

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 1996**

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**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 1996**

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**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 1996**

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CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**Governing Board**

Eugene H. Ross, President  
William M. Corey, Vice President  
John T. Nejedly, Secretary  
David N. MacDiarmid  
William P. Moses

**Chancellor**

Charles C. Spence

Contra Costa College  
Diablo Valley College  
Los Medanos College

December 11, 1996

Honorable Governing Board  
Contra Costa Community College District  
500 Court Street  
Martinez, CA 94553

Re: Annual Financial Report for the 1995-96 Fiscal Year

Dear Board Members:

The comprehensive annual financial report for the fiscal year ending June 30, 1996 is hereby submitted. The audit is a summation of financial activity, District fund status, and a professional review of systems and procedures to conduct business of the District.

The audit report continues past recommendations to replace or to significantly improve the automated systems and staff procedures for personnel allocation and expenditure controls. Review of automated systems shows that a viable system that would totally meet desired goal for an integrated student, human resource, payroll and finance system cannot be procured. The interim alternatives for use of the existing K-12 Finance System or other system choices has been explored. A report on this issue was made to the Governing Board in the 1995-96 fiscal year which resulted in the implementation of a replacement system referred to as FACS effective July 1, 1996.

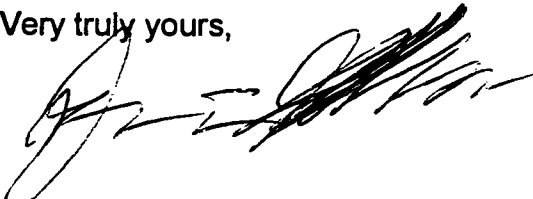
Similar to the need for an improved finance system, the District is addressing student, course and faculty assignment procedures to better address State Chancellor objectives for reliable MIS information in these areas.

The District was able to maintain most student program and instructional services during the 1995-96 fiscal year despite inflationary cost increases and a stagnant revenue source. However, critical needs to address information systems, building and outdoor facility needs, and delivering technology to the classroom and for administrative improvements have remained wanting in light of our priority to maintain student programs. The ability of the

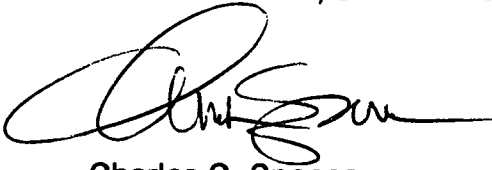
Honorable Governing Board  
Contra Costa Community College District  
December 11, 1996

District to be a viable, long-term community resource will depend on our continued efforts to meet both current needs as well as develop a financial plan for necessary future facility, technology, and information system requirements.

Very truly yours,

A handwritten signature in black ink, appearing to read "John E. Hendrickson". The signature is fluid and cursive, with a large initial "J" and "H".

John E. Hendrickson  
Vice Chancellor, Business Services

A handwritten signature in black ink, appearing to read "Charles C. Spence". The signature is cursive and somewhat stylized, with a large initial "C".

Charles C. Spence  
Chancellor

## INTRODUCTION

The audit has the following objectives:

- To assess the adequacy of the systems and procedures for financial accounting, compliance with rules and regulations, and internal control in the Contra Costa Community College District.
- To determine the accountability for revenues, the propriety of expenditures and expenses, and the extent to which funds have been expended in accordance with prescribed State and Federal laws and regulations.
- To determine whether financial and financially related reports to State and Federal agencies are presented fairly.
- To determine the fairness of presentation of the Contra Costa Community College District's financial statements.
- To recommend appropriate actions to correct any deficiencies.



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the accompanying general purpose financial statements of the Contra Costa Community College District as of and for the year ended June 30, 1996, as listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*. 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.

Over the years, the District has not maintained, and is not required by the California State Education Code to maintain, detailed fixed asset records supporting the balance sheet of the General Fixed Assets Account Group shown on pages 5 and 6 in the accompanying general purpose financial statements. Accordingly, we do not express an opinion on the General Fixed Assets Account Group at June 30, 1996.

In our opinion, except for the effects of such adjustments as might have been determined to be necessary had we been able to audit fixed asset records, such general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Contra Costa Community College District at June 30, 1996, and the results of its operations and cash flows of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the financial section of the foregoing Table of Contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements. Such combining financial statements have been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, except for the effects of such adjustments as might have been determined to be necessary had we been able to audit fixed asset records, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

*Perry-Smith + Co.*

November 22, 1996

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS**

June 30, 1996

	<u>Governmental Fund Types</u>					<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<b>ASSETS</b>								
Cash and cash equivalents:								
In County Treasury	\$ 9,151,295	\$ 2,582,977	\$ 290,944	\$ 39,362	\$ 1,102,285			\$ 13,166,863
On hand and in banks	32,557	166,037		1,512,578	695,147			2,406,319
Revolving fund	125,000			24,850				149,850
Local Agency Investment Fund	<u>484,158</u>	<u>223,985</u>	<u>3,207,442</u>	<u>1,119,924</u>				<u>5,035,509</u>
Total cash and cash equivalents	<u>9,793,010</u>	<u>2,972,999</u>	<u>3,498,386</u>	<u>2,696,714</u>	<u>1,797,432</u>			<u>20,758,541</u>
Investments			9,799,352		500,000			10,299,352
Accounts receivable	2,379,066	117,415	194,933	711,308	138,685			3,541,407
Due from other funds	2,797,617	130,009	3,225	263,115	65,492			3,259,458
Inventories	188,439			1,457,909				1,646,348
Prepaid expenditures	1,633,216	23,997						1,657,213
Property, plant and equipment, net				663,754		\$ 145,082,040		145,745,794
Amount available in Debt Service Funds							\$ 12,039,707	12,039,707
Amount to be provided for long-term debt retirement							<u>21,671,822</u>	<u>21,671,822</u>
Total assets	<u>\$ 16,791,348</u>	<u>\$ 3,244,420</u>	<u>\$ 13,495,896</u>	<u>\$ 5,792,800</u>	<u>\$ 2,501,609</u>	<u>\$ 145,082,040</u>	<u>\$ 33,711,529</u>	<u>\$ 220,619,642</u>

(Continued)



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINED BALANCE SHEET**

**ALL FUND TYPES AND ACCOUNT GROUPS**

(Continued)

June 30, 1996

	<u>Governmental Fund Types</u>					<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>								
Liabilities:								
Amount to be provided by future deposits					\$ 91,927			\$ 91,927
Accounts payable	\$ 884,366	\$ 289,622		\$ 257,341				1,431,329
Accrued liabilities	1,343,799							1,343,799
Deferred revenue	3,782,619	10,970			1,262			3,794,851
Due to other funds	462,035	49,048	\$ 17	2,653,626	94,732			3,259,458
Estimated liability for retiree claims and judgments			1,456,172					1,456,172
Due to student organizations					334,776			334,776
Capitalized lease obligations, current portion				81,526				81,526
Compensated absences	2,581,815							2,581,815
Revenue bonds						\$ 103,000		103,000
Capitalized lease obligations				124,837		313,529		438,366
Certificates of Participation						1,605,000		1,605,000
Post-retirement health benefits obligation							31,690,000	31,690,000
<b>Total liabilities</b>	<u>9,054,634</u>	<u>349,640</u>	<u>1,456,189</u>	<u>3,117,330</u>	<u>522,697</u>		<u>33,711,529</u>	<u>48,212,019</u>
Fund equity and other credits:								
Investment in general fixed assets						\$ 145,082,040		145,082,040
Fund balances:								
Reserved	1,909,989	2,166,490	128,289		1,978,912			6,183,680
Unreserved:								
Designated	5,826,725	728,290	11,911,418					18,466,433
Retained earnings				2,675,470				2,675,470
<b>Total fund equity and other credits</b>	<u>7,736,714</u>	<u>2,894,780</u>	<u>12,039,707</u>	<u>2,675,470</u>	<u>1,978,912</u>	<u>145,082,040</u>		<u>172,407,623</u>
<b>Total liabilities, fund equity and other credits</b>	<u>\$ 16,791,348</u>	<u>\$ 3,244,420</u>	<u>\$ 13,495,896</u>	<u>\$ 5,792,800</u>	<u>\$ 2,501,609</u>	<u>\$ 145,082,040</u>	<u>\$ 33,711,529</u>	<u>\$ 220,619,642</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL AND EXPENDABLE TRUST FUNDS

For the Year Ended June 30, 1996

	Governmental Fund Types			Expendable Trust Funds	Total (Memoran- dum Only)
	General	Capital Projects	Debt Service		
Revenues:					
Federal sources	\$ 2,337,758			\$ 5,371,340	\$ 7,709,098
State sources	42,511,921	\$ 3,122,650			45,634,571
Local sources	55,706,758	94,771	\$ 861,734	349,761	57,013,024
Total revenues	100,556,437	3,217,421	861,734	5,721,101	110,356,693
Expenditures:					
Certificated salaries	45,658,010	1,415			45,659,425
Classified salaries	20,635,894				20,635,894
Employee benefits	15,173,441	99			15,173,540
Books and supplies	3,517,031	18,324		130,746	3,666,101
Contract services and operating expenditures	11,715,290	315,122		15,681	12,046,093
Student financial assistance				5,736,570	5,736,570
Capital outlay	2,056,865	4,287,499		101,445	6,445,809
Claims and judgments			1,657,373		1,657,373
Debt service:					
Principal retirement	52,682		6,000		58,682
Interest	380,545		4,969		385,514
Total expenditures	99,189,758	4,622,459	1,668,342	5,984,442	111,465,001
Excess (deficiency) of revenues over (under) expenditures	1,366,679	(1,405,038)	(806,608)	(263,341)	(1,108,308)
Other financing sources (uses):					
Operating transfers in	180,886	673,188	9,600	440,270	1,303,944
Operating transfers out	(1,293,876)	(10,000)	(9,600)	(18,745)	(1,332,221)
Capital lease proceeds	85,412				85,412
Proceeds from issuance of Certificates of Participation		1,605,000			1,605,000
Other	(332,847)	(70,500)			(403,347)
Total other financing sources (uses)	(1,360,425)	2,197,688		421,525	1,258,788
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	6,254	792,650	(806,608)	158,184	150,480
Fund balances, July 1, 1995	7,730,460	2,102,130	12,846,315	1,820,728	24,499,633
Fund balances, June 30, 1996	\$ 7,736,714	\$ 2,894,780	\$ 12,039,707	\$ 1,978,912	\$ 24,650,113

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)**

For the Year Ended June 30, 1996

	<b>General Fund</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
<b>Revenues:</b>			
Federal sources	\$ 2,974,513	\$ 2,337,758	\$ (636,755)
State sources	42,603,732	42,511,921	(91,811)
Local sources	<u>54,886,891</u>	<u>55,706,758</u>	<u>819,867</u>
<b>Total revenues</b>	<u>100,465,136</u>	<u>100,556,437</u>	<u>91,301</u>
<b>Expenditures:</b>			
Certificated salaries	45,955,785	45,658,010	297,775
Classified salaries	21,277,606	20,635,894	641,712
Employee benefits	14,886,412	15,173,441	(287,029)
Books and supplies	3,851,719	3,517,031	334,688
Contract services and operating expenditures	11,931,640	11,715,290	216,350
Capital outlay	2,771,820	2,056,865	714,955
Claims and judgments			
Debt service:			
Principal retirement		52,682	(52,682)
Interest		<u>380,545</u>	<u>(380,545)</u>
<b>Total expenditures</b>	<u>100,674,982</u>	<u>99,189,758</u>	<u>1,485,224</u>
<b>(Deficiency) excess of revenues (under) over expenditures</b>	<u>(209,846)</u>	<u>1,366,679</u>	<u>1,576,525</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	332,152	180,886	(151,266)
Operating transfers out	(1,198,794)	(1,293,876)	(95,082)
Capital lease proceeds		85,412	85,412
Other	<u>(1,300,883)</u>	<u>(332,847)</u>	<u>968,036</u>
<b>Total other financing sources (uses)</b>	<u>(2,167,525)</u>	<u>(1,360,425)</u>	<u>807,100</u>
<b>(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses</b>	<u>(2,377,371)</u>	6,254	<u>\$ 2,383,625</u>
<b>Fund balances, July 1, 1995</b>	<u>7,730,460</u>	<u>7,730,460</u>	
<b>Fund balances, June 30, 1996</b>	<u>\$ 5,353,089</u>	<u>\$ 7,736,714</u>	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)**  
(Continued)  
**For the Year Ended June 30, 1996**

	<b>Debt Service Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Federal sources			
State sources			
Local sources	\$ 1,815,600	\$ 861,734	\$ (953,866)
<b>Total revenues</b>	<b>1,815,600</b>	<b>861,734</b>	<b>(953,866)</b>
<b>Expenditures:</b>			
Certificated salaries			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures			
Capital outlay			
Claims and judgments		1,657,373	(1,657,373)
Debt service:			
Principal retirement	7,000	6,000	1,000
Interest	3,090	4,969	(1,879)
<b>Total expenditures</b>	<b>10,090</b>	<b>1,668,342</b>	<b>(1,658,252)</b>
(Deficiency) excess of revenues (under) over expenditures	<b>1,805,510</b>	<b>(806,608)</b>	<b>(2,612,118)</b>
<b>Other financing sources (uses):</b>			
Operating transfers in	9,600	9,600	
Operating transfers out	(9,600)	(9,600)	
Capital lease proceeds			
Other			
<b>Total other financing sources (uses)</b>			
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	<b>1,805,510</b>	<b>(806,608)</b>	<b>\$ (2,612,118)</b>
<b>Fund balances, July 1, 1995</b>	<b>12,846,315</b>	<b>12,846,315</b>	
<b>Fund balances, June 30, 1996</b>	<b>\$ 14,651,825</b>	<b>\$ 12,039,707</b>	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)**  
(Continued)  
**For the Year Ended June 30, 1996**

	<b>Total (Memorandum Only)</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Federal sources	\$ 2,974,513	\$ 2,337,758	\$ (636,755)
State sources	42,603,732	42,511,921	(91,811)
Local sources	<u>56,702,491</u>	<u>56,568,492</u>	<u>(133,999)</u>
<b>Total revenues</b>	<u>102,280,736</u>	<u>101,418,171</u>	<u>(862,565)</u>
<b>Expenditures:</b>			
Certificated salaries	45,955,785	45,658,010	297,775
Classified salaries	21,277,606	20,635,894	641,712
Employee benefits	14,886,412	15,173,441	(287,029)
Books and supplies	3,851,719	3,517,031	334,688
Contract services and operating expenditures	11,931,640	11,715,290	216,350
Capital outlay	2,771,820	2,056,865	714,955
Claims and judgments		1,657,373	(1,657,373)
Debt service:			
Principal retirement	7,000	58,682	(51,682)
Interest	<u>3,090</u>	<u>385,514</u>	<u>(382,424)</u>
<b>Total expenditures</b>	<u>100,685,072</u>	<u>100,858,100</u>	<u>(173,028)</u>
<b>(Deficiency) excess of revenues (under) over expenditures</b>	<u>1,595,664</u>	<u>560,071</u>	<u>(1,035,593)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	341,752	190,486	(151,266)
Operating transfers out	(1,208,394)	(1,303,476)	(95,082)
Capital lease proceeds		85,412	85,412
Other	<u>(1,300,883)</u>	<u>(332,847)</u>	<u>968,036</u>
<b>Total other financing sources (uses)</b>	<u>(2,167,525)</u>	<u>(1,360,425)</u>	<u>807,100</u>
<b>(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses</b>	(571,861)	(800,354)	<u>\$ (228,493)</u>
<b>Fund balances, July 1, 1995</b>	<u>20,576,775</u>	<u>20,576,775</u>	
<b>Fund balances, June 30, 1996</b>	<u>\$ 20,004,914</u>	<u>\$ 19,776,421</u>	

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**

**ALL PROPRIETARY FUNDS**

**For the Year Ended June 30, 1996**

Operating revenues:		
Sales		\$ 8,697,206
Contract services		<u>1,833,222</u>
Total operating revenues		<u>10,530,428</u>
Operating expenses:		
Cost of goods sold		6,336,682
Classified salaries		2,640,666
Employee benefits		649,450
Materials and supplies		381,445
Contract services and operating expenses		660,670
Depreciation		289,700
Utilities		73,260
Capital outlay		<u>6,415</u>
Total operating expenses		<u>11,038,288</u>
Operating loss		(507,860)
Other income		<u>119,672</u>
Loss before operating transfers		(388,188)
Operating transfers in		180,418
Operating transfers out		<u>(152,141)</u>
Net loss		(359,911)
Retained earnings, July 1, 1995		<u>3,035,381</u>
Retained earnings, June 30, 1996		<u>\$ 2,675,470</u>

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS - BUDGET AND ACTUAL**

**ALL PROPRIETARY FUNDS**

**For the Year Ended June 30, 1996**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Operating revenues:			
Sales	\$ 7,797,112	\$ 8,697,206	\$ 900,094
Contract services	1,833,222	1,833,222	
Total operating revenues	9,630,334	10,530,428	900,094
Operating expenses:			
Cost of goods sold	5,162,307	6,336,682	(1,174,375)
Classified salaries	2,509,669	2,640,666	(130,997)
Employee benefits	653,424	649,450	3,974
Materials and supplies	289,610	381,445	(91,835)
Contract services and operating expenses	474,787	660,670	(185,883)
Depreciation	5,003	289,700	(284,697)
Utilities	77,701	73,260	4,441
Capital outlay	438,450	6,415	432,035
Total operating expenses	9,610,951	11,038,288	(1,427,337)
Operating income (loss)	19,383	(507,860)	(527,243)
Other income	103,100	119,672	16,572
Income (loss) before operating transfers	122,483	(388,188)	(510,671)
Operating transfers in		180,418	180,418
Operating transfers out	(152,141)	(152,141)	
Net loss	(29,658)	(359,911)	\$ (330,253)
Retained earnings, July 1, 1995	3,035,381	3,035,381	
Retained earnings, June 30, 1996	\$ 3,005,723	\$ 2,675,470	

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINED STATEMENT OF CASH FLOWS**

**ALL PROPRIETARY FUNDS**

**For the Year Ended June 30, 1996**

Cash flows used in operating activities:	
Net loss	\$ (359,911)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	289,700
Changes in operating assets and liabilities:	
Increase in accounts receivable	(284,219)
Increase in inventory	(341,972)
Increase in accounts payable	<u>133,775</u>
Net cash used in operating activities	<u>(562,627)</u>
Cash flows from non-capital financing activities:	
Decrease in amounts due from other funds	18,463
Increase in amounts due to other funds	<u>1,955,870</u>
Net cash provided by non-capital financing activities	<u>1,974,333</u>
Cash flows used in capital financing activities:	
Principal payments under capitalized lease obligations	(43,624)
Acquisitions of property and equipment	<u>(249,029)</u>
Net cash used in capital financing activities	<u>(292,653)</u>
Increase in cash and cash equivalents	1,119,053
Cash and cash equivalents, July 1, 1995	<u>1,577,661</u>
Cash and cash equivalents, June 30, 1996	<u>\$ 2,696,714</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 17,970</u>
Non-cash capital financing activities:	
Borrowing under capitalized lease obligations	\$ 33,741
Acquisitions of fixed assets through capitalized leases	<u>(33,741)</u>
Net effect of non-cash capital financing activities	<u>\$ -</u>

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



# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accounting policies of the Contra Costa Community College District (District) conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

#### Reporting Entity

The Board of Trustees (Board) is the level of government which has governance responsibilities over all activities related to public post-secondary education within the jurisdiction of the Contra Costa Community College District. The Board receives funding from local, State and Federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

All funds and account groups which are controlled by the District with both oversight responsibility and accountability for all significant fiscal matters are included as part of the reporting entity. Included in the reporting entity is the Contra Costa Education Center Authority (Authority), an organization whose activities to date have been limited to the construction and maintenance of the District office building, issuance of revenue bonds and entering into lease arrangements with the District and the Contra Costa Community College Educational Financing Corporation (Financing Corporation). The Financing Corporation's activities to date have been limited to the issuance of Certificates of Participation (COPs) and entering into lease arrangements with the District.

The District, Authority and Financing Corporation have financial and operational relationships which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Authority and Financing Corporation as a component unit of the District. Accordingly, the financial activities of the Authority and Financing Corporation have been included in the financial statements of the District.

The following are those aspects of the relationships between the District, the Authority and the Financing Corporation which satisfy GASB Statement No. 14 criteria.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Reporting Entity (Continued)

##### Accountability:

1. The majority of the Authority's and Financing Corporation's Board of Directors were appointed by the District's Board of Trustees.
2. The District is able to impose its will upon the Authority and Financing Corporation, based on the following:
  - The District exercises significant influence over operations of the Authority and Financing Corporation as the District is the lessee of facilities owned by the Authority and Financing Corporation. The District's lease payments are the major revenue source of the Authority and Financing Corporation.
3. The Authority and Financing Corporation provide specific financial benefits or imposes specific financial burdens on the District based upon the following:
  - The District has assumed a "moral obligation", and not a formal legal obligation, for debt incurred by the Authority and Financing Corporation.
  - Upon the termination of the Joint Powers Authority Agreement, the Education Center becomes the sole property of the District.

##### Scope of Public Services:

The Authority is a joint powers authority between the County of Contra Costa (County) and the District. The Authority was formed in 1971 to finance the construction of a building (the Education Center) to house District administrative offices. The District leases the facilities from the Authority through the year 2000. The District subleases a portion of the Education Center to the County through the year 2009.

##### Financial Presentation:

For financial presentation purposes, the Authority's and the Financing Corporation's financial activity has been blended, or combined, with the financial data of the District. The financial statements present the Authority's and Financing Corporation's financial activity within the Capital Projects Fund and debt in the General Long-Term Debt Account Group.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Structure

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance or retained earnings, and revenues and expenditures or expenses, as appropriate. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the District:

#### A - Governmental Fund Types

##### 1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

##### 2 - Capital Projects Fund:

The Capital Projects Fund provides for the accumulation of funds for site improvements, equipment purchases and the construction of additional facilities.

##### 3 - Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs and unfunded post-retirement health care benefits. This classification includes the Post-Retirement Health Benefits, the Bond Interest and Redemption, and Bond Revenue Funds.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Structure (Continued)

**B - Proprietary Fund Type**

**1 - Enterprise Funds:**

The District utilizes only one proprietary fund type - Enterprise Funds. The Enterprise Funds are used to account for operations that provide goods or services that are financed primarily by a user charge or where the periodic measurement of net income is deemed appropriate. They include the Bookstore, Cafeteria and Data Processing Center Funds.

**C - Fiduciary Fund Types**

**1 - Expendable Trust Funds:**

Expendable Trust Funds account for assets held by the District as a trustee or agent for individuals, private organizations, other governments and/or other funds. The funds include the Student Financial Aid, Student Scholarship and Loan, Associated Students, and Student Body Center Building and Operating Funds.

**2 - Agency Fund:**

This fund is used to account for assets held on behalf of other organizations for which the reporting entity has a fiduciary responsibility. The District maintains one agency fund in recognition of its fiduciary responsibility for assets held on behalf of Cal Grants.

**D - Account Groups**

**1 - General Fixed Asset Account Group:**

This group of accounts is used to account for property, plant and equipment used in governmental fund type operations.

**2 - General Long-Term Debt Account Group:**

This group of accounts is established to account for all long-term debt of the governmental fund types of the District, including any long-term obligation for accrued compensated absences.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

The District uses the modified accrual basis of accounting to record transactions for all of its fund types, except the proprietary funds which use the accrual basis. Under the modified accrual basis of accounting expenditures are recorded when the liability is incurred. Revenues are recognized when measurable and available except for certain revenue sources which are not susceptible to accrual. Material revenues in the following categories are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Federal Categorical Programs
- State Categorical Programs
- Basic State Aid (Apportionment)
- Interest
- Lottery

The following revenues are not susceptible to accrual because they are not both measurable and available to finance expenditures of the current period:

- Mandated Cost Claims
- Property Taxes

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less.

Inventories

The General Fund inventory consists of operating supplies and is expensed when purchased (purchase method). The Proprietary Funds' inventories consist of cafeteria food, textbooks and educational supplies. Inventories are stated at cost using the retail method in the Bookstore Fund and at average cost using the first-in, first-out method in the Cafeteria Fund.

Property, Plant and Equipment

Over the years, the District has not maintained detailed fixed asset records supporting the General Fixed Assets Account Group balance sheet. The acquisition of property, plant and equipment by governmental fund types is recorded as an expenditure for capital outlay at the time the asset is purchased. Since California Law does not require such assets to be capitalized in a separate account group, this aspect of generally accepted accounting principles is not followed by the District. However, it is in accordance with the California Community College Accounting Manual.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, Plant and Equipment (Continued)

The Proprietary Funds capitalize property, plant and equipment at the time the asset is purchased. Depreciation of property, plant and equipment in the Proprietary Funds is computed using the straight-line method over the estimated useful lives of five years.

Compensated Absences and Sick Leave

The District recognizes the current portion of the liability for compensated absences in the General Fund. The remainder of the liability for compensated absences is reported in the General Long-Term Debt Account Group. The current portion represents the unpaid expenditures that normally would be liquidated with expendable available financial resources within the next fiscal year. At June 30, 1996, compensated absences in the amount of \$2,581,815 is recorded as a liability in the General Fund. All of the liability is considered to be current.

Sick leave benefits are not recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenditures in the period sick leave is taken.

Deferred Revenue and Program Advances

Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Interfund Activity

Transactions between funds of the District are generally recorded as interfund transfers. At year end, the unpaid balance resulting from such transactions is shown as due to and due from applicable funds.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Budgetary Practices

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office, *California Community College's Budget and Accounting Manual*.

The District's adjusted budget reflects budget transfers and augmentations to the initial budget.

The District adopts a budget for its Capital Outlay Fund based on a project time frame, rather than a fiscal year operating time frame. Budgeted amounts are reapportioned for unused appropriations from year to year until the project is completed. This project-based budget has not been included in the accompanying general purpose financial statements.

The District's governing board satisfied the State requirements to hold a public hearing to receive comments prior to adoption of the budget and to formally adopt the budget. The budget is revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The final revised budget is presented in the financial statements. Formal budgetary integration is employed as a management control device for all budget funds. The District employed budget control by minor object and by individual application accounts. Expenditures cannot legally exceed appropriation by major object accounts.

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

#### Memorandum Total Columns on Combined Statements

Total columns on the combined statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in fund balance in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 1996 consisted of the following:

Pooled Funds:

Cash in County Treasury	\$ 13,166,863
Local Agency Investment Fund	5,035,509

Deposits:

Cash on hand and in banks	2,406,319
Revolving fund	<u>149,850</u>

Total cash and cash equivalents 20,758,541

Amounts to be provided by future deposits (91,927)

Net cash and cash equivalents \$ 20,666,614

Investments:

Certificates of Deposit	\$ 500,000
U.S. Treasury Bonds	5,164,872
Mortgage backed security	<u>4,634,480</u>

Total investments \$ 10,299,352

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Each respective fund's share of the total pooled cash is included in the accompanying combined balance sheet under the caption "Cash in County Treasury". Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool. The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District.

The cash in Local Agency Investment Fund 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*. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool. California State Pool representatives have indicated that the Fund has not invested in "plain vanilla" or complex over-the-counter derivatives. The pool does invest in structured notes or asset-backed securities. These investments represent approximately 5% of the pool at June 30, 1996.



## CONTRA COSTA COMMUNITY COLLEGE DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Under provision of the District's 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

At June 30, 1996, the District's investments, with a carrying value of \$10,299,352, which is the lower of cost or market value, consist of certificates of deposit, U.S. Treasury Bonds and mortgage-backed securities. All certificates of deposit are collateralized as required by California state law for any amount exceeding FDIC coverage. Collateral is held in trust by the institutions and monitored by the State Superintendent of Banking.

In accordance with applicable State laws, the Contra Costa County Treasury may invest in derivative securities. Contra Costa County Treasury representatives have indicated that the pool has not invested in derivative securities.

Cash in banks and specifically identifiable investments are classified as to credit risk by three categories and summarized below as follows:

Category 1 - Includes investments that are insured or registered or for which securities are held by the District or its agent in the District's name and deposits insured or collateralized with securities held by the District;

Category 2 - Includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	Category			Bank Balance	Book Balance
	1	2	3		
Deposits:					
Cash on hand and in banks	\$ 200,000	\$ 2,243,971		\$ 2,443,971	\$ 2,406,319
Cash in revolving fund	37,708	45,547		83,255	149,850
Pooled Funds:					
Cash in County Treasury		15,885,115		15,885,115	13,166,863
Local Agency Investment Fund		5,038,067		5,038,067	5,035,509
Investments	<u>9,799,352</u>	<u>500,000</u>		<u>10,299,352</u>	<u>10,299,352</u>
	<u>\$ 10,037,060</u>	<u>\$ 23,712,700</u>	<u>\$ -</u>	<u>\$ 33,749,760</u>	<u>\$ 31,057,893</u>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 1996 consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Funds	Proprietary Funds	Fiduciary Funds	Total
Federal	\$ 454,497				\$ 73,677	\$ 528,174
State	1,069,040	\$ 113,615			58,782	1,241,437
Local government and other	<u>855,529</u>	<u>3,800</u>	<u>\$ 194,933</u>	<u>\$ 711,308</u>	<u>6,226</u>	<u>1,771,796</u>
Total receivables	<u>\$ 2,379,066</u>	<u>\$ 117,415</u>	<u>\$ 194,933</u>	<u>\$ 711,308</u>	<u>\$ 138,685</u>	<u>\$ 3,541,407</u>

**4. PROPERTY, PLANT AND EQUIPMENT**

The Proprietary Funds' property, plant and equipment, at June 30, 1996, consisted of the following:

	Bookstore Fund	Cafeteria Fund	Data Processing Center Fund	Total
Equipment	\$ 325,773	\$ 101,905	\$ 1,680,411	\$ 2,108,089
Less accumulated depreciation	<u>(193,656)</u>	<u>(84,760)</u>	<u>(1,165,919)</u>	<u>(1,444,335)</u>
Property, plant and equipment, net	<u>\$ 132,117</u>	<u>\$ 17,145</u>	<u>\$ 514,492</u>	<u>\$ 663,754</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**5. INTERFUND ACTIVITY**

Interfund due from/to amounts at June 30, 1996 and operating transfers for the year then ended were as follows:

	<u>Interfund Balances</u>		<u>Interfund Operating Transfers</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,797,617	\$ 462,035	\$ 180,886	\$ 1,293,876
Capital Projects Fund	130,009	49,048	673,188	10,000
Debt Service Funds	3,225	17	9,600	9,600
Proprietary Funds	263,115	2,653,626	180,418	152,141
Fiduciary Funds	<u>65,492</u>	<u>94,732</u>	<u>440,270</u>	<u>18,745</u>
	<u>\$ 3,259,458</u>	<u>\$ 3,259,458</u>	<u>\$ 1,484,362</u>	<u>\$ 1,484,362</u>

**6. AMOUNTS AVAILABLE AND TO BE PROVIDED FOR DEBT SERVICE**

The amount available for debt service, \$12,039,707 in the General Long-Term Debt Account Group represents the net assets of the Debt Service Funds. These assets may be used for principal and interest payments on the bonded debt, post-retirement health benefits and other debt obligations.

The amount to be provided for long-term debt retirement, \$21,671,822, represents amounts required to be collected in the future in order to make required payments on bonded and other debt obligations.

**7. LONG-TERM DEBT**

General Long-Term Debt Account Group

A schedule of changes in general long-term debt for the year ended June 30, 1996, is shown below:

	<u>Balance July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1996</u>
Revenue bonds	\$ 109,000		\$ 6,000	\$ 103,000
Capitalized lease obligations	280,799	\$ 85,412	52,682	313,529
Certificates of Participation		1,605,000		1,605,000
Post-retirement health benefits obligation	<u>32,290,000</u>		<u>600,000</u>	<u>31,690,000</u>
	<u>\$ 32,679,799</u>	<u>\$ 1,690,412</u>	<u>\$ 658,682</u>	<u>\$ 33,711,529</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**7. LONG-TERM DEBT (Continued)**

Proprietary Funds' Debt

A schedule of changes in debt recorded in the Proprietary Funds for the year ended June 30, 1996 is shown below:

	<u>Balance July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1996</u>
Capitalized lease obligations	\$ 216,246	\$ 33,741	\$ 43,624	\$ 206,363

Revenue Bonds

Student Union Building:

The revenue bonds were issued to finance the construction of an addition to the Student Union Building on the Contra Costa College Campus. These bonds are secured by the revenues of the Student Union Building. The bond resolution requires that the net revenues of the Student Union Building be remitted to the Contra Costa County Treasurer to provide for debt service. To comply with this requirement, a portion of the building has been leased to the Contra Costa College Bookstore Fund. The lease, which expires in July 2009, provides for monthly rentals deemed sufficient over the term of the lease, to meet bond principal and interest requirements. Bond principal matures in increasing annual installments through April 2009; interest of 3% per annum is payable. Until April 2004, bonds redeemed prior to maturity are subject to a prepayment penalty.

The annual debt service requirement for Student Union Revenue Bonds, as of June 30, 1996, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 7,000	\$ 2,880	\$ 9,880
1998	7,000	2,670	9,670
1999	7,000	2,460	9,460
2000	7,000	2,250	9,250
2001	7,000	2,040	9,040
Thereafter	<u>68,000</u>	<u>7,380</u>	<u>75,380</u>
Total	<u>\$ 103,000</u>	<u>\$ 19,680</u>	<u>\$ 122,680</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**7. LONG-TERM DEBT (Continued)**

Certificates of Participation

In June 1996, the Financing Corporation issued \$1,605,000 of Certificates of Participation with effective interest rates of 4.5% to 5.35% maturing through 2021. The Certificate proceeds are to be used to fund various construction projects.

The annual debt service requirement for the Certificates of Participation, as of June 30, 1996 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 30,000	\$ 123,920	\$ 153,920
1998	30,000	122,570	152,570
1999	35,000	126,100	161,100
2000	35,000	124,332	159,332
2001	40,000	127,495	167,495
Thereafter	<u>1,435,000</u>	<u>895,523</u>	<u>2,330,523</u>
<b>Total</b>	<b><u>\$ 1,605,000</u></b>	<b><u>\$ 1,519,940</u></b>	<b><u>\$ 3,124,940</u></b>

Capitalized Lease Obligations

The District leases land, the Family Center Annex and equipment under various capital leases maintained in the General Long-Term Debt Account Group and the Proprietary Funds. Future minimum payments under capitalized lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>General Long-Term Debt Account Group</u>	<u>Proprietary Funds</u>
1997	\$ 78,132	\$ 95,065
1998	78,132	61,594
1999	78,132	61,594
2000	64,666	15,804
2001	41,830	
Thereafter	<u>71,991</u>	<u>                    </u>
<b>Total</b>	<b>412,883</b>	<b>234,057</b>
Less:		
Amount representing interest	<u>(99,624)</u>	<u>(27,694)</u>
<b>Net minimum lease payments</b>	<b><u>\$ 313,259</u></b>	<b><u>\$ 206,363</u></b>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM DEBT (Continued)

Operating Leases

The District leases facilities and land with lease terms in excess of one year. The agreements do not contain purchase options. The annual rental expense is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
1997	\$ 341,366
1998	56,187
1999	43,338
2000	21,553
2001	9,600
Thereafter	<u>43,200</u>
Total lease payments	<u>\$ 515,244</u>

Rental expenditures for the year ended June 30, 1996 were \$502,659.

Post-Retirement Health Benefits Obligation

The District offers subsidized health insurance benefits to all employees who retire from the District and meet the age and service requirements for eligibility. Such benefits are required through the District contract. The amount of the District's contribution towards such annual premiums per employee, is determined according to the collective bargaining agreements or court settlements. The District recognized the cost of providing those benefits and related administrative costs when paid. Active plan participants at June 30, 1996 totaled 464. Such payments for these retired employees totaled \$1,375,796, for fiscal year ended June 30, 1996 and were recorded as expenditures in the General Fund.

During the year ended June 30, 1995, the District received an unfavorable appellate ruling in a class-action lawsuit filed to establish additional health care benefits for employees who retired between July 1, 1984 and December 31, 1990. During the year ended June 30, 1996, the District paid \$1,657,373 in claims and judgements and has established an estimated liability of \$1,456,172 for future settlements in the Post-Retirement Health Benefits Fund.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**7. LONG-TERM DEBT (Continued)**

Post-Retirement Health Benefits Obligation (Continued)

Additional post-retirement health benefits of \$3,800,000 have been recorded in the General Long-Term Debt Account Group as the actuarially estimated impact of the ruling on District employees hired by the District prior to July 1, 1977 and who served ten years prior to retirement.

The District funds the Accumulated Post-Retirement Benefit Obligation (APBO), which is defined as the present value of the projected benefits that have already been earned. The actuarially determined APBO at July 1, 1994 was \$27,290,000 of which approximately \$14,570,000 was unfunded. The District did not make a contribution in 1996. At June 30, 1996, net assets in the Post-Retirement Health Benefits Fund totaled \$11,911,418, which was designated for future payment of the obligation included in the General Long-Term Debt Account Group.

**8. RESERVED AND DESIGNATED FUND EQUITY**

The reserved fund balances at June 30, 1996 consisted of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Funds</u>	<u>Fiduciary Fund Types</u>
Reserved for:				
Revolving fund cash	\$ 125,000			
Inventory	188,439			
Prepaid expenditures	1,633,216	\$ 23,997		
Restricted purposes	(36,666)	2,142,493		\$ 1,644,136
Debt services			\$ 128,289	
Funds of student organizations				<u>334,776</u>
<b>Total</b>	<b><u>\$ 1,909,989</u></b>	<b><u>\$ 2,166,490</u></b>	<b><u>\$ 128,289</u></b>	<b><u>\$ 1,978,912</u></b>

The designated fund balances at June 30, 1996 consisted of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Funds</u>
Designated for encumbrances	\$ 354,048	\$ 728,290	
Designated for contingency	5,472,677		
Designated for retirement benefits			\$ 11,911,418
	<b><u>\$ 5,826,725</u></b>	<b><u>\$ 728,290</u></b>	<b><u>\$ 11,911,418</u></b>

## CONTRA COSTA COMMUNITY COLLEGE DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 9. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefits pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the California Public Employees' Retirement System. Part-time faculty may also elect to participate in Social Security.

##### Plan Description and Provisions

##### State Teachers' Retirement System (STRS)

All full-time and part-time certificated employees are eligible to participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. At June 30, 1996, the District employed 1,445 certificated employees with a total annual payroll of \$45,659,425.

Employees attaining the age of 60 with five years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of 2 percent of their final compensation for each year of service. Final compensation is defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90 percent of final compensation are available to members with five years of service. A family benefit is available if the deceased member had at least one year of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The current rate of interest credited to members' accounts is 6 percent per annum.

Benefit provisions for STRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, Sec. 22000 et seq.).

##### California Public Employees' Retirement System (PERS)

All full-time and some part-time classified employees are eligible to participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Contra Costa Community College District is part of a "cost sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. At June 30, 1996, the District employed 1,656 classified employees with a total annual payroll of \$23,276,560.



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**9. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Plan Description and Provisions (Continued)

California Public Employees' Retirement System (PERS) (Continued)

Employees are eligible for retirement at the age of 60 and are entitled to a monthly benefit of 2 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement may begin at age 50 with a reduced benefit rate, or after age 60 to 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

Benefit provisions for PERS are established by the Public Employees' Retirement Law (Part 3 of the California Government Code, Sec. 20000 et seq.).

Funding Status and Progress of the Retirement Plans

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the retirement plans' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems and employers. The measure is independent of the funding method used to determine contributions to the retirement systems.

The pension benefit obligation for STRS was computed as part of the actuarial valuation performed June 30, 1995. The significant actuarial assumptions used by STRS to compute the June 30, 1995 actuarial valuation are not different from those applied in prior years.

The assumed long-term investment yield is 8 percent, and the assumed long-term salary increase assumption for inflation is 5.50 percent. The normal cost rate is 16.07 percent of covered payroll and the 18 year amortization rate for the unfunded actuarial obligation is 4.53 percent. Member and employer contribution rates are set by law.

Under current law the pension benefit obligation for STRS is not the responsibility of the District. The State of California makes annual contributions to STRS toward the unfunded obligation. The pension benefit obligation for STRS is included in the financial statements for STRS and the State of California.

The pension benefit obligation for PERS was computed as part of actuarial valuation performed June 30, 1995. Significant actuarial assumptions used to compute the PERS pension benefit obligation include an actuarial interest rate of 8.5 percent per annum and projected salary increases of 4.5 percent consisting solely of inflation.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Status and Progress of the Retirement Plans (Continued)

PERS does not make separate measurements of assets and pension benefit obligations for individual local education districts or county offices. The total overfunded pension benefit obligation for local educational agencies as a whole as of June 30, 1995 (the latest information available) is as follows:

<u>Pension Benefit Obligation</u>	<u>PERS</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 7,032,915,534
Current employees:	
Accumulated employee contributions including allocated investment earnings	3,506,097,044
Employer-financed vested	4,165,611,630
Employer-financed nonvested	<u>257,451,403</u>
Total pension benefit obligation	14,962,075,611
Net assets available for benefits at cost (market value is \$17,314,566,705)	<u>16,288,397,653</u>
Overfunded pension benefit obligation	<u>\$ 1,326,322,042</u>

The significant assumptions used to compute the pension benefit obligation are unchanged from the prior year.

Contributions Required and Contributions Made

The District is required by statute to contribute 8.25 percent and 6.559 percent of gross salary expenditures to STRS and PERS, respectively. Participants are required to contribute 8 percent and 7 percent of gross salary to STRS and PERS, respectively.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**9. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Contributions Required and Contributions Made (Continued)

The District contribution information for the year ended June 30, 1996 is as follows:

	<u>Number of Employees Covered</u>	<u>Total Employee Contri- butions</u>	<u>Total District Contri- butions</u>	<u>Covered Payroll</u>	<u>District Contributions as a Percentage of Covered Payroll</u>
STRS	778	\$ 2,791,635	\$ 2,872,226	\$ 45,659,425	6.29%
PERS	492	\$ 1,248,845	\$ 1,258,299	\$ 18,527,596	6.79%

The District's contribution represented less than one percent of the total contributions required of all participating employers in STRS and PERS, respectively.

The District's employer contributions to STRS met the required contribution rate established by law. Although the actuarially determined contribution rate exceeds the employer rate set by law, the District has no obligation for the deficit.

The District's employer contributions to PERS meet the required contribution rate and did satisfy the Plan's funding requirements as determined by the PERS actuary. The funded contribution included amortization of the unfunded actuarial liability through the year 2011. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described.

Trend Information

Ten-year historical trend information giving an indication of the STRS' progress in accumulating sufficient assets to pay benefits when due is presented in the State Teachers' Retirement System's Comprehensive Annual Financial Report for the year ended June 30, 1995 and the California Public Employees' Retirement System's Annual Report for the year ended June 30, 1995.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**9. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Trend Information (Continued)

Three-year trend information is required to be reported for PERS. The following is the most current information available:

<u>Fiscal Year</u>	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Overfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Overfunded Pension Benefit Obligation as a Percentage of Covered Payroll</u>
(In millions)						
1993	\$ 12,580.7	\$ 12,432.9	101.2%	\$ 147.8	\$ 4,007.5	3.7%
1994	\$ 15,192.7	\$ 13,852.5	109.7%	\$ 1,340.3	\$ 4,256.1	31.5%
1995	\$ 16,288.4	\$ 14,962.1	108.9%	\$ 1,326.3	\$ 4,286.2	31.9%

Other Information

At June 30, 1996, the District's records included \$128,000 recorded as a liability for early retirement incentives granted to terminated employees who participated in PERS.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. EARLY RETIREMENT INCENTIVE PROGRAM

In addition to the benefits described in Note 9, the District had an Early Retirement Incentive Program. All certificated employees were eligible to participate in this program. The District expects this Early Retirement Incentive Program to generate future savings from reduced payroll costs.

A total of 15 employees have retired in exchange for the additional two years of service credit pursuant to ECS 22714 and 87488, as follows:

Fiscal Year 1995-96:

<u>Position Vacated</u>	<u>Employee Age</u>	<u>Service Credit*</u>
Instructor	60	26
Instructor	71	27
Instructor	63	36
Director of Admissions	61	34
Instructor	60	20
Instructor	69	29
Administrative Assistant	60	24
Instructor	68	10
Instructor	62	14
Instructor	59	26
Instructor	67	24
Instructor	65	39
Instructor	65	35
College President	61	36
Instructor	61	6

\* Before the additional two years credit.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**10. EARLY RETIREMENT INCENTIVE PROGRAM (Continued)**

Annualized Payroll Savings:

Fiscal Year 1995-96:

<u>Position Vacated</u>	<u>Retired Employee</u>		<u>Replacement Employee (If applicable)</u>	
	<u>Salary</u>	<u>Benefits</u>	<u>Salary</u>	<u>Benefits</u>
Instructor	\$ 74,009	\$ 10,337	\$ 46,106	\$ 7,429
Instructor	66,600	12,069	46,106	7,429
Instructor	66,600	12,195	46,106	7,429
Director of Admissions	91,788	14,760	46,106	7,429
Instructor	51,132	8,035	46,106	7,429
Instructor	66,600	9,610	46,106	7,429
Administrative Assistant	36,720	6,567	28,758	5,662
Instructor	59,688	8,906	46,106	7,429
Instructor	59,688	13,340	46,106	7,429
Instructor	64,848	11,783	46,106	7,429
Instructor	66,600	9,610	46,106	7,429
Instructor	73,655	12,913	46,106	7,429
Instructor	66,600	12,338	46,106	7,429
College President	119,974	17,631	108,775	13,813
Instructor	<u>56,292</u>	<u>11,058</u>	<u>46,106</u>	<u>7,429</u>
<b>Total</b>	<b><u>\$ 1,020,794</u></b>	<b><u>\$ 171,152</u></b>	<b><u>\$ 736,911</u></b>	<b><u>\$ 116,052</u></b>

The following is a list of the additional costs incurred or expected to be incurred by the employer as a result of the early retirement incentive program for the retirees listed above:

Fiscal Year 1995-96:

Retirement Costs (Including interest, if applicable)	\$ 461,954
Post-retirement Health Benefit Costs	<u>125,395</u>
<b>Total Additional Costs</b>	<b><u>\$ 587,349</u></b>

**11. CONTINGENT LIABILITIES**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**11. CONTINGENT LIABILITIES (Continued)**

The District has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position.

**12. JOINT POWERS AUTHORITIES**

The District participates in the Bay Area Community College Districts Joint Powers Agency (BACCDJPA) and the Contra Costa County Schools Insurance Group (CCCSIG) for selected insurance coverage.

BACCDJPA administers a cooperative insurance program for member districts. Member districts are insured under certain liability and property insurance policies purchased by BACCDJPA.

CCCSIG provides a cooperative program of self-insurance for workers' compensation for member districts. CCCSIG is self-insured for individual workers' compensation claims less than \$500,000 and is covered by insurance for individual claims exceeding such amount to a maximum of \$10,000,000 per claim. Condensed financial information for BACCDJPA and CCCSIG as of June 30, 1996, is as follows:

	<u>BACCDJPA</u>	<u>CCCSIG</u>
Total assets	\$ 3,683,453	\$ 52,995,264
Total liabilities	\$ 1,932,563	\$ 18,727,610
Total retained earnings	\$ 1,750,890	\$ 34,267,654
Total revenues	\$ 2,242,653	\$ 14,592,919
Total expenses	\$ 1,969,538	\$ 5,451,381

The District also participates in the School Project for Utility Rate Reduction (SPURR). SPURR provides for the direct purchase of gas, electricity, and other utility services. SPURR also provides advisory services relative to utilities. The following is a summary of financial information for SPURR as of June 30, 1995, the date for which the most recent audited financial statements are available:

Total assets	\$ 1,961,321
Total liabilities	\$ 1,485,781
Total fund equity	\$ 475,540
Total revenues	\$ 269,671
Total expenditures	\$ 218,985
Total change in fund equity	\$ 50,686

The relationship between the District and BACCDJPA, CCCSIG and SPURR is such that these Joint Powers Authorities are not considered to be component units of the District for financial reporting purposes.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**13. SUBSEQUENT EVENT**

On July 1, 1996, the District issued \$18,000,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on June 30, 1997, with interest at 3.80% to provide for anticipated cash flow deficits from operations. The TRANS are a general obligation of the District, and are payable from revenues and cash receipts to be generated by the District during the fiscal year ending June 30, 1997. The revenues from the TRANS are deposited with the Contra Costa County Treasurer in a special trust fund established by the County, and designated the Contra Costa Community College District 1996 Tax and Revenue Anticipation Note Repayment Fund.

**14. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

An excess of expenditures over appropriations exists for several major State classifications of expenditures in the following funds: General, Debt Service and Proprietary Funds.

These excess expenditures are not in accordance with Education Code Section 42600 and resulted from unanticipated expenditures that were not reflected in the final revised budgets.



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING BALANCE SHEET**

**ALL DEBT SERVICE FUNDS**

June 30, 1996

	<u>Post- Retirement Health Benefits</u>	<u>Bond Interest and Redemption</u>	<u>Bond Revenue</u>	<u>Total</u>
<b>ASSETS</b>				
Cash in County Treasury	\$ 162,958	\$ 127,986		\$ 290,944
Local Agency Investment Fund	3,207,442			3,207,442
Investments	9,799,352			9,799,352
Accounts receivable	194,613	320		194,933
Due from other funds	<u>3,225</u>			<u>3,225</u>
Total assets	<u>\$ 13,367,590</u>	<u>\$ 128,306</u>	<u>\$ -</u>	<u>\$ 13,495,896</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds		\$ 17		\$ 17
Estimated liability for retiree claims and judgments	<u>\$ 1,456,172</u>			<u>1,456,172</u>
Total liabilities	<u>1,456,172</u>	<u>17</u>		<u>1,456,189</u>
Fund balances:				
Reserved		128,289		128,289
Unreserved:				
Designated	<u>11,911,418</u>			<u>11,911,418</u>
Total fund balances	<u>11,911,418</u>	<u>128,289</u>		<u>12,039,707</u>
Total liabilities and fund balances	<u>\$ 13,367,590</u>	<u>\$ 128,306</u>	<u>\$ -</u>	<u>\$ 13,495,896</u>

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

**ALL DEBT SERVICE FUNDS**

For the Year Ended June 30, 1996

	<u>Post- Retirement Health Benefits</u>	<u>Bond Interest and Redemption</u>	<u>Bond Revenue</u>	<u>Total</u>
Revenues:				
Local sources	\$ 852,134	_____	\$ 9,600	\$ 861,734
Expenditures:				
Claims and judgments	1,657,373			1,657,373
Debt service:				
Principal retirement		\$ 6,000		6,000
Interest	_____	4,969	_____	4,969
Total expenditures	<u>1,657,373</u>	<u>10,969</u>	_____	<u>1,668,342</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(805,239)</u>	<u>(10,969)</u>	<u>9,600</u>	<u>(806,608)</u>
Other financing sources (uses):				
Operating transfers in		9,600		9,600
Operating transfers out	_____	_____	(9,600)	(9,600)
Total other financing sources (uses)	_____	<u>9,600</u>	<u>(9,600)</u>	_____
Deficiency of revenues and other financing sources under expend- itures and other uses	(805,239)	(1,369)		(806,608)
Fund balances, July 1, 1995	<u>12,716,657</u>	<u>129,658</u>	_____	<u>12,846,315</u>
Fund balances, June 30, 1996	<u>\$ 11,911,418</u>	<u>\$ 128,289</u>	<u>\$ -</u>	<u>\$ 12,039,707</u>

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL DEBT SERVICE FUNDS**

For the Year Ended June 30, 1996

	<b>Post-Retirement Health Benefits</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
<b>Revenues:</b>			
Local sources	\$ 1,800,000	\$ 852,134	\$ (947,866)
<b>Expenditures:</b>			
Claims and judgments		1,657,373	(1,657,373)
Debt service:			
Principal retirement			
Interest			
<b>Total expenditures</b>		<b>1,657,373</b>	<b>(1,657,373)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,800,000</b>	<b>(805,239)</b>	<b>(2,605,239)</b>
<b>Other financing sources (uses):</b>			
Operating transfers in			
Operating transfers out			
<b>Total other financing sources (uses)</b>			
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses</b>	<b>1,800,000</b>	<b>(805,239)</b>	<b>\$ (2,605,239)</b>
<b>Fund balances, July 1, 1995</b>	<b>12,716,657</b>	<b>12,716,657</b>	
<b>Fund balances, June 30, 1996</b>	<b>\$ 14,516,657</b>	<b>\$ 11,911,418</b>	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL DEBT SERVICE FUNDS**  
(Continued)  
For the Year Ended June 30, 1996

	<b>Bond Interest and Redemption</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
Revenues:			
Local sources	\$ 6,000	_____	\$ (6,000)
Expenditures:			
Claims and judgments			
Debt service:			
Principal retirement	7,000	\$ 6,000	1,000
Interest	3,090	4,969	(1,879)
Total expenditures	10,090	10,969	(879)
Excess (deficiency) of revenues over (under) expenditures	(4,090)	(10,969)	(6,879)
Other financing sources (uses):			
Operating transfers in	9,600	9,600	
Operating transfers out	_____	_____	
Total other financing sources (uses)	9,600	9,600	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	5,510	(1,369)	\$ (6,879)
Fund balances, July 1, 1995	129,658	129,658	
Fund balances, June 30, 1996	\$ 135,168	\$ 128,289	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL DEBT SERVICE FUNDS**  
(Continued)  
For the Year Ended June 30, 1996

	<u>Bond Revenue</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Local sources	\$ 9,600	\$ 9,600	
Expenditures:			
Claims and judgments			
Debt service:			
Principal retirement			
Interest			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	9,600	9,600	
Other financing sources (uses):			
Operating transfers in			
Operating transfers out	(9,600)	(9,600)	
Total other financing sources (uses)	(9,600)	(9,600)	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses			\$ -
Fund balances, July 1, 1995			
Fund balances, June 30, 1996	\$ -	\$ -	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**ALL DEBT SERVICE FUNDS**  
(Continued)  
**For the Year Ended June 30, 1996**

	<b>Total</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
<b>Revenues:</b>			
Local sources	\$ 1,815,600	\$ 861,734	\$ (953,866)
<b>Expenditures:</b>			
Claims and judgments		1,657,373	(1,657,373)
Debt service:			
Principal retirement	7,000	6,000	1,000
Interest	3,090	4,969	(1,879)
Total expenditures	10,090	1,668,342	(1,658,252)
Excess (deficiency) of revenues over (under) expenditures	1,805,510	(806,608)	(2,612,118)
<b>Other financing sources (uses):</b>			
Operating transfers in	9,600	9,600	
Operating transfers out	(9,600)	(9,600)	
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	1,805,510	(806,608)	\$ (2,612,118)
Fund balances, July 1, 1995	12,846,315	12,846,315	
Fund balances, June 30, 1996	\$ 14,651,825	\$ 12,039,707	

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING BALANCE SHEET**

**ALL PROPRIETARY FUNDS**

June 30, 1996

	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents:				
Cash in County Treasury			\$ 39,362	\$ 39,362
Cash on hand and in banks	\$ 1,106,285	\$ 406,293		1,512,578
Revolving cash	20,500	4,350		24,850
Local Agency Investment Fund			<u>1,119,924</u>	<u>1,119,924</u>
Total cash and cash equivalents	<u>1,126,785</u>	<u>410,643</u>	<u>1,159,286</u>	<u>2,696,714</u>
Accounts receivable	245,704	1,591	464,013	711,308
Due from other funds	81,135	180,418	1,562	263,115
Inventories	<u>1,426,607</u>	<u>31,302</u>		<u>1,457,909</u>
Total current assets	<u>2,880,231</u>	<u>623,954</u>	<u>1,624,861</u>	<u>5,129,046</u>
Property, plant and equipment, net	<u>132,117</u>	<u>17,145</u>	<u>514,492</u>	<u>663,754</u>
Total assets	<u>\$ 3,012,348</u>	<u>\$ 641,099</u>	<u>\$ 2,139,353</u>	<u>\$ 5,792,800</u>
<b>LIABILITIES AND RETAINED EARNINGS (ACCUMULATED DEFICIT)</b>				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 239,260	\$ 18,081		\$ 257,341
Due to other funds	1,385,550	641,532	\$ 626,544	2,653,626
Capitalized lease obligations, current portion	<u>33,741</u>		<u>47,785</u>	<u>81,526</u>
Total current liabilities	<u>1,658,551</u>	<u>659,613</u>	<u>674,329</u>	<u>2,992,493</u>
Capitalized lease obligations			<u>124,837</u>	<u>124,837</u>
Total liabilities	<u>1,658,551</u>	<u>659,613</u>	<u>799,166</u>	<u>3,117,330</u>
Retained earnings (accumulated deficit)	<u>1,353,797</u>	<u>(18,514)</u>	<u>1,340,187</u>	<u>2,675,470</u>
Total liabilities and retained earnings (accumulated deficit)	<u>\$ 3,012,348</u>	<u>\$ 641,099</u>	<u>\$ 2,139,353</u>	<u>\$ 5,792,800</u>

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)**

**ALL PROPRIETARY FUNDS**

**For the Year Ended June 30, 1996**

	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total</u>
Operating revenues:				
Sales	\$ 7,390,498	\$ 1,302,785	\$ 3,923	\$ 8,697,206
Contract services			<u>1,833,222</u>	<u>1,833,222</u>
Total operating revenues	<u>7,390,498</u>	<u>1,302,785</u>	<u>1,837,145</u>	<u>10,530,428</u>
Operating expenses:				
Cost of goods sold	5,599,054	737,628		6,336,682
Classified salaries	1,131,202	457,971	1,051,493	2,640,666
Employee benefits	287,883	108,143	253,424	649,450
Materials and supplies	142,377	100,546	138,522	381,445
Contract services and operating expenses	245,038	119,790	295,842	660,670
Depreciation	92,726	28,697	168,277	289,700
Utilities		45,821	27,439	73,260
Capital outlay	<u>6,234</u>	<u>181</u>		<u>6,415</u>
Total operating expenses	<u>7,504,514</u>	<u>1,598,777</u>	<u>1,934,997</u>	<u>11,038,288</u>
Operating loss	(114,016)	(295,992)	(97,852)	(507,860)
Other income	<u>6,442</u>	<u>47,700</u>	<u>65,530</u>	<u>119,672</u>
Loss before operating transfers	(107,574)	(248,292)	(32,322)	(388,188)
Operating transfers in		180,418		180,418
Operating transfers out	<u>(152,141)</u>			<u>(152,141)</u>
Net loss	(259,715)	(67,874)	(32,322)	(359,911)
Retained earnings, July 1, 1995	<u>1,613,512</u>	<u>49,360</u>	<u>1,372,509</u>	<u>3,035,381</u>
Retained earnings (accumulated deficit), June 30, 1996	<u>\$ 1,353,797</u>	<u>\$ (18,514)</u>	<u>\$ 1,340,187</u>	<u>\$ 2,675,470</u>

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



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS (ACCUMULATED DEFICIT) - BUDGET AND ACTUAL**

**ALL PROPRIETARY FUNDS**

**For the Year Ended June 30, 1996**

	<u>Bookstore</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Sales	\$ 6,465,512	\$ 7,390,498	\$ 924,986
Contract services			
Total operating revenues	<u>6,465,512</u>	<u>7,390,498</u>	<u>924,986</u>
Operating expenses:			
Cost of goods sold	4,546,907	5,599,054	(1,052,147)
Classified salaries	1,020,761	1,131,202	(110,441)
Employee benefits	285,402	287,883	(2,481)
Materials and supplies	90,875	142,377	(51,502)
Contract services and operating expenses		245,038	(245,038)
Depreciation		92,726	(92,726)
Utilities			
Capital outlay	<u>5,450</u>	<u>6,234</u>	<u>(784)</u>
Total operating expenses	<u>5,949,395</u>	<u>7,504,514</u>	<u>(1,555,119)</u>
Operating income (loss)	516,117	(114,016)	(630,133)
Other income		<u>6,442</u>	<u>6,442</u>
Income (loss) before operating transfers	516,117	(107,574)	(623,691)
Operating transfers in			
Operating transfers out	<u>(152,141)</u>	<u>(152,141)</u>	
Net income (loss)	363,976	(259,715)	<u>\$ (623,691)</u>
Retained earnings, July 1, 1995	<u>1,613,512</u>	<u>1,613,512</u>	
Retained earnings (accumulated deficit), June 30, 1996	<u>\$ 1,977,488</u>	<u>\$ 1,353,797</u>	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS (ACCUMULATED DEFICIT) - BUDGET AND ACTUAL**

**ALL PROPRIETARY FUNDS  
(Continued)  
For the Year Ended June 30, 1996**

	<u>Cafeteria</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Sales	\$ 1,330,600	\$ 1,302,785	\$ (27,815)
Contract services			
Total operating revenues	<u>1,330,600</u>	<u>1,302,785</u>	<u>(27,815)</u>
Operating expenses:			
Cost of goods sold	615,400	737,628	(122,228)
Classified salaries	401,058	457,971	(56,913)
Employee benefits	111,022	108,143	2,879
Materials and supplies	50,506	100,546	(50,040)
Contract services and operating expenses	75,268	119,790	(44,522)
Depreciation	5,003	28,697	(23,694)
Utilities	45,377	45,821	(444)
Capital outlay		181	(181)
Total operating expenses	<u>1,303,634</u>	<u>1,598,777</u>	<u>(295,143)</u>
Operating income (loss)	26,966	(295,992)	(322,958)
Other income	<u>53,100</u>	<u>47,700</u>	<u>(5,400)</u>
Income (loss) before operating transfers	80,066	(248,292)	(328,358)
Operating transfers in		180,418	180,418
Operating transfers out			
Net income (loss)	80,066	(67,874)	<u>\$ (147,940)</u>
Retained earnings, July 1, 1995	<u>49,360</u>	<u>49,360</u>	
Retained earnings (accumulated deficit), June 30, 1996	<u>\$ 129,426</u>	<u>\$ (18,514)</u>	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS (ACCUMULATED DEFICIT) - BUDGET AND ACTUAL**

**ALL PROPRIETARY FUNDS**  
(Continued)  
For the Year Ended June 30, 1996

	<b>Data Processing Center</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Operating revenues:			
Sales	\$ 1,000	\$ 3,923	\$ 2,923
Contract services	<u>1,833,222</u>	<u>1,833,222</u>	<u>          </u>
Total operating revenues	<u>1,834,222</u>	<u>1,837,145</u>	<u>2,923</u>
Operating expenses:			
Cost of goods sold			
Classified salaries	1,087,850	1,051,493	36,357
Employee benefits	257,000	253,424	3,576
Materials and supplies	148,229	138,522	9,707
Contract services and operating expenses	399,519	295,842	103,677
Depreciation		168,277	(168,277)
Utilities	32,324	27,439	4,885
Capital outlay	<u>433,000</u>	<u>          </u>	<u>433,000</u>
Total operating expenses	<u>2,357,922</u>	<u>1,934,997</u>	<u>422,925</u>
Operating income (loss)	(523,700)	(97,852)	425,848
Other income	<u>50,000</u>	<u>65,530</u>	<u>15,530</u>
Income (loss) before operating transfers	(473,700)	(32,322)	441,378
Operating transfers in			
Operating transfers out	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss)	(473,700)	(32,322)	<u>\$ 441,378</u>
Retained earnings, July 1, 1995	<u>1,372,509</u>	<u>1,372,509</u>	
Retained earnings (accumulated deficit), June 30, 1996	<u>\$ 898,809</u>	<u>\$ 1,340,187</u>	

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS (ACCUMULATED DEFICIT) - BUDGET AND ACTUAL**

**ALL PROPRIETARY FUNDS  
(Continued)  
For the Year Ended June 30, 1996**

	<b>Total</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Operating revenues:			
Sales	\$ 7,797,112	\$ 8,697,206	\$ 900,094
Contract services	<u>1,833,222</u>	<u>1,833,222</u>	
Total operating revenues	<u>9,630,334</u>	<u>10,530,428</u>	<u>900,094</u>
Operating expenses:			
Cost of goods sold	5,162,307	6,336,682	(1,174,375)
Classified salaries	2,509,669	2,640,666	(130,997)
Employee benefits	653,424	649,450	3,974
Materials and supplies	289,610	381,445	(91,835)
Contract services and operating expenses	474,787	660,670	(185,883)
Depreciation	5,003	289,700	(284,697)
Utilities	77,701	73,260	4,441
Capital outlay	<u>438,450</u>	<u>6,415</u>	<u>432,035</u>
Total operating expenses	<u>9,610,951</u>	<u>11,038,288</u>	<u>(1,427,337)</u>
Operating income (loss)	19,383	(507,860)	(527,243)
Other income	<u>103,100</u>	<u>119,672</u>	<u>16,572</u>
Income (loss) before operating transfers	<u>122,483</u>	<u>(388,188)</u>	<u>(510,671)</u>
Operating transfers in		180,418	180,418
Operating transfers out	<u>(152,141)</u>	<u>(152,141)</u>	
Net income (loss)	(29,658)	(359,911)	<u>\$ (330,253)</u>
Retained earnings, July 1, 1995	<u>3,035,381</u>	<u>3,035,381</u>	
Retained earnings (accumulated deficit), June 30, 1996	<u>\$ 3,005,723</u>	<u>\$ 2,675,470</u>	

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING STATEMENT OF CASH FLOWS**

**ALL PROPRIETARY FUNDS**

**For the Year Ended June 30, 1996**

	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Net loss	\$ (259,715)	\$ (67,874)	\$ (32,322)	\$ (359,911)
Adjustment to reconcile net loss to net cash used in operating activities:				
Depreciation	92,726	28,697	168,277	289,700
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	173,597		(457,816)	(284,219)
(Increase) decrease in inventory	(343,311)	1,339		(341,972)
Increase in accounts payable	<u>130,392</u>	<u>3,383</u>		<u>133,775</u>
Net cash used in operating activities	<u>(206,311)</u>	<u>(34,455)</u>	<u>(321,861)</u>	<u>(562,627)</u>
<b>Cash flows from non-capital financing activities:</b>				
(Increase) decrease in amounts due from other funds	(65,386)	70,885	12,964	18,463
Increase in amounts due to other funds	<u>986,618</u>	<u>352,656</u>	<u>616,596</u>	<u>1,955,870</u>
Net cash provided by non-capital financing activities	<u>921,232</u>	<u>423,541</u>	<u>629,560</u>	<u>1,974,333</u>
<b>Cash flows used in capital financing activities:</b>				
Principal payments under capitalized lease obligations	(23,883)		(19,741)	(43,624)
Acquisitions of property and equipment	<u>(13,954)</u>	<u>(5,267)</u>	<u>(229,808)</u>	<u>(249,029)</u>
Net cash used in capital financing activities	<u>(37,837)</u>	<u>(5,267)</u>	<u>(249,549)</u>	<u>(292,653)</u>

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING STATEMENT OF CASH FLOWS**

**ALL PROPRIETARY FUNDS  
(Continued)  
For the Year Ended June 30, 1996**

	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total</u>
Increase in cash and cash equivalents	\$ 677,084	\$ 383,819	\$ 58,150	\$ 1,119,053
Cash and cash equivalents, July 1, 1995	<u>449,701</u>	<u>26,824</u>	<u>1,101,136</u>	<u>1,577,661</u>
Cash and cash equivalents, June 30, 1996	<u>\$ 1,126,785</u>	<u>\$ 410,643</u>	<u>\$ 1,159,286</u>	<u>\$ 2,696,714</u>
Supplemental disclosure of cash flow information:				
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,970</u>	<u>\$ 17,970</u>
Non-cash capital financing activities:				
Borrowing under capitalized lease obligations			\$ 33,741	\$ 33,741
Acquisitions of fixed assets through capitalized leases			<u>(33,741)</u>	<u>(33,741)</u>
Net effect of non-cash capital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING BALANCE SHEET**

**ALL FIDUCIARY FUNDS**

**June 30, 1996**

	<u>Expendable Trust Funds</u>				<u>Agency Fund</u>		
	<u>Student Financial Aid</u>	<u>Student Scholarship and Loan</u>	<u>Associated Students</u>	<u>Student Body Center Building and Operating Fund</u>	<u>Total</u>	<u>Cal Grants</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>							
Cash in County Treasury				\$ 1,102,285	\$ 1,102,285		\$ 1,102,285
Cash on hand and in banks		\$ 187,629	\$ 507,518		695,147		695,147
Investments		485,000	15,000		500,000		500,000
Accounts receivable	\$ 73,677	3,525		2,701	79,903	\$ 58,782	138,685
Due from other funds	<u>34,653</u>			<u>30,839</u>	<u>65,492</u>		<u>65,492</u>
<b>Total assets</b>	<b><u>\$ 108,330</u></b>	<b><u>\$ 676,154</u></b>	<b><u>\$ 522,518</u></b>	<b><u>\$ 1,135,825</u></b>	<b><u>\$ 2,442,827</u></b>	<b><u>\$ 58,782</u></b>	<b><u>\$ 2,501,609</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Amount to be provided by future deposits	\$ 33,145				\$ 33,145	\$ 58,782	\$ 91,927
Deferred revenue	1,262				1,262		1,262
Due to other funds	73,923	\$ 10,807	\$ 10,002		94,732		94,732
Due to student organizations			<u>334,776</u>		<u>334,776</u>		<u>334,776</u>
<b>Total liabilities</b>	<b><u>108,330</u></b>	<b><u>10,807</u></b>	<b><u>344,778</u></b>		<b><u>463,915</u></b>	<b><u>58,782</u></b>	<b><u>522,697</u></b>
<b>Fund balances:</b>							
Reserved		<u>665,347</u>	<u>177,740</u>	<u>\$ 1,135,825</u>	<u>1,978,912</u>		<u>1,978,912</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 108,330</u></b>	<b><u>\$ 676,154</u></b>	<b><u>\$ 522,518</u></b>	<b><u>\$ 1,135,825</u></b>	<b><u>\$ 2,442,827</u></b>	<b><u>\$ 58,782</u></b>	<b><u>\$ 2,501,609</u></b>

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

**ALL EXPENDABLE TRUST FUNDS**

**For the Year Ended June 30, 1996**

	<u>Student Financial Aid</u>	<u>Student Scholarship and Loan</u>	<u>Associated Students</u>	<u>Student Body Center Building and Operating Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Federal sources	\$ 5,371,340				\$ 5,371,340
Local sources	<u>                    </u>	\$ 143,464	\$ 153,629	\$ 52,668	<u>349,761</u>
<b>Total revenues</b>	<u>5,371,340</u>	<u>143,464</u>	<u>153,629</u>	<u>52,668</u>	<u>5,721,101</u>
<b>Expenditures:</b>					
Books and supplies			130,746		130,746
Contract services and operating expenditures			15,681		15,681
Student financial assistance	5,495,087	241,483			5,736,570
Capital outlay	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>101,445</u>	<u>101,445</u>
<b>Total expenditures</b>	<u>5,495,087</u>	<u>241,483</u>	<u>146,427</u>	<u>101,445</u>	<u>5,984,442</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(123,747)</u>	<u>(98,019)</u>	<u>7,202</u>	<u>(48,777)</u>	<u>(263,341)</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	142,492	107,218	14,000	176,560	440,270
Operating transfers out	<u>(18,745)</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>(18,745)</u>
<b>Total other financing     sources (uses)</b>	<u>123,747</u>	<u>107,218</u>	<u>14,000</u>	<u>176,560</u>	<u>421,525</u>
<b>Excess of revenues and     other financing sources     over expenditures and     other uses</b>		9,199	21,202	127,783	158,184
Fund balances, July 1, 1995	<u>                    </u>	<u>656,148</u>	<u>156,538</u>	<u>1,008,042</u>	<u>1,820,728</u>
Fund balances, June 30, 1996	<u>\$ -</u>	<u>\$ 665,347</u>	<u>\$ 177,740</u>	<u>\$ 1,135,825</u>	<u>\$ 1,978,912</u>

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



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**

For the Year Ended June 30, 1996

	<u>Balance July 1, 1995</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1996</u>
<b>ASSETS</b>				
Accounts receivable	<u>\$ 50,327</u>	<u>\$ 58,782</u>	<u>\$ 50,327</u>	<u>\$ 58,782</u>
<b>LIABILITIES</b>				
Amounts to be provided by future deposits	<u>\$ 50,327</u>	<u>\$ 58,782</u>	<u>\$ 50,327</u>	<u>\$ 58,782</u>

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

## **SUPPLEMENTAL INFORMATION**

**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTAL INFORMATION**

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Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996. These general purpose financial statements are the responsibility of Contra Costa Community College District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*; and the *California Community Colleges Contracted District Audit Manual* presented by the Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Contra Costa Community College District taken as a whole. The accompanying supplemental information presented for purposes of additional analysis, is not a required part of the general purpose financial statements and includes the following reports:

- Organization
- Schedule of Federal and State Financial Assistance
- Schedule of Workload Measures for State General Apportionment
- Schedule of Annual Apprenticeship Hours of Instruction
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Perry-Smith + Co.*

Certified Public Accountants

Sacramento, California  
November 22, 1996

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## ORGANIZATION

June 30, 1996

The Contra Costa Community College District (the "District") was established in 1948 as a separate district and began operating in 1949. The District operates three community colleges: Diablo Valley College in Pleasant Hill, Contra Costa College in San Pablo, and Los Medanos College in Pittsburg, all within the County of Contra Costa, California. The administrative offices of the District are located in Martinez, California. The boundaries of the District are contiguous with the boundaries of the County of Contra Costa, excluding the Amador Valley Joint Union High School District and the Livermore Union High School District. All colleges are accredited two-year colleges offering a wide range of study including vocational and technical education.

### BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Eugene H. Ross	President	December, 1998
William M. Corey	Vice-President	December, 1996
John T. Nejedly	Secretary	December, 1998
William P. Moses	Member	December, 1996
David N. MacDiarmid	Member	December, 1998
Doug Lorenz	Student Trustee	May, 1997

### DISTRICT ADMINISTRATION

Mr. Charles C. Spence  
Chancellor

Mr. John Hendrickson  
Vice-Chancellor of Business Services

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 1996**

Federal Catalog Number	Program Entitlements			Program Revenues				Program Expenditures		
	Current Year	Prior Year Carry-over	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenues			
<b>Federal Programs:</b>										
Pell Grants	84.063		\$ 4,792,474	\$ 4,792,474	\$ 4,728,036	\$ 73,677	\$ 4,801,713	\$ 4,801,713		
Federal Supplemental Education Opportunity Grant	84.007		324,517	324,517	280,154		280,154	315,356		
Federal Work Study	84.033		193,035	193,035	175,500		175,500	175,500		
Vocational and Applied Technology Education Acts:										
Title IIA - State Leadership	84.048		185,000	\$ 450	185,450	96,908	18,576	\$ 1,638	113,846	113,846
Title IIB - Single Parent	84.048		60,000		60,000	50,400	9,600		60,000	60,000
Title IIB - Gender Equity	84.048		50,000		50,000	42,000	6,057		48,057	48,057
Title IIC - Basic Grant	84.048		534,095	32,677	566,772	481,317	35,687	3,894	513,110	513,110
Title III E - Technical Preparation	84.049		266,100	5,401	271,501	237,424	29,755	1,841	265,338	265,338
Title III B - Special Programs	84.049		77,980	1,760	79,740	79,740		2,518	77,222	77,222
Title III -Economic Development	84.049		62,871	5,500	68,371	52,812	15,559		68,371	68,371
FIPSE	84.116B		91,000	2,873	93,873	74,845	39,465		114,310	114,310
Job Training Partnership Act	17.246		185,537		185,537	52,706	111,891		164,597	164,597
Higher Education Act III	84.031A		674,751	292,918	967,669	433,255	187,418		620,673	620,673
Other Federal Revenue			<u>337,046</u>	<u>52,683</u>	<u>389,729</u>	<u>153,054</u>	<u>489</u>	<u>36,809</u>	<u>116,734</u>	<u>116,734</u>
<b>Total Federal Programs</b>			<b><u>\$ 7,834,406</u></b>	<b><u>\$ 394,262</u></b>	<b><u>\$ 8,228,668</u></b>	<b><u>\$ 6,938,151</u></b>	<b><u>\$ 528,174</u></b>	<b><u>\$ 46,700</u></b>	<b><u>\$ 7,419,625</u></b>	<b><u>\$ 7,454,827</u></b>

(Continued)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**  
(Continued)  
For the Year Ended June 30, 1996

	<u>Program Entitlements</u>			<u>Program Revenues</u>			<u>Program Expenditures</u>	
	<u>Current Year</u>	<u>Prior Year Carry-over</u>	<u>Total</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>		<u>Total Revenues</u>
State Programs:								
Matriculation	\$ 1,398,697	\$ 9,013	\$ 1,407,710	\$ 1,376,803		\$ 35,409	\$ 1,341,394	\$ 1,341,394
Extended Opportunity Program Services	1,304,572	1,461	1,306,033	1,306,033		16,650	1,289,383	1,289,383
Disabled Student Program Services	961,779	5,478	967,257	967,257		1,671	965,586	965,586
Preschool Grant	740,345		740,345	841,041		386,841	454,200	454,200
Workability III	195,571		195,571		\$ 195,548		195,548	204,424
Economic Development:								
Department of Defense		55,076	55,076	48,625	6,450		55,075	55,075
Environmental Tech - State Leadership	55,371	5,501	60,872	60,872			60,872	60,872
Faculty and Staff Development	160,568	90,732	251,300	251,300		71,112	180,188	180,188
BFAP Administration	138,449		138,449	138,449			138,449	152,915
Other State Programs	<u>296,562</u>	<u>49,634</u>	<u>346,196</u>	<u>238,126</u>	<u>113,985</u>	<u>52,412</u>	<u>299,699</u>	<u>308,731</u>
Total State Programs	<u>\$ 5,251,914</u>	<u>\$ 216,895</u>	<u>\$ 5,468,809</u>	<u>\$ 5,228,506</u>	<u>\$ 315,983</u>	<u>\$ 564,095</u>	<u>\$ 4,980,394</u>	<u>\$ 5,012,768</u>

See accompanying notes to  
supplemental information

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR  
STATE GENERAL APPORTIONMENT**

**Annualized Attendance as of June 30, 1996**

	<u>Reported Data</u>	<u>Audit Adjust- ments</u>	<u>Revised Data</u>
<b>Categories</b>			
<b>A. Credit full-time equivalent student (FTES)</b>			
1. Weekly census	22,735		22,735
2. Daily census	803		803
3. Actual hours of attendance	1,702		1,702
4. Independent study work experience	<u>239</u>		<u>239</u>
<b>Total</b>	<u>25,479</u>	<u>-</u>	<u>25,479</u>
<b>B. Noncredit FTES</b>			
1. Actual hours of attendance	<u>152</u>	<u>-</u>	<u>152</u>
<b>C. Gross Square Footage</b>			
1. Existing Facilities	<u>1,199,306</u>	<u>-</u>	<u>1,199,306</u>

See accompanying notes to  
supplemental information

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF ANNUAL APPRENTICESHIP HOURS  
OF INSTRUCTION**

**Annualized Attendance as of June 30, 1996**

	<u>Reported Annual Hours</u>
Reporting periods	
July 1 - December 31, 1995	28,875
January 1 - April 15, 1996	-
April 16 - June 30, 1996	<u>25,155</u>
Total	<u>54,030</u>

See accompanying notes to  
supplemental information



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 1996**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore Fund</u>	<u>Cafeteria Fund</u>	<u>Data Processing Fund</u>	<u>Associated Students Fund</u>
June 30, 1996 Annual Financial and Budget Report Fund Balances/ Retained Earnings	\$ 8,169,099	\$ 1,079,250	\$ 1,381,123		\$ 1,408,647	\$ 174,875
Adjustments (decreasing) increasing the fund balances/retained earnings (accumulated deficit):						
Increase in cash and cash equivalents		1,929,086				
(Decrease) increase in accounts receivable	(104,896)	3,800				
(Increase) decrease in accounts payable		(140,741)	9,925			
Increase in Federal revenue	1					
(Decrease) increase in State revenue	(283,343)	1,161				
Increase in local revenue	378,227					
Increase in cost of goods sold			(693,182)			
Increase in employee benefits	(601)					
(Increase) decrease in books, materials and supplies	(161)		15,117			
Decrease in contract services and operating expenses			740,404			
Increase in depreciation expense			(92,726)	\$ (28,697)		
Increase in capital outlay	(442,767)		(6,864)		(62,459)	
Increase in other financing sources	21,155			10,183		
Other prior adjustments not recorded	<u>                    </u>	<u>22,224</u>	<u>                    </u>	<u>                    </u>	<u>(6,001)</u>	<u>2,865</u>
<b>Net adjustments</b>	<u>(432,385)</u>	<u>1,815,530</u>	<u>(27,326)</u>	<u>(18,514)</u>	<u>(68,460)</u>	<u>2,865</u>
June 30, 1996 Audited Financial Statements Fund Balances/Retained Earnings (Accumulated Deficit)	<u>\$ 7,736,714</u>	<u>\$ 2,894,780</u>	<u>\$ 1,353,797</u>	<u>\$ (18,514)</u>	<u>\$ 1,340,187</u>	<u>\$ 177,740</u>

There were no audit adjustments made to any other funds or account groups of the District.

See accompanying notes to supplemental information.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO SUPPLEMENTAL INFORMATION

### 1. PURPOSE OF SCHEDULES

#### A - Schedule of Federal and State Financial Assistance

OMB Circular A-128 requires a disclosure of the financial activities of all Federally funded programs. To comply with A-128 and State requirements, this schedule was prepared by the District. Differences exist between the revenues shown on the schedule and the general purpose financial statements for the following reasons:

- Various program revenues are recorded in the current year for prior year claims, related expenditures were incurred in prior years.
- Amounts reported as revenue may not represent final claim amounts, due to the timing of filing the final claims, and the closing of the District's records.

#### B - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

#### C - Schedule of Annual Apprenticeship Hours of Instruction

This schedule provides information regarding annual apprenticeship hours of instruction for reporting periods during the year ended June 30, 1996.

#### D - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance/retained earnings (accumulated deficit) of all funds and account groups reported on the CCFS-311 to the audited financial statements.

## **INDEPENDENT AUDITOR'S COMBINED REPORT ON INTERNAL CONTROL STRUCTURE**

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Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996. We have also audited the District's compliance with requirements applicable to major Federal financial assistance programs and have issued our report thereon dated November 22, 1996.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the District complied with laws and regulations, noncompliance with which would be material to major Federal financial assistance programs.

In planning and performing our audits for the year ended June 30, 1996, we considered the District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the District's financial statements and on its compliance with requirements applicable to major Federal financial assistance programs, and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

### **REPORTABLE CONDITIONS**

- As noted in the prior year, expenditures can be processed without an approved budget appropriation. Significant deviations from budgeted levels of expenditures may occur and not be detected on a timely basis.
- The District's Accounting Department remains inadequately staffed to support the Comptroller. This is apparent by the amount of detail work prepared by the Comptroller, delays in implementing prior year findings and recommendations and the level of performance within certain accounting functions.

**INDEPENDENT AUDITOR'S COMBINED REPORT  
ON INTERNAL CONTROL STRUCTURE**

(Continued)

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and that Federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

**Accounting applications**

- Cash receipts
- Purchasing and receiving
- Cash disbursements
- Payroll
- General ledger
- Attendance reporting

**General requirements**

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administrative requirements

**Specific requirements**

- Types of services
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

**Claims for advances and reimbursements**

Amounts claimed or used for matching

**INDEPENDENT AUDITOR'S COMBINED REPORT  
ON INTERNAL CONTROL STRUCTURE**

(Continued)

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, the District expended 92% percent of its total Federal financial assistance under major Federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the District's major Federal financial assistance programs, which are identified in the accompanying schedule of Federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a Federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Trustees, management, the State Department of Finance, and the Chancellor's Office, California Community Colleges. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Perry-Smith & Co.*

Certified Public Accountants

Sacramento, California  
November 22, 1996

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District, for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996. We conducted our audit in accordance with generally accepted auditing standards.

In connection with our audit, we performed an examination for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's June, 1996 transmittal of audit requirements for community colleges. The objectives of the examination of compliance applicable to the Contra Costa Community College District are to determine with reasonable assurance that:

1. The District maintained a separate and complete tabulation for each course section for student attendance, which is reported for State support.
2. The District maintained a system to insure that students repeating a class are claimed for apportionment purposes only when the repetition occurs within State prescribed guidelines.
3. The District acted to insure that the residency of each student is properly classified and that only the attendance of California residents is claimed for State support.
4. The District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
5. The District's salaries of classroom instructors equaled or exceeded 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
6. The District adhered to uniform academic standards for placing students on probation and making students on probation subject to dismissal.
7. Salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, and financial aid officers conducting need analysis are not considered supportable charges against either Extended Opportunity Programs and Services (EOPS) or Disabled Student Programs and Services (DSPS) accounts unless their activities require them to perform additional functions for the EOPS or DSPS programs which are beyond the scope of services provided to all students in the normal performance of their regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOPS or DSPS.

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

(Continued)

8. The District's claim upon EOPS funds excluded expenses incurred as administrative salaries unless the administrator exclusively functions in the capacity of the EOPS Director or an exemption is specifically certified by the Chancellor's Office.
9. The District has calculated appropriations limits annually and such calculations are supported by the amounts reported in the District's CCFS - 311 and CCFS- 320.
10. The District has used local funds to support at least 75 percent of the District's matriculation activities and all expenditures related to matriculation must be consistent with expenditures related to the matriculation plan and identifiable within the ten activities approved by the State.

In our opinion, except for the items noted in the next paragraph, the Contra Costa Community College District complied with the compliance requirements for the State programs listed and tested above. Further, nothing came to our attention as a result of the aforementioned procedures to indicate that the Contra Costa Community College District had not complied with the terms and conditions of State assisted educational programs not selected for testing.

Our examination of compliance made for the purposes set forth in the second preceding paragraph of this report would not necessarily disclose all instances of noncompliance. However, such examination of compliance disclosed the following items that we believe are instances of noncompliance:

- The Attendance Tabulation documents for all colleges did not include the following specified elements:
  - For positive attendance courses, the number of days was not included.
  - For Apprenticeship positive attendance, the number of days and number of scheduled hours was not included.
- Costs allocated to EOPS and DSPS for services by college staff, who also have other program responsibilities, were not always adequately documented to justify the allocation.

The above findings are further detailed in the "Findings and Recommendations" section of this report, along with recommendations to remedy the cause of the finding.

*Perry-Smith & Co.*

Certified Public Accountants

Sacramento, California  
November 22, 1996

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND  
REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Contra Costa Community College District complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended for the information of the Board of Trustees, management, the State Department of Finance, and the Chancellor's Office, California Community Colleges. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Perry-Smithe Co.*

Certified Public Accountants

Sacramento, California  
November 22, 1996



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH THE GENERAL REQUIREMENTS APPLICABLE TO  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the general purpose financial statements of the Contra Costa Community College District as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

We have applied procedures to test the District's compliance with the following requirements applicable to its Federal financial assistance programs, which are identified in the schedule of Federal financial assistance, for the year ended June 30, 1996:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the District's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report, except as described in the Findings and Recommendations section of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Contra Costa Community College District had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Trustees, management, the State Department of Finance and the Chancellor's Office, California Community Colleges. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Perry-Smith & Co.*

Certified Public Accountants

Sacramento, California  
November 22, 1996

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

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Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

We have also audited Contra Costa Community College District's compliance with the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major Federal financial assistance programs, which are identified in the accompanying schedule of Federal financial assistance, for the year ended June 30, 1996. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Contra Costa Community College District complied, in all material respects, with the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major Federal financial assistance programs for the year ended June 30, 1996, except as described in the Findings and Recommendations section of this report.

This report is intended for the information of the Board of Trustees, management, the State Department of Finance and the Chancellor's Office, California Community Colleges. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Perry-Smith & Co.*

Certified Public Accountants

Sacramento, California  
November 22, 1996

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO NONMAJOR  
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS**

Board of Trustees  
Contra Costa Community  
College District  
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

In connection with our audit of the financial statements of the Contra Costa Community College District, and with our consideration of the District's control structure used to administer Federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor Federal financial assistance programs for the year ended June 30, 1996.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or not allowed, eligibility and other tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the District's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Contra Costa Community College District had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Trustees, management, the State Department of Finance and the Chancellor's Office, California Community Colleges. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Perry-Smith & Co.*

Certified Public Accountants

Sacramento, California  
November 22, 1996

## **FINDINGS AND RECOMMENDATIONS**

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

June 30, 1996

**REPORTABLE CONDITIONS**

**1. BUDGETING CONTROLS**

**Finding**

As discussed in prior years, expenditures can be processed without an approved budget appropriation. Significant deviations from budgeted levels of expenditures may occur and not be detected on a timely basis. Currently, administrators at each site are responsible for reviewing budget availability without subsequent review by the District Office. We noted unfavorable budget variances within individual program funds and on a consolidated basis for the Debt Service Fund.

**Recommendation**

As recommended in the prior year, the District Office should verify that each purchase order is coded with the proper account number and that sufficient funds have been appropriated in the budget. In addition, we recommend that the Internal Auditor examine the effectiveness of the review and approval procedures for requisitions and purchase orders at each site. We understand the District is implementing new computer software to block the processing of transactions without an approved budget appropriation.

**2. ACCOUNTING DEPARTMENT STAFFING**

**Finding**

The District's Accounting Department remains inadequately staffed to support the Comptroller. This is apparent by the amount of detail work prepared by the Comptroller, delays in implementing prior year findings and recommendations and the level of performance within certain accounting functions.

**Recommendation**

The appointment of experienced accountants should assist in standardizing the finance function, generating timely financial information and enhancing internal controls. The District may find it beneficial to study the organization of accounting personnel utilized by other multi-college districts in Northern California before implementing a plan of reorganization for the District's Accounting Department. In addition, accounting personnel should be cross-trained to ensure that transactions can be processed, analyses prepared and personnel supervised when key personnel are absent. Cross-training is also beneficial in the event of employee turnover.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**GENERAL**

**3. ELECTRONIC DATA PROCESSING (EDP)**

**Finding**

As noted in the prior year, the existing data processing system and administrative process for financial and management reporting over payroll, disbursements, cash receipts and human resources severely limits the District's operating efficiency and effectiveness. Internal control weaknesses result from the inability of the existing financial system to provide timely information. Development of better reporting and efficient internal controls over disbursements, payroll, and financial reporting is dependent upon the implementation of a system that meets the District's immediate and long term data processing needs.

We understand the District is in the process of implementing a new general ledger package for the 1996-1997 fiscal year. Updating the District's data processing capabilities will require a significant commitment of time and resources. However, with proper implementation we believe that this investment will result in immediate and tangible improvements over the District's internal controls and operating efficiency.

Our review of the District's EDP department for the 1995-1996 fiscal year indicated that our prior year findings were still applicable. The following is an update of the prior year findings.

- Programmers can initiate, compile, and load software program changes into production. Although the Director reviews authorized changes to software, the programmers have the ability to implement unauthorized modifications.
- Modifications have been made to passwords and other security measures as a means to control access to software programs. However, the modifications have not been audited to ensure they are functioning as needed.
- Presently, in case of a disaster, only certain individuals know the proper procedures to be followed to restore the District EDP system to full operation. There are no written procedures to ensure successful restoration of the system.

**Recommendation**

As the District continues its development and implementation of plans and procedures for the EDP department, as discussed under the "Current Status of Prior Year Findings and Recommendations", we recommend the District consider the items specifically addressed below:

- Software program changes should be implemented by someone other than the original programmer to prevent unauthorized program changes from being placed into production. The Director of the EDP Department indicated that the implementation of these procedures is limited due to staff size and the fact that he is involved with reviewing program modifications for accuracy.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**GENERAL** (Continued)

**3. ELECTRONIC DATA PROCESSING (EDP)** (Continued)

Recommendation (Continued)

- Password controls should be periodically audited by the District Internal Auditor.
- The District should develop a contingency plan that details emergency procedures in the event a hardware or software disaster occurs. The following items should be considered when developing the plan:
  - Location of data file and computer system backups.
  - The sequence in which employees are to be notified.
  - Who to notify for hardware and software support.
  - Processing priorities to follow.

**4. CASH DISBURSEMENTS**

Finding

Our review and testing of the cash disbursements system revealed the following items:

- Keys to the check signing machine are held in the Data Processing Center where the data entry for payables is performed. This enables data entry, warrant printing, and check signing functions to be performed without independent review.
- A new check signing machine has been purchased but has not been placed in service.
- Department manager approval is not noted on requisitions prior to purchase order authorization. Requisitions are input into an online computer system by office personnel in the requisitioner's office. There is no confirmation of the department manager's online approval. The Purchasing Department authorizes purchase orders from the requisitions on the computer system.
- Confirming Requisitions are used for invoices over \$700 and invoices are paid from the Confirming Requisitions without regard to the presence of a purchase order. This allows for duplicate payment of invoices, as the receiving copy of a purchase order could be presented separately from a Confirming Requisition. Currently, approximately 80% to 85% of all warrants are processed through Confirming Requisitions.

Recommendation

To enhance controls over cash disbursements, we recommend the following be implemented:

- Data entry personnel should not have access to the check signing machine.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**GENERAL (Continued)**

**4. CASH DISBURSEMENTS (Continued)**

Recommendation (Continued)

- A count of warrants is essential to detect unauthorized use of the check signing machine. In addition, to reduce the risk of unauthorized use, the new check signing machine should be used and the function performed under dual custody.
- The District should emphasize the importance of ensuring appropriate supporting documentation is included with all payments.
- Department Manager approval should be noted prior to the authorization of a purchase order by the Purchasing Department.
- All invoices should require a purchase order for payment.

**5. CASH RECEIPTS**

Finding

The following are items noted during our review of internal controls over the cash receipts system:

- The cash receipts log implemented by the District is not reconciled to the deposit permits and therefore provides no assurance that all checks received in the District office have been properly deposited. The cash receipts log does not reference corresponding deposit permits.
- Cash receipts are posted in the general ledger almost two months subsequent to the deposit permit. This provides inaccurate bank reconciliation support and incomplete information for budget monitoring procedures. Without the timely input of cash receipts, college personnel are unable to appropriately monitor their funds.

Recommendation

Controls over cash receipts could be improved by implementing the following:

- All funds received should be recorded in a cash receipts log. The log should be reconciled to each deposit and the date of the deposit should be documented.
- Cash receipts should be posted to the general ledger immediately after processing the deposit permit.



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**6. ACCOUNTS RECEIVABLE**

Finding

During our review of accounts receivable in the Student Financial Aid and General Funds, we noted some balances over a year delinquent that had already been received or had minimal effort to attempt collection.

Recommendation

The District should establish an aged subsidiary ledger of accounts receivable. The subsidiary ledger should specifically identify each item and the total should be reconciled to the General Ledger on a monthly basis. Management should review accounts for collectibility prior to each financial reporting period to ensure the accuracy of the District's financial position as reported to the Board of Trustees.

**7. ACCOUNT RECONCILIATION**

Finding

During our audit we noted several account reconciliations that were not prepared on a timely basis nor reviewed by management. Specifically, they include the following:

- Bank accounts
- Accounts receivable
- Fixed assets
- Accounts payable

Furthermore, several reconciling items remained unresolved and required adjustments or further follow-up once the reconciliations were performed.

Recommendation

We understand that this situation was a result of staffing constraints in the Accounting Department. However, key control procedures such as reconciliations should be performed completely and in a timely manner in order to:

- Prevent unauthorized use of cash.
- Ensure proper accounting recognition for:
  - Accounts receivable
  - Fixed assets
  - Accounts payable
- Prevent material misstatement of account balances.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**GENERAL (Continued)**

**8. PAYROLL/PERSONNEL**

Finding

During our review of payroll expenditures, we noted the following:

- The PY91 report, which identifies all payrate changes and newly hired personnel is not reviewed to verify newly added personnel. The significance of this finding is further heightened since all employees who can access the payroll system can also add employees.
- The payroll manager reviews and approves payroll information and also has the ability to input information, creating a lack of segregation of duties.

Recommendation

We recommend the following be implemented to enhance payroll/personnel internal controls:

- On a test basis, the internal auditor should review newly hired personnel per the PY91.
- The payroll manager should not have authority to input payroll information. If this access cannot be limited, periodic surprise audits of selected personnel files should be performed by the internal auditor.
- The District's Internal Auditor should periodically distribute paychecks to confirm the identity of all employees.

**9. GENERAL FIXED ASSET ACCOUNT GROUP**

Finding

As noted in the prior year, the District does not maintain a complete listing of all assets, nor has there been a recent inventory to determine if available records properly reflect all fixed assets held by the District

Recommendation

An inventory should be performed to determine total fixed assets, update the detail records and provide adequate documentation to support fixed assets held by the District.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**10. BOOKSTORE INVENTORY CUT-OFF**

Finding

The Bookstores do not maintain shipping and receiving logs.

Recommendation

To ensure that inventory shipments and receipts are recorded in the proper period, items shipped and received should immediately be entered into a shipping and receiving log. The log should include the vendor, number of items shipped or received, date shipped or received, purchase order number and packing slip number.

**STATE COMPLIANCE**

**11. ATTENDANCE**

Finding

Our review of internal controls and compliance procedures over the attendance system noted the following:

- Students may register for the following semester and ultimately receive grades for those classes even if they are notified of a formal dismissal by the college. Holds placed on the system for student dismissal only effect future registration action and not registration information or grade reports currently entered to the system.
- The required data element "Number of Days" was not present on the positive attendance tabulation document "Detail Apportionment Listings". Additionally, the number of days that the class is scheduled to meet was not properly presented on the Apprenticeship positive attendance tabulation document "Detail Apportionment Listing".
- Currently, students are permitted to enroll in short-term classes after the class census date. Consequently, these students are not included in the CCFS-320.
- Diablo Valley College and Los Medanos College are not obtaining and maintaining the signed first census reports from all instructors. The maintenance of signed first census reports is required by the State.
- Grade report data entry is not reviewed for accuracy. This would allow a data entry error to go unnoticed. Students could inadvertently be given credit for a higher grade than achieved or credit for a course in which it was not earned.
- All admissions and records' employees have access to override the system for dismissed students. No supervisory approval is required for this override.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**STATE COMPLIANCE (Continued)**

**11. ATTENDANCE (Continued)**

Recommendation

In order to improve internal controls and compliance procedures over the attendance system, we recommend the following:

- We recommend that the Data Processing Department modify the hold status on the system to prevent including dismissed students on the census reports.
- All required data elements should be appropriately included on the tabulation documents to ensure compliance with State guidelines.
- Classes and related enrollment dates should be scheduled to ensure that enrollment occurs before the first census date to maximize revenue to the District. Enrollment exceptions after the census dates for short-term classes should require management authorization.
- The Admissions and Records department should obtain and maintain the first census rosters, signed by the respective instructors, to provide an appropriate audit trail for the calculation of apportionment revenue.
- Grade reports should be reviewed by a representative of the campus to ensure accuracy.
- The system should require password access to supervisory personnel to override the system for dismissed students.

**12. ALLOCATION OF COSTS**

Finding

The Colleges have not documented the method for allocating the time of multi-funded employees to EOP&S and DSPS. Additionally, the personnel files for employees charged to these programs do not include authorization forms indicating allocation percentages.

Recommendation

For College employees who provide EOP&S and DSPS program services, which are beyond the scope of services provided to all students, a basis for cost allocation should be established and documented. This documentation could be provided on time cards or from a recent time study. The supporting cost allocations should then be maintained in each employee's personnel file.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**FEDERAL COMPLIANCE**

**13. VATEA**

Finding

The District has not clearly documented that the vocational education courses and activities serve the highest concentrations of special population students, nor has it clearly demonstrated that special population groups or individuals received priority services. In addition, the District does not perform evaluations of targeted programs, nor has the District gathered data needed to measure programs funded by VATEA.

Recommendation

Federal compliance requires that the institution responsible for administering VATEA annually evaluate the effectiveness of the targeted projects, services and activities. In order to fulfill this requirement, the District should perform an annual survey and complete the required evaluations.

**14. STUDENT FINANCIAL AID PARTICIPATION AGREEMENT**

Finding

Diablo Valley College's Federally required Student Financial Aid Participation Agreement expired January 1996.

Recommendation

The Colleges should utilize an annual checklist of required Federal and State Program eligibility forms to ensure that they remain eligible to participate in Federal and State programs.

**15. STUDENT FINANCIAL AID ELIGIBILITY RATIOS**

Finding

The Institution Eligibility Ratios, specifically the Ability to Benefit Ratio, is not being calculated by the Colleges' Student Financial Aid Directors.

Recommendation

An annual checklist detailing eligibility requirements should be completed to ensure the District is in compliance with Institution Eligibility Ratios.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**FEDERAL COMPLIANCE (Continued)**

**16. EDGAR**

Finding

Compliance requirements for the Education Department General Administrative Regulations (EDGAR) require that equipment purchased with Federal funds of major programs shall be monitored as follows:

- Property records that include certain required minimum identifiers, such as an accurate description of the equipment, manufacturer's serial number, and acquisition date be maintained for each item of equipment.
- A physical inventory of equipment should be taken and reconciled to property records.
- A control system should be in place to ensure adequate safeguards to prevent loss, theft or damage of equipment.

Recommendation

To comply with Federal requirements, the District should establish property records and associated controls for equipment purchased with major program funding.

**17. CASH MANAGEMENT**

Finding

During our audit of cash management under general Federal compliance of the Single Audit Act, we noted the following:

- A fiscal 1994-95 Pell Grant accounts receivable of \$73,677 had not been requested for drawdown.
- In several months selected for testing, the Federal clearing account maintained by the District included month end reconciled balances in excess of \$10,000. Grantee financial management systems are required to have procedures in place to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of funds by the grantee. Generally, drawdowns of federal funds should not be held over three days.

Recommendation

Procedures should be implemented to ensure that student financial aid reimbursements are accurately requested on a timely basis. In order to adhere to Federal cash management compliance requirements, the District should maintain the Federal clearing account on an imprest basis of no more than \$1,000.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**FEDERAL COMPLIANCE (Continued)**

**18. FINANCIAL REPORTING**

Finding

We noted substantial differences between the Federal Cash Transaction Report, PMS 272, and the reconciled balances of the Federal clearing account maintained by the District. The Federal Cash Transaction Report should reflect the activity and balances of the Federal clearing account and should be reconciled in a timely manner.

Recommendation

The District should reconcile the Federal Cash Transaction Report to the Federal clearing account monthly. Additionally, the Federal Cash Transaction Report should accurately reflect the balances and activity of the Federal clearing account.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**June 30, 1996**

**REPORTABLE CONDITIONS**

**1. CASH BUDGETING CONTROLS**

**Finding**

As discussed in prior years, expenditures can be processed without an approved budget appropriation. Significant deviations from budgeted levels of expenditures may occur and not be detected on a timely basis. Currently, administrators at each site are responsible for reviewing budget availability and no review is performed at the District office. We noted unfavorable budget variances within individual program funds and on a consolidated basis for the Capital Outlay fund.

**Recommendations**

As recommended in our prior year report, the District office should verify that each purchase order is coded with the proper account number and that sufficient funds have been appropriated in the budget. In addition, we recommend that the Internal Auditor examine the effectiveness of the review and approval procedures for requisitions and purchase orders at each site. The District should consider implementing computer software to block the processing of transactions without an approved budget appropriation.

**Current Status**

See current year findings and recommendations.

**2. CASH REFUNDS**

**Finding**

As stated in our prior year report, registration fees can be refunded to students before the District has constructive receipt of the fees.

**Recommendation**

Although amounts are refunded by check, a waiting period should be established to allow student funds to clear the District's bank before refunds are processed.

**Current Status**

Implemented.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**REPORTABLE CONDITIONS (Continued)**

**3. ACCOUNTING DEPARTMENT STAFFING**

Finding

The District's Accounting Department remains inadequately staffed to support the Comptroller. This is apparent by the magnitude of audit adjustments, the delays in implementing prior year findings and recommendations and the level of performance within certain accounting functions.

Recommendation

The appointment of an experienced accountant should assist in standardizing the finance function, generating timely financial information and enhancing internal controls. In addition, personnel should be cross-trained to ensure that transactions can be processed, analyses prepared and personnel supervised when key personnel are absent. Cross-training is also beneficial in the event of employee turnover.

Current Status

See current year findings and recommendations.

**4. BOOKSTORE AND CAFETERIA SUBSIDIARY LEDGERS**

Finding

A subsidiary ledger is not maintained for accounts receivable or accounts payable of the bookstores or cafeterias. Accordingly, the District was unable to provide support for the balances in these accounts.

Recommendation

A subsidiary ledger detailing all accounts receivable and accounts payable of the Bookstore and Cafeteria should be created and maintained. The subsidiary ledger should periodically be reviewed to ensure receivables are monitored and evaluated for collectibility and that payables are properly recorded.

Current Status

In the current year, the Bookstore and Cafeteria maintained manual ledgers which adequately supported the balances of accounts payable and accounts receivable. The new accounting system converted to in fiscal 1996-97 will allow for the creation and maintenance of an automated subsidiary ledger for both the Bookstore and Cafeteria.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL**

**5. ELECTRONIC DATA PROCESSING (EDP)**

Finding

As noted in our prior year report, the existing data processing system for financial and management reporting over payroll, disbursements, cash receipts and human resources severely limits the District's operating efficiency and effectiveness. A number of the internal control weaknesses previously discussed result from the inability of the existing financial system to provide timely information. Development of effective reporting and efficient internal controls over disbursements, payroll, and financial reporting is dependent upon the implementation of a system that meets the District's immediate and long term data processing needs.

Updating the District's data processing capabilities will require a significant commitment of time and resources. However, we believe that this investment will result in immediate and tangible improvements over the District's internal controls and operating efficiency.

Our review of the District's EDP department indicated that our prior year findings were still applicable. The following is an update to our prior year review.

- Programmers can initiate, compile, and load software program changes into production. Although the Director reviews authorized changes to software, the programmers have the ability to implement unauthorized modifications.
- Modifications have been made to passwords and other security measures as a means to control access to software programs. However, the modifications have not been audited to ensure they are functioning as needed.
- Presently, in case of a disaster, only certain individuals know the proper procedures to be followed to restore the District EDP system to full operation. There are no written procedures to ensure successful restoration of the system.

Recommendation

As the District continues its development and implementation of plans and procedures for the EDP department, we recommend the District consider the items specifically addressed below:

- Software program changes should be performed by someone other than the original programmer to prevent unauthorized program changes from being placed into production. The Director of the EDP department indicated that the implementation of these procedures is limited due to staff size and the fact that he is involved with reviewing program modifications for accuracy.
- Password controls should be periodically audited by the District internal auditor.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**5. ELECTRONIC DATA PROCESSING (EDP) (Continued)**

Recommendation (Continued)

- The District should develop a contingency plan that details emergency procedures in the event a hardware or software disaster occurs. The following items should be considered when developing the plan:
  - Location of data file and computer system backups.
  - The sequence in which employees are to be notified.
  - Who to notify for hardware and software support.
  - Processing priorities to follow.

Current Status

See current year findings and recommendations.

**6. ACCOUNT RECONCILIATIONS**

Finding

During our audit we noted several account reconciliations that were not prepared on a timely basis nor reviewed by management. Specifically, they include the following:

- Bank accounts
- Investments
- Accounts receivable
- Fixed assets
- Accounts payable
- Due to/Due from

Furthermore, several reconciling items remained unresolved and required adjustments or further follow-up once the reconciliations were performed.

Recommendation

We understand that this situation was a result of staffing constraints in the Accounting Department. However, key control procedures such as reconciliations should be performed completely and in a timely manner in order to:

- Prevent unauthorized use of cash.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**6. ACCOUNT RECONCILIATIONS (Continued)**

Recommendation (Continued)

- Ensure proper accounting recognition for:
  - Investments
  - Accounts receivable
  - Fixed assets
  - Accounts payable
  - Prevent material misstatement of account balances.

Current Status

See current year findings and recommendations.

**7. CASH DISBURSEMENTS**

Finding

Our review and testing of the cash disbursements system revealed the following items:

- Currently capital outlay items and the related maintenance contracts can be processed and approved through the use of Confirming Requisitions. Duplicate payments could be processed if the Confirming Requisition did not reference the open purchase order number.
- Keys to the check signing machine are held in the Data Processing Center where the data entry for payables is performed. This enables data entry, warrant printing, and check signing functions to be performed without independent review.
- A new check signing machine has been purchased but has not been placed in service.
- Stale dated outstanding warrants drawn on the Cash in County Treasury account are not voided in a timely manner.
- An invoice was prepaid and paid again when the goods were received and assembled. The double payment occurred because the supporting documentation was insufficient. The prepayment did not include a confirming requisition.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**7. CASH DISBURSEMENTS (Continued)**

Finding (Continued)

- Department manager approval is not noted on requisitions prior to purchase order authorization. Requisitions are input into an online computer system by office personnel in the requisitioner's office . There is no confirmation of the department manager's online approval. The Purchasing Department authorizes purchase orders from the requisitions on the computer system.
- Confirming Requisitions are used for invoices over \$700 and invoices are paid from the Confirming Requisitions without regard to the presence of a purchase order. This allows for duplicate payment of invoices, as the receiving copy of a purchase order could be presented separately from a Confirming Requisition.
- A transfer from the General Fund Clearing Account, for a temporary loan to the Student Financial Aid Fund Cash Account was not recorded in the general ledger.

Recommendation

To enhance controls over cash disbursements, we recommend the following:

- Purchase orders should be used for all capital outlay expenditures including capital acquisitions and related maintenance agreements. Confirming Requisitions charged to capital outlay accounts should not be processed without a purchase order number.
- Data entry personnel should not have access to the check signing machine.
- A count of warrants is essential to detect unauthorized use of the check signing machine. To reduce the risk of unauthorized use, the new check signing machine should be used and the function performed under dual custody.
- Payment for stale dated warrants should be stopped at the County Treasury and the warrant should be marked as "void", if in possession.
- All payments should be reviewed to ensure the appropriate supporting documentation is included to prevent unauthorized or incorrect use of funds.
- Department manager approval should be noted prior to the authorization of a Purchase Order by the Purchasing Department.
- All invoices should require a purchase order for payment.
- All transfers should be treated as due to/due from transactions between funds, regardless of the length of time the transfer is intended for.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**GENERAL (Continued)**

**7. CASH DISBURSEMENTS (Continued)**

Current Status

See current year findings and recommendations.

**8. CASH RECEIPTS**

Finding

The following are items noted during our review of internal controls over the cash receipts system:

- The cash receipts log implemented by the District is not reconciled to the deposit permits and therefore provides no assurance that all checks received in the District office have been properly deposited. The cash receipts log does not reference corresponding deposit permits.
- Deposits are not made on a timely basis. We noted a deposit permit made four weeks following the individual check dates.
- Cash receipts are posted to the general ledger almost two months subsequent to the deposit permit. This provides inaccurate bank reconciliation support and incomplete information for budget monitoring procedures. Without the timely input of cash receipts, college personnel are unable to appropriately monitor their funds.
- Returned checks or charges received from the campuses are written off by the District by reducing revenue and cash. These amounts are then forwarded to the campuses for their follow up. These amounts are not recorded as accounts receivable or monitored via a formal listing. Hence, there is no means to ensure returned items are resolved timely.

Recommendation

Controls over cash receipts could be improved by implementing the following:

- All funds received should be recorded in a cash receipts log. The log should be reconciled to each deposit and the date of the deposit should be documented.
- In order to capitalize on the interest-earning ability of cash, deposits should be made in a timely manner.
- Cash receipts should be posted to the general ledger immediately after processing the deposit permit.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**8. CASH RECEIPTS (Continued)**

Recommendation (Continued)

- Returned checks and charges should be reclassified as an accounts receivable and revenue should not be adjusted until they are deemed uncollectible. Formal procedures should be implemented to provide an effective method of monitoring these receivables.

Current Status

See current year findings and recommendations.

**9. CASH MANAGEMENT**

Finding

Clearing account deposits totaling \$1,045,817 were held in a non-interest bearing bank account at year end. College departments had not prepared cash reports on a timely basis to allow the District to record the cash receipts in the correct subfund within the County Treasurer.

Recommendation

We recommend that the Colleges complete and submit their cash reports on a weekly basis to allow for the timely transfer of funds to the County Treasury.

Current Status

Implemented.

**10. ACCOUNTS RECEIVABLE**

Finding

During our review of accounts receivable in the Capital Projects and General funds, we noted balances were over a year delinquent with no effort to attempt collection.

Recommendation

The District should establish an aged subsidiary ledger of accounts receivable. The subsidiary ledger should specifically identify each item and the total should be reconciled to the General Ledger on a monthly basis. Management should review accounts for collectibility prior to each financial reporting period to ensure the accuracy of the District's financial position as reported to the Board of Trustees.



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**10. ACCOUNTS RECEIVABLE (Continued)**

Current Status

See current year findings and recommendations.

Finding

During our review of General Ledger accounts, we noted that certain due to/due from accounts were inappropriately classified as accounts receivable. These intradistrict receivables and payables were reclassified for financial statement purposes.

Recommendation

Intradistrict receivables and payables should be closed into Due To/Due From accounts to prevent the overstatement of receivables and payables on the balance sheet. The District should also periodically review the propriety of the intradistrict receivables and payables and adjust the receivables or related payables to ensure the accuracy of accounts.

Current Status

Implemented.

**11. PAYROLL/PERSONNEL**

Finding

During our review of payroll expenditures, we noted the following:

- Documentation in files did not consistently include updated and signed requisitions or current contracts indicating employees' current classifications.
- Permanent files are not maintained for student employees.
- The PY91 report, which identifies all payrate changes and newly hired personnel is not reviewed to verify newly added personnel. This finding is further heightened since all employees who can access the payroll system can add employees.
- The payroll manager reviews and approves payroll information and also has the ability to input information, creating a lack of segregation of duties.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**GENERAL (Continued)**

**11. PAYROLL/PERSONNEL (Continued)**

Recommendation

We recommend the following be implemented to enhance payroll/personnel internal controls:

- The District should evaluate the potential integration of personnel information into centralized personnel files. A system of internal controls should be established to ensure:
  - Personnel information is complete and accurate.
  - Payroll requisition forms are adequately approved and maintained.
  - Permanent files are maintained for all employees.
  - Evaluations are performed on a timely basis.
  - Segregation of duties exists between payroll and personnel functions.
  - Legal employment requirements are consistently monitored and documented.
- On a test basis, the internal auditor should review newly hired personnel per the PY91.
- The payroll manager should not have authority to input payroll information. If this access cannot be limited, periodic surprise audits of selected personnel files should be performed by the internal auditor.

Current Status

Partially implemented, see current year findings and recommendations.

**12. GENERAL FIXED ASSET ACCOUNT GROUP**

Finding

As noted in the prior year, the District does not maintain a complete listing of all assets, nor has there been a recent inventory to determine if available records properly reflect all fixed assets held by the District.

Recommendation

An inventory should be performed to determine total fixed assets, update the detail records and provide adequate documentation to support fixed assets held by the District.

Current Status

See current year findings and recommendations.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**GENERAL (Continued)**

**13. BOOKSTORE INVENTORY CUT-OFF**

Finding

The Bookstores do not maintain shipping and receiving logs.

Recommendation

To ensure that inventory shipments and receipts are recorded in the proper period, items shipped and received should immediately be entered into a shipping and receiving log. The log should include the vendor, number of items shipped or received, date shipped or received, purchase order number and packing slip number.

Current Status

See current year findings and recommendations.

**14. ASSOCIATED STUDENTS**

Finding

As noted in the prior year, student body cards at Contra Costa College and Diablo Valley College are not prenumbered and a log (inventory) of blank cards is not maintained. Currently, there are no reconciliations between recorded sales, deposits or the number of cards issued.

Recommendation

We recommend that an inventory of blank cards be performed and reconciled to a log of cards sold on a periodic basis. A log of cards sold should be created and should include the student name and number for each card sold.

Current Status

Implemented.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**STATE COMPLIANCE**

**15. ATTENDANCE**

Finding

Our review of internal controls and compliance procedures over the attendance system noted the following:

- Students may register for the following semester and ultimately receive grades for those classes even if they are notified of a formal dismissal by the college. Holds placed on the system for student dismissal only effect future registration action and not registration information or grade reports currently entered to the system.
- The "Detail Apportionment Listing" provided by the District does not include the static course identifier code as required. The required data element "Number of Days" was not present on the positive attendance tabulation document "Detail Apportionment Listings".
- Additionally, the following required data element was not properly presented on the Apprenticeship positive attendance tabulation document "Detail Apportionment Listing":
  - Number of days that the class is scheduled to meet.
- Currently, students are permitted to enroll in short-term classes after the class census date. Consequently, these students are not included in the CCFS-320.
- Diablo Valley College and Los Medanos College are not obtaining and maintaining the signed first census reports from all instructors. Instructors are only required to return the census reports if they wish to initiate changes, i.e., drops/withdrawals. As a result, Diablo Valley College and Los Medanos College are not in compliance with State attendance reporting requirements.
- Grade report data entry is not reviewed for accuracy by the instructor or anyone at the District. This would allow a data entry error to go unnoticed. Students could inadvertently be given credit for a higher grade than achieved or credit for a course in which it was not earned.
- All admissions and records' employees have access to override the system for dismissed students. No supervisory approval is required for this override.
- While testing for course repetition, we noted a student with a grade of "RD" for the Fall of 1991. This grade designation is given to students when a teacher has not turned in a grade to the student. When an "RD" grade is given, it should be reflected on an edit report and be researched.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**STATE COMPLIANCE (Continued)**

**15. ATTENDANCE (Continued)**

Recommendation

In order to improve internal controls and compliance procedures over the attendance system, we recommend the following:

- We recommend that Data Processing department modify the hold status on the system to prevent including dismissed students on the census reports.
- All required data elements should be appropriately included on the tabulation documents to ensure compliance with State guidelines.
- Classes and related enrollment dates should be scheduled to ensure that enrollment occurs before the first census date to maximize revenue to the District. Enrollment exceptions after the census dates for short-term classes should require management authorization.
- The Admissions and Records department should obtain and maintain the first census rosters, signed by the respective instructors, to provide an appropriate audit trail for the calculation of apportionment revenue.
- Grade reports should be reviewed by a representative of the campus to ensure accuracy.
- The system should require password access to supervisory personnel to override the system for dismissed students.
- The edit report showing "RD" entries should be researched and cleared for each "RD" grade given.

Current Status

Partially implemented, see current year findings and recommendations.

**16. EOP&S**

Finding

EOP&S directors for Diablo Valley and Los Medanos colleges continue to be paid with EOP&S State-allocated funds. State Compliance guidelines require the salary and benefits for EOP&S directors to be funded from unrestricted general funding.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
June 30, 1996

**STATE COMPLIANCE (Continued)**

**16. EOP&S (Continued)**

Recommendation

State compliance requirements indicate EOP&S directors must devote 100 percent of their time to EOP&S related activities unless a waiver is obtained. The District has submitted a waiver request for all EOP&S directors. However, only Los Medanos Community College has received an approved waiver from the Chancellor's office.

Current Status

Implemented.

**17. ALLOCATION OF COSTS**

Finding

The colleges have not documented the method for allocating the time of multi-funded employees to EOP&S and DSPS. Additionally, the personnel files for employees charged to these programs do not include authorization forms indicating allocation percentages.

Recommendation

For college employees who provide EOP&S and DSPS program services, which are beyond the scope of services provided to all students, a basis for cost allocation should be established and documented. This documentation could be provided on time cards or from a recent time study. The supporting cost allocations should then be maintained in each employee's personnel file.

Current Status

See current year findings and recommendations.

**FEDERAL COMPLIANCE**

**18. DRUG-FREE WORKPLACE**

Finding

The District has instituted a drug-free workplace policy. However, the following is a noted exception to that policy:

- The policy does not include information on available drug counseling, rehabilitation, and employee assistance programs.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 1996**

**FEDERAL COMPLIANCE (Continued)**

**18. DRUG-FREE WORKPLACE (Continued)**

Recommendation

To adhere with Federal guidelines for a drug-free workplace, the above item should be incorporated into the District's policy.

Current Status

Implemented.

**19. EDGAR**

Finding

Compliance requirements for the Education Department General Administrative Regulations (EDGAR) require that equipment purchased with federal funds of major programs shall be monitored as follows:

- Property records maintained for each item of equipment.
- A physical inventory of equipment taken and reconciled to property records.
- A control system in place to insure adequate safeguards to prevent loss, theft or damage of equipment.

Our review noted that there were no property records maintained for equipment purchased with VATEA funds.

Recommendation

In order to be in adherence with the compliance requirement, the District should establish property records and associated controls for equipment purchased with major program funding.

Current Status

See current year findings and recommendations.