitoring Measure A expenditures, and reviewed for appropriateness. No exceptions were found as a result of applying this procedure.

**Contra Costa Community College District  
Measure A Bond Oversight Committee  
Page 2**

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Districts compliance with the regulations of article XIII A, Section 1 (b)(3) of the California Constitution. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Contra Costa Community College District and Measure A Bond Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**January 29, 2008**

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
MEASURE A BOND FUND**

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**YEAR ENDED JUNE 30, 2007**

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## INDEPENDENT AUDITOR'S 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, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 of material misstatements. 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.

As discussed in Note 1, 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, 2007, 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, 2007, 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 accordance with *Government Auditing Standards*, we have also issued a report dated January 29, 2008, 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 should be considered in assessing the results of our audit.

**Citizens' Oversight Committee  
Contra Costa Community College District  
Page 2 of 2**

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Measure A Bond Fund's basic financial statements. The accompanying General Obligation Bonds Payable is supplementary information presented for purposes of additional analysis and is not a required part of the basic financial statements of the Measure A Bond Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**January 29, 2008**

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**MEASURE A BOND FUND**

**BALANCE SHEET**

**JUNE 30, 2007**

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**ASSETS**

Interest receivable	\$ 456,058
Other assets	4,238,814
Restricted investments, at fair value	<u>20,122,384</u>
Total assets	<u>\$ 24,817,256</u>

**LIABILITIES AND FUND BALANCE**

Accounts payable	\$ 1,102
Due to other District funds	1,207,023
Retainage payable	<u>4,239,488</u>
Total liabilities	5,447,613
Fund balance	<u>19,369,643</u>
Total liabilities and fund balance	<u>\$ 24,817,256</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**MEASURE A BOND FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2007**

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<b>REVENUES</b>	
Interest income	\$ 2,301,502
<b>EXPENDITURES</b>	
Capital projects	46,461,169
Repairs and restoration	1,046,924
Consulting	219,357
Bond issuance costs	23,842
Total expenditures	<u>47,751,292</u>
<b>DECREASE IN FUND BALANCE</b>	45,449,790
<b>FUND BALANCE, Beginning of Year</b>	<u>64,819,433</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 19,369,643</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**

**YEAR ENDED JUNE 30, 2007**

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**1. GENERAL INFORMATION**

The financial statements present information on the financial activities of the Measure A Bond Fund, which is a fund of the Contra Costa Community College District (the "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 Foundation 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, the Measure A Bond Fund, to account for the Measure A activities.

**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.

**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 are rendered).

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
MEASURE A BOND FUND**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

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**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 market value, as reported by the County and the State. Investments in governmental securities are recorded at fair value based on available market quotes at June 30. Changes in fair value are reported as revenues or expenditures 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.

**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Restricted investments at June 30, 2007 of \$20,122,384, are classified as District Managed Investments.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
MEASURE A BOND FUND**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

**Investments Authorized by Debt Agreements**

The District maintains all of the Bond Fund's investments with the Contra Costa County Treasury (County Treasury) as part of the common investment pool, and District-managed investments. The County pools these funds with those of other governmental entities in the County Treasury and invests the cash. These investments are carried at fair value. Any realized investment gains or losses are proportionately shared by all funds in the pool, except for investments directly managed by the District. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income.

Investments of debt proceeds held by the District 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 trustee. 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>
Contra Costa County Investment Pool	Five Years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**Disclosures Relating to 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.

Information about the sensitivity of fair values of the investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity:

<u>Investment Type</u>	<u>Market Value</u>	<u>Remaining Maturity (in Years)</u>	
		<u>Less than 1</u>	<u>1 to 5</u>
District Managed Investments:			
Federal Agency Bonds, Notes and Mortgage-Back Securities	\$ 20,122,384	\$ 20,122,384	

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
MEASURE A BOND FUND**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

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**Disclosures Relating to Credit Risk**

Generally, 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. Presented below is the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Market Value</u>	<u>Rating as of year end Standard and Poor's</u>
District Managed Investments:		
Federal Agency Bonds, Notes and Mortgage-Back Securities	\$ 20,122,384	AAA

**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 that stipulated by the California Education Code. The Measure A Bond Fund has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Measure A Bond Fund investments.

**4. INTERFUND TRANSACTIONS**

**Due From / Due to Other Funds**

At June 30, 2007, the Measure A Bond Fund owed the District Capital Projects Fund \$434,619 and the General Fund \$772,404. Interfund receivables and payables are paid and cleared in the subsequent period.

**5. 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, 2007, no arbitrage liability has been recorded.

## **SUPPLEMENTARY INFORMATION SECTION**

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
MEASURE A BOND FUND**

**SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2007**

**GENERAL OBLIGATION 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 (District). In July 2002, the District issued its first series \$50,000,000 of Measure A General Obligation Bonds (the G.O. Bonds). The bonds require semi-annual principal payments beginning in August 2003 through August 2026; interest on the Bonds is payable semiannually on each February 1 and August 1, commencing in February of 2003. Annual interest rates for the principal payments range from 3.5% to 6.0%.

On August 1, 2004, the District issued its second series, \$45,000,000, of Measure A Bonds maturing on August 1, 2029, with interest at 4.0% to 5.0%, to provide for anticipated construction costs from various construction projects. The bonds require semi-annual principal and interest payments February 1, 2005 through August 1, 2029. The Bonds due on or before August 1, 2014, are not subject to optional redemption; the Bonds due on and after August 1, 2015 are subject to optional redemption.

On May 11, 2006, the District issued its third series, \$25,000,000, of Measure A Bonds maturing on August 1, 2027, with interest at 4.0% to 4.50%, to provide for anticipated construction costs from various construction projects. The bonds require semi-annual principal and interest payments February 1, 2007 through August 1, 2027 and annual principal payments on August 1, 2007 through August 1, 2027. The G.O. Bonds are subject to optional and mandatory redemption.

The general obligation bonded debt at June 30, 2007, for both series matures as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 1,010,000	\$ 5,481,444	\$ 6,491,444
2009	1,440,000	5,429,069	6,869,069
2010	1,625,000	5,354,856	6,979,856
2011	1,845,000	5,264,031	7,109,031
2012	2,090,000	5,165,181	7,255,181
2013-2017	14,410,000	23,893,744	38,303,744
2018-2022	22,420,000	19,538,632	41,958,632
2023-2027	33,350,000	12,989,498	46,339,498
2028-2032	34,709,999	3,458,139	38,168,138
Totals	\$ 112,899,999	\$ 86,574,594	\$ 199,474,593
Plus Bond Premium	946,200		946,200
	\$ 113,846,199	\$ 86,574,594	\$ 200,420,793

**OTHER INDEPENDENT AUDITOR'S REPORT**



**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***

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

We have audited the basic financial statements of the Measure A Bond Fund (the "Bond Fund") of the Contra Costa Community College District (the "District") as of and for the year ended June 30, 2007, and have issued our report thereon dated January 29, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 financial reporting. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

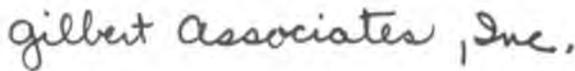
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We consider the finding described in the accompanying schedule of findings and recommendations to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Fund's basic financial statements are free of material misstatements, 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 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*.

This report is intended solely for the information and use of the Citizens' Oversight Committee, Board of Trustees, Finance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "gilbert associates, inc.".

**GILBERT ASSOCIATES, INC.**

**January 29, 2008**

## **FINDINGS AND RECOMMENDATIONS SECTION**

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
MEASURE A BOND FUND**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

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**FINANCIAL STATEMENT FINDINGS**

**07-1. ACCOUNT RECONCILIATIONS AND FINANCIAL STATEMENTS – CDDC #30000**

**Finding:**

One element of an entity's internal control over financial reporting is the ability to produce financial statements in accordance with Generally Accepted Accounting Principles. This includes internal controls that can detect material misstatements in the financial statements independent of a financial statement audit. There was an adjustment required for the June 30, 2007 financial statements of the measure A Bond Fund as the District did accurately complete year-end close procedures for investments which had to be adjusted to market value.

**Recommendation:**

We recommend that reconciliations occur on a regular basis and at year end closing to ensure accurate financial reporting.

**District Response:**

The District concurs with the recommendation, and has already begun preparing a closing calendar with specific task assignments to address the deficiencies found during the 2006-07 audit.