CONTRA COSTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 1997

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CONTRA COSTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 1997

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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.

PERRY-SMITH&CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Contra Costa Community
College District
Martinez, California

We have audited the accompanying general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1997, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 general purpose financial statements 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 4 and 5 in the accompanying general purpose financial statements. Accordingly, we do not express an opinion on the General Fixed Assets Account Group at June 30, 1997.

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, 1997, 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 general purpose financial statements listed in the financial sections 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 general purpose financial statements have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except that the omissions described in the preceding paragraph result in an incomplete presentation, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 1998 on our consideration of Contra Costa Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Perry-Smith & Co.
Certified Public Accountants

Sacramento, California
January 7, 1998

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1997

	Governmental Fund Types			Proprietary Fund Types		Account Groups		
	General	Capital Projects	Debt Service	Internal Service and Enterprise	Fiduciary Funds	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
ASSETS								
Cash and cash equivalents:								
Cash in County Treasury	$ 13,048,819	$ 1,685,700	$ 1,669,561	$ 434,185				$ 16,838,265
Cash on hand and in banks	2,704,563	136,005		356,007	$ 1,182,293			4,378,868
Revolving fund	125,000			30,600				155,600
Local Agency Investment Fund	655,200	653,532	1,941,931	1,183,294				4,433,957
Investments				300,000				300,000
Total cash and cash equivalents	16,533,582	2,475,237	3,611,492	2,304,086	1,182,293			26,106,690
Investments		482,000	9,723,679		500,000			10,705,679
Accounts receivable	2,819,984	314,831	203,478	275,439	133,081			3,746,813
Due from other funds	1,728,946	558,674	12,445	540,545	2,328,996			5,169,606
Inventories	160,579			1,671,971				1,832,550
Prepaid expenditures and expenses	776,298			9,914				786,212
Stores purchases	12,229							12,229
Property, plant and equipment, net				840,721		$ 148,135,284		148,976,005
Amount available for debt service							$ 13,551,094	13,551,094
Amount to be provided for debt service							22,975,953	22,975,953
Total assets	$ 22,031,618	$ 3,830,742	$ 13,551,094	$ 5,642,676	$ 4,144,370	$ 148,135,284	$ 36,527,047	$ 233,862,831

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS
(Continued)
June 30, 1997

	Governmental Fund Types			Proprietary Fund Types		Account Groups		
	General	Capital Projects	Debt Service	Internal Service and Enterprise	Fiduciary Funds	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
LIABILITIES, FUND EQUITY AND OTHER CREDITS								
Liabilities:								
Amount to be provided by future deposits				$ 1,221,126	$ 866,264			$ 2,087,390
Accounts payable	$ 3,416,964	$ 205,072		744,501	14,125			4,380,662
Accrued liabilities	674,397			20,714				695,111
Deferred revenue	5,984,742	15,551		5,229	12,429			6,017,951
Due to other funds	800,915	2,105,271		1,015,132	1,248,288			5,169,606
Due to student organizations					299,677			299,677
Liability for self-insurance				200,000				200,000
Capitalized lease obligations, current portion	70,328			91,183				161,511
Compensated absences	2,893,480						$ 1,228,335	4,121,815
Revenue bonds							96,000	96,000
Capitalized lease obligations				206,704			731,712	938,416
Certificates of Participation							1,575,000	1,575,000
Post-retirement health benefits obligation							32,896,000	32,896,000
Total liabilities	13,840,826	2,325,894		3,504,589	2,440,783		36,527,047	58,639,139
Fund equity and other credits:								
Investment in general fixed assets						$ 148,135,284		148,135,284
Fund balances:								
Reserved	1,061,877	42,245	$ 134,327		1,703,587			2,942,036
Unreserved:								
Designated	2,472,453	1,082,603	13,416,767					16,971,823
Undesignated	4,656,462	380,000						5,036,462
Retained earnings				2,138,087				2,138,087
Total fund equity and other credits	8,190,792	1,504,848	13,551,094	2,138,087	1,703,587	148,135,284		175,223,692
Total liabilities, fund equity and other credits	$ 22,031,618	$ 3,830,742	$ 13,551,094	$ 5,642,676	$ 4,144,370	$ 148,135,284	$ 36,527,047	$ 233,862,831

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, 1997

	Governmental Fund Types				
	General	Capital Projects	Debt Service	Expendable Trust Funds	Total (Memorandum Only)
Revenues:					
Federal sources	$ 2,260,569			$ 5,206,575	$ 7,467,144
State sources	46,938,858	$ 738,499		522,580	48,199,937
Local sources	57,993,865	241,970	$ 1,568,295	392,892	60,197,022
Total revenues	107,193,292	980,469	1,568,295	6,122,047	115,864,103
Expenditures:					
Academic salaries	47,923,766				47,923,766
Classified salaries	21,994,317			15,087	22,009,404
Employee benefits	15,970,645			2,106	15,972,751
Books and supplies	3,540,394	10,928		188,199	3,739,521
Contract services and operating expenditures	13,234,001	10,280		11,233	13,255,514
Student financial assistance				5,959,424	5,959,424
Capital outlay	3,234,441	3,002,270			6,236,711
Claims and judgments			46,818		46,818
Debt service:					
Principal retirement	118,099	60,718	7,000		185,817
Interest	46,292	107,199	3,090		156,581
Total expenditures	106,061,955	3,191,395	56,908	6,176,049	115,486,307
Excess (deficiency) of revenues over (under) expenditures	1,131,337	(2,210,926)	1,511,387	(54,002)	377,796
Other financing sources (uses):					
Operating transfers in	578,073	820,980	9,600	306,059	1,714,712
Operating transfers out	(1,245,206)		(9,600)	(527,382)	(1,782,188)
Capitalized lease proceeds	567,000				567,000
Other	(577,126)				(577,126)
Total other financing sources (uses)	(677,259)	820,980		(221,323)	(77,602)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	454,078	(1,389,946)	1,511,387	(275,325)	300,194
Fund balances, July 1, 1996	7,736,714	2,894,794	12,039,707	1,978,912	24,650,127
Fund balances, June 30, 1997	$ 8,190,792	$ 1,504,848	$ 13,551,094	$ 1,703,587	$ 24,950,321

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, 1997

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal sources	$ 2,243,648	$ 2,260,569	$ 16,921
State sources	49,661,582	46,938,858	(2,722,724)
Local sources	55,039,884	57,993,865	2,953,981
Total revenues	106,945,114	107,193,292	248,178
Expenditures:			
Academic salaries	47,619,962	47,923,766	(303,804)
Classified salaries	22,462,810	21,994,317	468,493
Employee benefits	16,373,568	15,970,645	402,923
Books and supplies	3,942,818	3,540,394	402,424
Contract services and operating expenditures	11,549,552	13,234,001	(1,684,449)
Capital outlay	5,074,836	3,234,441	1,840,395
Claims and judgments			
Debt service:			
Principal retirement		118,099	(118,099)
Interest	105,000	46,292	58,708
Total expenditures	107,128,546	106,061,955	1,066,591
(Deficiency) excess of revenues (under) over expenditures	(183,432)	1,131,337	1,314,769
Other financing sources (uses):			
Operating transfers in	522,078	578,073	55,995
Operating transfers out	(1,530,846)	(1,245,206)	285,640
Capitalized lease proceeds		567,000	567,000
Other	(827,521)	(577,126)	250,395
Total other financing sources (uses)	(1,836,289)	(677,259)	1,159,030
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(2,019,721)	454,078	$ 2,473,799
Fund balances, July 1, 1996	7,736,714	7,736,714	
Fund balances, June 30, 1997	$ 5,716,993	$ 8,190,792	

(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, 1997

	Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal sources			
State sources			
Local sources	$ 1,843,600	$ 1,568,295	$ (275,305)
Total revenues	1,843,600	1,568,295	(275,305)
Expenditures:			
Academic salaries			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures			
Capital outlay			
Claims and judgments		46,818	(46,818)
Debt service:			
Principal retirement	7,000	7,000	
Interest	3,090	3,090	
Total expenditures	10,090	56,908	(46,818)
(Deficiency) excess of revenues (under) over expenditures	1,833,510	1,511,387	(322,123)
Other financing sources (uses):			
Operating transfers in	9,600	9,600	
Operating transfers out	(9,600)	(9,600)	
Capitalized lease proceeds			
Other			
Total other financing sources (uses)			
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	1,833,510	1,511,387	$ (322,123)
Fund balances, July 1, 1996	12,039,707	12,039,707	
Fund balances, June 30, 1997	$ 13,873,217	$ 13,551,094	

(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, 1997

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal sources	$ 2,243,648	$ 2,260,569	$ 16,921
State sources	49,661,582	46,938,858	(2,722,724)
Local sources	56,883,484	59,562,160	2,678,676
Total revenues	108,788,714	108,761,587	(27,127)
Expenditures:			
Academic salaries	47,619,962	47,923,766	(303,804)
Classified salaries	22,462,810	21,994,317	468,493
Employee benefits	16,373,568	15,970,645	402,923
Books and supplies	3,942,818	3,540,394	402,424
Contract services and operating expenditures	11,549,552	13,234,001	(1,684,449)
Capital outlay	5,074,836	3,234,441	1,840,395
Claims and judgments		46,818	(46,818)
Debt service:			
Principal retirement	7,000	125,099	(118,099)
Interest	108,090	49,382	58,708
Total expenditures	107,138,636	106,118,863	1,019,773
(Deficiency) excess of revenues (under) over expenditures	1,650,078	2,642,724	992,646
Other financing sources (uses):			
Operating transfers in	531,678	587,673	55,995
Operating transfers out	(1,540,446)	(1,254,806)	285,640
Capitalized lease proceeds		567,000	567,000
Other	(827,521)	(577,126)	250,395
Total other financing sources (uses)	(1,836,289)	(677,259)	1,159,030
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(186,211)	1,965,465	$ 2,151,676
Fund balances, July 1, 1996	19,776,421	19,776,421	
Fund balances, June 30, 1997	$ 19,590,210	$ 21,741,886	

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, 1997

Operating revenues	$ 10,854,271
Operating expenses:	
Cost of goods sold	6,659,524
Classified salaries	2,831,478
Employee benefits	627,863
Materials and supplies	366,302
Contract services and other operating expenses	881,649
Depreciation	257,261
Debt service:	
Principal retirement	58,861
Interest	16,799
Total operating expenses	11,699,737
Operating loss	(845,466)
Other income	240,607
Loss before operating transfers	(604,859)
Other financing sources (uses):	
Operating transfers in	252,574
Operating transfers out	(185,098)
Total other financing sources (uses)	67,476
Net loss	(537,383)
Retained earnings, July 1, 1996	2,675,470
Retained earnings, June 30, 1997	$ 2,138,087

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 (EXCEPT INTERNAL SERVICE FUND)

For the Year Ended June 30, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 9,630,334	$ 10,742,014	$ 1,111,680
Operating expenses:			
Cost of goods sold	5,162,307	6,659,524	(1,497,217)
Classified salaries	2,613,110	2,831,478	(218,368)
Employee benefits	653,241	627,863	25,378
Materials and supplies	382,367	366,302	16,065
Contract services and other operating expenses	1,274,248	769,392	504,856
Depreciation	5,003	257,261	(252,258)
Debt service:			
Principal retirement		58,861	(58,861)
Interest		16,799	(16,799)
Total operating expenses	10,090,276	11,587,480	(1,497,204)
Operating loss	(459,942)	(845,466)	(385,524)
Other income	103,100	240,607	137,507
Loss before operating transfers	(356,842)	(604,859)	(248,017)
Other financing sources (uses):			
Operating transfers in	120,368	252,574	132,206
Operating transfers out	(185,098)	(185,098)	
Total other financing sources (uses)	(64,730)	67,476	132,206
Net loss	(421,572)	(537,383)	$ (115,811)
Retained earnings, July 1, 1996	2,675,470	2,675,470	
Retained earnings, June 30, 1997	$ 2,253,898	$ 2,138,087	

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, 1997

Cash flows used in operating activities:	
Net loss	$ (537,383)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	241,119
Changes in operating assets and liabilities:	
Increase in accounts receivable	435,869
Increase in inventory	(214,062)
Increase in prepaids	(9,914)
Increase in deferred revenue	5,229
Increase in accrued employee benefits	20,714
Increase in accounts payable	701,166
Net cash provided by operating activities	642,738
Cash flows from non-capital financing activities:	
Decrease in amounts due from other funds	(277,430)
Increase in amounts due to other funds	(1,638,494)
Increase in amount to be provided by future deposits	1,221,126
Net cash used in non-capital financing activities	(694,798)
Cash flows used in capital financing activities:	
Principal payments under capitalized lease obligations	(58,861)
Decrease in notes payable	(14,006)
Acquisitions of property and equipment	(267,701)
Net cash used in capital financing activities	(340,568)
Decrease in cash and cash equivalents	(392,628)
Cash and cash equivalents, July 1, 1996	2,696,714
Cash and cash equivalents, June 30, 1997	$ 2,304,086
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 3,331
Non-cash capital financing activities:	
Transfer of capitalized lease obligations	$ 163,944
Acquisitions of fixed assets through capitalized lease obligations	23,487
Net effect of non-cash capital financing activities	$ 187,431

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting policies of 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 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 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 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 component units of the District. Accordingly, the financial activities of the Authority and Financing Corporation have been included in the financial statements of the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

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 potentially a 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 have 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.

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, 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. For financial reporting purposes, the Financing Corporation, DVC Debt Service Fund and Special Revenue COPs Fund have been blended with the Capital Projects Fund.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Structure (Continued)

B - Proprietary Fund Types

1 - Enterprise Funds:

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.

2 - Internal Service Fund:

The Self-Insurance Fund is an Internal Service Fund used to account for the District's property and liability insurance activities.

C - Fiduciary Fund Type

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.

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.

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 expended 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 1997, compensated absences in the amount of $4,121,815 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.

Fund Balances

The District incurred a negative fund balance in the Student Financial Aid fund. This deficit fund balance is not in accordance with *Government Auditing Standards.*

Estimates

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Practices (Continued)

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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 1997 consisted of the following:

Pooled Funds:	
Cash in County Treasury	$ 16,838,265
Local Agency Investment Fund	4,433,957
Deposits:	
Cash on hand and in banks	4,378,868
Revolving fund	155,600
Investments	300,000
Total cash and cash equivalents	26,106,690
Amount to be provided by future deposits	(2,087,390)
Net cash and cash equivalents	$ 24,019,300
Investments:	
Certificates of Deposit	$ 500,000
U.S. Treasury Bonds	2,827,914
U.S. Government Agencies	7,377,765
Total investments	$ 10,705,679

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, 1997.

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, 1997, the District's investments, with a carrying value of $10,705,679, which is the lower of cost or market value, consist of certificates of deposit, U.S. Treasury Bonds and U.S. Government Agencies. 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.

	Category			Bank	Book
	1	2	3	Balance	Balance
Deposits:					
Cash on hand and in banks	$ 336,795	$ 4,177,181		$ 4,513,976	$ 4,378,868
Cash in revolving fund	97,066	55,932		152,998	155,600
Pooled Funds:					
Cash in County Treasury		21,277,784		21,277,784	14,750,875
Local Agency Investment Fund		4,433,957		4,433,957	4,433,957
Investments	9,723,679	1,282,000		11,005,679	11,005,679
	$ 10,157,540	$ 31,226,854	$ -	$ 41,384,394	$ 34,724,979

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 1997 consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Funds	Proprietary Funds	Fiduciary Funds	Total
Federal	$ 502,789				$ 73,677	$ 576,466
State	1,306,764	$ 285,363			54,719	1,646,846
Local government and other	1,010,431	29,468	$ 203,478	$ 275,439	4,685	1,523,501
Total receivables	$ 2,819,984	$ 314,831	$ 203,478	$ 275,439	$ 133,081	$ 3,746,813

4. PROPERTY, PLANT AND EQUIPMENT

The Proprietary Funds' property, plant and equipment, at June 30, 1997, consisted of the following:

	Bookstore Fund	Cafeteria Fund	Data Processing Center Fund	Total
Equipment	$ 474,519	$ 114,921	$ 1,936,735	$ 2,526,175
Less accumulated depreciation	(277,805)	(94,095)	(1,313,554)	(1,685,454)
Property, plant and equipment, net	$ 196,714	$ 20,826	$ 623,181	$ 840,721

5. INTERFUND ACTIVITY

Interfund due from/to amounts at June 30, 1997 and operating transfers for the year then ended were as follows:

	Interfund Balances		Interfund Operating Transfers	
	Due From	Due To	Transfer In	Transfer Out
General Fund	$ 1,728,946	$ 800,915	$ 578,073	$ 1,245,206
Capital Projects Fund	558,674	2,105,271	820,980	
Debt Service Funds	12,445		9,600	9,600
Proprietary Funds	540,545	1,015,132	252,574	185,098
Fiduciary Funds	2,328,996	1,248,288	306,059	527,382
	$ 5,169,606	$ 5,169,606	$ 1,967,286	$ 1,967,286

6. AMOUNTS AVAILABLE AND TO BE PROVIDED FOR DEBT SERVICE

The amount available for debt service, $13,551,094 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 debt service, $22,975,953, 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, 1997, is shown below:

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
Revenue bonds	$ 103,000		$ 7,000	$ 96,000
Capitalized lease obligations	313,529	$ 567,000	148,817	731,712
Certificates of Participation	1,605,000		30,000	1,575,000
Compensated absences		1,228,335		1,228,335
Post-retirement health benefits obligation	31,690,000	1,206,000		32,896,000
	$ 33,711,529	$ 3,001,335	$ 185,817	$ 36,527,047

Proprietary Funds' Debt

A schedule of changes in debt recorded in the Proprietary Funds for the year ended June 30, 1997 is shown below:

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
Capitalized lease obligations	$ 206,363	$ 150,385	$ 58,861	$ 297,887

7. LONG-TERM DEBT (Continued)

Revenue Bonds

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 the Revenue Bonds, as of June 30, 1997, is as follows:

Year Ending June 30,	Principal	Interest	Total
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
2002	8,000	1,800	9,800
Thereafter	60,000	5,580	65,580
Total	$ 96,000	$ 16,800	$ 112,800

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.

7. LONG-TERM DEBT (Continued)

Certificates of Participation (Continued)

The annual debt service requirement for the Certificates of Participation, as of June 30, 1997 is as follows:

Year Ending June 30,	Principal	Interest	Total
1998	$ 30,000	$ 92,570	$ 122,570
1999	35,000	91,100	126,100
2000	35,000	89,332	124,332
2001	40,000	87,495	127,495
2002	40,000	85,354	125,354
Thereafter	1,395,000	980,169	2,375,169
Total	$ 1,575,000	$ 1,426,020	$ 3,001,020

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:

Year Ending June 30,	General Long-Term Debt Account Group	Proprietary Funds
1998	$ 168,725	$ 110,842
1999	168,725	107,184
2000	169,325	50,600
2001	146,489	35,202
2002	104,659	35,202
Thereafter	176,650	
Total	934,573	339,030
Less amount representing interest	(202,861)	(41,143)
Net minimum lease payments	$ 731,712	$ 297,887

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:

Year Ending June 30,	Total
1998	$ 86,536
1999	56,558
2000	21,553
2001	9,600
2002	9,600
Thereafter	24,000
Total lease payments	$ 207,847

Rental expenditures for the year ended June 30, 1997 were $388,281.

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, 1997 totaled 467. Such payments for these retired employees totaled $1,607,360, for fiscal year ended June 30, 1997 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, 1997 the District paid $1,502,991 in claims and judgements from the Post-Retirement Health Benefits Fund, which represents final payment of the District's liability related to the lawsuit.

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, 1996 was $32,896,000 of which approximately $19,500,000 was unfunded. The District made a contribution in 1997 of $750,000. At June 30, 1997, net assets in the Post-Retirement Health Benefits Fund totaled $13,416,767, which were designated for future payment of the obligation included in the General Long-Term Debt Account Group.

8. SELF-INSURANCE PROGRAM

The District self-insures for property and liability claims up to $10,000. During the year ended June 30, 1997, the District established a separate Internal Service Fund for accounting and reporting purposes. Excess insurance has been purchased which covers property and liability claims greater than $10,000. The estimate of incurred but not reported and reported claims is actuarially determined based upon historical experience and actuarial assumptions.

The claims reserve activity for the year ended June 30, 1997 is as follows:

Unpaid claims and claim adjustment expenses, beginning of year	$ 0
Incurred claims and claim adjustment expenses:	
Provision for covered events of the current year	312,257
Payments:	
Claims and claim adjustment expenses	(112,257)
Total unpaid claims and claim adjustment expenses, end of year	$ 200,000

9. RESERVED AND DESIGNATED FUND BALANCES

The reserved fund balances at June 30, 1997 consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Funds	Fiduciary Fund Types
Reserved for:				
Revolving fund cash	$ 125,000			
Inventory	160,579			
Prepaid expenditures	776,298			
Restricted purposes		$ 42,245		$ 1,703,587
Debt services			$ 134,327	
Total	$ 1,061,877	$ 42,245	$ 134,327	$ 1,703,587

The designated fund balances at June 30, 1997 consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Funds
Designated for encumbrances	$ 604,375	$ 1,082,603	
Designated for contingency	1,868,078		
Designated for retirement benefits			$ 13,416,767
Total	$ 2,472,453	$ 1,082,603	$ 13,416,767

10. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefits pension plans maintained by agencies of the State of California. Academic 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 academic employees are eligible to participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. At June 30, 1997, the District employed 1,561 academic employees with a total annual payroll of $47,923,766.

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, 1997, the District employed 1,727 classified employees with a total annual payroll of $24,840,882.

10. 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.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Status and Progress of the Retirement Plans (Continued)

The pension benefit obligation for PERS was computed as part of actuarial valuation performed June 30, 1996. 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.

PERS does not make separate measurements of assets and pension benefit obligations for individual local education districts or county offices. The total over-funded pension benefit obligation for local educational agencies as a whole as of June 30, 1996 (the latest information available) is as follows:

Pension Benefit Obligation	PERS
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 7,914,284,224
Current employees:	
Accumulated employee contributions including allocated investment earnings	3,766,457,135
Employer-financed vested	4,322,142,100
Employer-financed nonvested	271,342,743
Total pension benefit obligation	16,274,226,202
Net assets available for benefits at cost (market value is $19,706,599,036)	18,350,497,286
Overfunded pension benefit obligation	$ 2,076,271,084

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 7.657 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.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Contributions Required and Contributions Made (Continued)

The District contribution information for the year ended June 30, 1997 is as follows:

	Number of Employees Covered	Total Employee Contri-butions	Total District Contri-butions	District's Current Year Covered Payroll	District Contri-butions as a Percent-age of Covered Payroll	Employee Contri-butions as a Percent-age of Covered Payroll
STRS	848	$ 2,895,604	$ 2,974,660	$ 47,916,830	6.2%	6.0%
PERS	484	$ 1,289,959	$ 1,474,879	$ 19,104,071	7.7%	6.8%

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 met the required contribution rate satisfying 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, 1996.

10. 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:

Fiscal Year	Net Assets Available For Benefits (In millions)	Pension Benefit Obligation	Percent-age Funded	Overfunded Pension Benefit Obligation	Annual Covered Payroll	Overfunded Pension Benefit Obligation as a Percentage of Covered Payroll
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	30.9%
1996	$ 18,350.5	$ 16,274.2	112.8%	$ 2,076.3	$ 4,547.5	45.7%

Other Information

At June 30, 1997, the District's records included $178,860 recorded as a liability for early retirement incentives granted to terminated employees who participated in PERS.

Under STRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. During the year ended June 30, 1997, the District paid $386,729 to STRS for early retirement incentives granted to terminated employees.

11. EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted three early retirement incentive programs, two STRS and one PERS, pursuant to Education Code Sections 22714 and 87488, whereby the service credit to eligible employees is increased by two years.

The District has determined that the formal actions taken would result in a net savings to the District.

All academic employees were eligible to participate in these programs. The District expects the Early Retirement Incentive Programs to generate future savings from reduced payroll costs.

11. EARLY RETIREMENT INCENTIVE PROGRAM (Continued)

A total of 12 employees have retired in exchange for the additional two years of service credit pursuant to ECS 22714 and 87488, as follows:

Fiscal Year 1996-97:

Position Vacated	Employee Age	Service Credit*
Instructor	59	36
Instructor	70	29
Instructor	63	32
Instructor	58	23
Instructor	64	32
Instructor	59	23
Instructor	60	25
Instructor	65	30
Instructor	60	36
Instructor	55	15
Instructor	60	34
Instructor	63	22

* Before the additional two years credit.

Additional Costs

As a result of these early retirement incentive programs, the District expects to incur $488,369 in additional costs. The breakdown in additional costs is presented below:

Fiscal Year 1996-97:

Retirement costs (including interest, if applicable)	$ 386,729
Post-retirement health benefit costs	101,640
Total additional costs	$ 488,369

11. EARLY RETIREMENT INCENTIVE PROGRAM (Continued)

Yearly Payroll Savings

The District expects this early retirement program to generate first year payroll savings of $507,542 which equals the difference in payroll costs for the twelve retirees and their replacements.

The retirees' annual salary and benefits are presented below:

	Retired Employee		Replacement Employee (If applicable)	
Position Vacated	Salary	Benefits	Salary	Benefits
Instructor	$ 76,601	$ 12,957	$ 47,374	$ 7,528
Instructor	69,264	12,213	47,374	7,528
Instructor	69,264	12,213	47,374	7,528
Instructor	65,628	12,556	47,374	7,528
Instructor	77,263	14,218	47,374	7,528
Instructor	69,264	12,213	47,374	7,528
Instructor	69,264	9,831	47,374	7,528
Instructor	69,264	9,890	47,374	7,528
Instructor	69,264	12,336	46,229	7,492
Instructor	67,440	12,148	46,229	7,492
Instructor	69,264	9,870	46,229	7,492
Instructor	69,264	10,153	46,229	7,492
Total	$ 1,021,044	$ 140,598	$ 563,908	$ 90,192

In addition, the Early Retirement Incentive Program was accepted by ten classified employees who received an additional two years service credit with PERS. The related additional costs incurred or expected to be incurred by the employer is approximately $180,000.

12. 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.

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.

13. JOINT POWERS AUTHORITIES

The District participates in Bay Area Community College District JPA (BACCDJPA) and 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, 1997, is as follows:

	BACCDJPA	CCCSIG
Total assets	$ 2,791,246	$ 53,473,688
Total liabilities	$ 1,420,322	$ 23,106,184
Total retained earnings	$ 1,370,924	$ 30,367,504
Total revenues	$ 1,713,660	$ 13,950,189
Total expenses	$ 2,052,593	$ 17,850,339

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, 1996, the date for which the most recent audited financial statements are available:

Total assets	$ 11,042,818
Total liabilities	$ 8,702,257
Total fund equity	$ 2,340,561
Total revenues	$ 27,564,135
Total expenditures	$ 26,735,265
Total change in fund equity	$ 828,870

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.

14. SUBSEQUENT EVENT

On July 1, 1997, the District issued $17,000,000 of Tax and Revenue Anticipation Notes (TRANs) maturing on June 30, 1998, 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, 1998. 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 1997 Tax and Revenue Anticipation Note Repayment Fund.

15. 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, 1997

	Post-Retirement Health Benefits	Bond Interest and Redemption	Bond Revenue	Total
ASSETS				
Cash in County Treasury	$ 1,535,554	$ 134,007		$ 1,669,561
Local Agency Investment Fund	1,941,931			1,941,931
Investments	9,723,679			9,723,679
Accounts receivable	203,158	320		203,478
Due from other funds	12,445			12,445
Total assets	$ 13,416,767	$ 134,327	$ -	$ 13,551,094
FUND BALANCES				
Fund balances:				
Reserved		$ 134,327		$ 134,327
Unreserved:				
Designated	$ 13,416,767			13,416,767
Total fund balances	$ 13,416,767	$ 134,327	$ -	$ 13,551,094

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, 1997

	Post-Retirement Health Benefits	Bond Interest and Redemption	Bond Revenue	Total
Revenues:				
Local sources	$ 1,552,167	$ 6,528	$ 9,600	$ 1,568,295
Expenditures:				
Claims and judgements	46,818			46,818
Debt service:				
Principal retirement		7,000		7,000
Interest		3,090		3,090
Total expenditures	46,818	10,090		56,908
Excess (deficiency) of revenues over (under) expenditures	1,505,349	(3,562)	9,600	1,511,387
Other financing sources (uses):				
Operating transfers in		9,600		9,600
Operating transfers out			(9,600)	(9,600)
Total other financing sources (uses)		9,600	(9,600)	
Excess of revenues and other financing sources over expenditures and other uses	1,505,349	6,038		1,511,387
Fund balances, July 1, 1996	11,911,418	128,289		12,039,707
Fund balances, June 30, 1997	$ 13,416,767	$ 134,327	$ -	$ 13,551,094

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, 1997

	Post-Retirement Health Benefits		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources	$ 1,828,000	$ 1,552,167	$ (275,833)
Expenditures:			
Claims and judgments		46,818	(46,818)
Debt service:			
Principal retirement			
Interest			
Total expenditures		46,818	(46,818)
Excess (deficiency) of revenues over (under) expenditures	1,828,000	1,505,349	(322,651)
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Excess of revenues and other financing sources over expenditures and other uses	1,828,000	1,505,349	$ (322,651)
Fund balances, July 1, 1996	11,911,418	11,911,418	
Fund balances, June 30, 1997	$ 13,739,418	$ 13,416,767	

(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, 1997

	Bond Interest and Redemption		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources	$ 6,000	$ 6,528	$ 528
Expenditures:			
Claims and judgments			
Debt service:			
Principal retirement	7,000	7,000	
Interest	3,090	3,090	
Total expenditures	10,090	10,090	
Excess (deficiency) of revenues over (under) expenditures	(4,090)	(3,562)	528
Other financing sources (uses):			
Operating transfers in	9,600	9,600	
Operating transfers out			
Total other financing sources (uses)	9,600	9,600	
Excess of revenues and other financing sources over expenditures and other uses	5,510	6,038	$ 528
Fund balances, July 1, 1996	128,289	128,289	
Fund balances, June 30, 1997	$ 133,799	$ 134,327	

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

ALL DEBT SERVICE FUNDS
(Continued)
For the Year Ended June 30, 1997

	Bond Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)
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 of revenues and other financing sources over expenditures and other uses			$ -
Fund balances, July 1, 1996			
Fund balances, June 30, 1997	$ -	$ -	

(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 Fiscal Year Ended June 30, 1997

	Total		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources	$ 1,843,600	$ 1,568,295	$ (275,305)
Expenditures:			
Claims and judgments		46,818	(46,818)
Debt service:			
Principal retirement	7,000	7,000	
Interest	3,090	3,090	
Total expenditures	10,090	56,908	(46,818)
Excess (deficiency) of revenues over (under) expenditures	1,833,510	1,511,387	(322,123)
Other financing sources (uses):			
Operating transfers in	9,600	9,600	
Operating transfers out	(9,600)	(9,600)	
Total other financing sources (uses)			
Excess of revenues and other financing sources over expenditures and other uses	1,833,510	1,511,387	$ (322,123)
Fund balances, July 1, 1996	12,039,707	12,039,707	
Fund balances, June 30, 1997	$ 13,873,217	$ 13,551,094	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL PROPRIETARY FUNDS

June 30, 1997

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Cash in County Treasury			$ 234,185	$ 234,185	$ 200,000	$ 434,185
Cash on hand and in banks	$ 284,759	$ 71,248		356,007		356,007
Revolving cash	21,700	8,900		30,600		30,600
Local Agency Investment Fund			1,183,294	1,183,294		1,183,294
Investments	300,000			300,000		300,000
Total cash and cash equivalents	606,459	80,148	1,417,479	2,104,086	200,000	2,304,086
Accounts receivable	240,593	2,410	32,436	275,439		275,439
Due from other funds	39,953	446,748	43,844	530,545	10,000	540,545
Inventories	1,642,604	29,367		1,671,971		1,671,971
Prepaid expenses		9,914		9,914		9,914
Total current assets	2,529,609	568,587	1,493,759	4,591,955	210,000	4,801,955
Property, plant and equipment, net	196,714	20,825	623,182	840,721		840,721
Total assets	$ 2,726,323	$ 589,412	$ 2,116,941	$ 5,432,676	$ 210,000	$ 5,642,676

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL PROPRIETARY FUNDS
(Continued)
June 30, 1997

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
LIABILITIES AND RETAINED EARNINGS (ACCUMULATED DEFICIT)						
Liabilities:						
Current liabilities:						
Amount to be provided by future deposits	$ 700,400	$ 520,726		$ 1,221,126		$ 1,221,126
Accounts payable	494,472	83,595	$ 156,434	734,501	$ 10,000	744,501
Accrued liabilities	8,944	2,453	9,317	20,714		20,714
Deferred revenue	5,229			5,229		5,229
Due to other funds	413,373		601,759	1,015,132		1,015,132
Liability for self-insurance					200,000	200,000
Capitalized lease obligations, current portion	38,843		52,340	91,183		91,183
Total current liabilities	1,661,261	606,774	819,850	3,087,885	210,000	3,297,885
Capitalized lease obligations	134,212		72,492	206,704		206,704
Total liabilities	1,795,473	606,774	892,342	3,294,589	210,000	3,504,589
Retained earnings (accumulated deficit)	930,850	(17,362)	1,224,599	2,138,087		2,138,087
Total liabilities and retained earnings (accumulated deficit)	$ 2,726,323	$ 589,412	$ 2,116,941	$ 5,432,676	$ 210,000	$ 5,642,676

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, 1997

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
Operating revenues	$ 7,788,140	$ 1,115,387	$ 1,838,487	$ 10,742,014	$ 112,257	$ 10,854,271
Operating expenses:						
Cost of goods sold	6,049,764	609,760		6,659,524		6,659,524
Classified salaries	1,206,815	514,670	1,109,993	2,831,478		2,831,478
Employee benefits	264,893	103,709	259,261	627,863		627,863
Materials and supplies	148,123	74,339	143,840	366,302		366,302
Contract services and other operating expenses	263,578	139,216	366,598	769,392	112,257	881,649
Depreciation	100,285	9,341	147,635	257,261		257,261
Debt service:						
Principal retirement	11,076		47,785	58,861		58,861
Interest	2,990		13,809	16,799		16,799
Total operating expenses	8,047,524	1,451,035	2,088,921	11,587,480	112,257	11,699,737
Operating loss	(259,384)	(335,648)	(250,434)	(845,466)		(845,466)
Other income	21,535	125,236	93,836	240,607		240,607
Loss before operating transfers	(237,849)	(210,412)	(156,598)	(604,859)		(604,859)
Other financing sources (uses):						
Operating transfers in		211,564	41,010	252,574		252,574
Operating transfers out	(185,098)			(185,098)		(185,098)
Total other financing sources (uses)	(185,098)	211,564	41,010	67,476		67,476
Net (loss) income	(422,947)	1,152	(115,588)	(537,383)		(537,383)
Retained earnings (accumulated deficit), July 1, 1996	1,353,797	(18,514)	1,340,187	2,675,470		2,675,470
Retained earnings (accumulated deficit), June 30, 1997	$ 930,850	$ (17,362)	$ 1,224,599	$ 2,138,087	$ -	$ 2,138,087

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 (EXCEPT INTERNAL SERVICE FUND)

For the Year Ended June 30, 1997

	Bookstore		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 6,465,512	$ 7,788,140	$ 1,322,628
Operating expenses:			
Cost of goods sold	4,546,907	6,049,764	(1,502,857)
Classified salaries	1,039,167	1,206,815	(167,648)
Employee benefits	257,400	264,893	(7,493)
Materials and supplies	90,875	148,123	(57,248)
Contract services and other operating expenses	177,333	263,578	(86,245)
Depreciation		100,285	(100,285)
Debt service:			
Principal retirement		11,076	(11,076)
Interest		2,990	(2,990)
Total operating expenses	6,111,682	8,047,524	(1,935,842)
Operating income (loss)	353,830	(259,384)	(613,214)
Other income		21,535	21,535
Income (loss) before operating transfers	353,830	(237,849)	(591,679)
Other financing sources (uses):			
Operating transfers in			
Operating transfers out	(185,098)	(185,098)	
Total other financing sources (uses)	(185,098)	(185,098)	
Net income (loss)	168,732	(422,947)	$ (591,679)
Retained earnings (accumulated deficit), July 1, 1996	1,353,797	1,353,797	
Retained earnings (accumulated deficit), June 30, 1997	$ 1,522,529	$ 930,850	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)
(Continued)
For the Year Ended June 30, 1997

	Cafeteria		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 1,330,600	$ 1,115,387	$ (215,213)
Operating expenses:			
Cost of goods sold	615,400	609,760	5,640
Classified salaries	478,678	514,670	(35,992)
Employee benefits	112,668	103,709	8,959
Materials and supplies	130,263	74,339	55,924
Contract services and other operating expenses	120,954	139,216	(18,262)
Depreciation	5,003	9,341	(4,338)
Debt service:			
Principal retirement			
Interest			
Total operating expenses	1,462,966	1,451,035	11,931
Operating income (loss)	(132,366)	(335,648)	(203,282)
Other income	53,100	125,236	72,136
Income (loss) before operating transfers	(79,266)	(210,412)	(131,146)
Other financing sources (uses):			
Operating transfers in	79,358	211,564	132,206
Operating transfers out			
Total other financing sources (uses)	79,358	211,564	132,206
Net income (loss)	92	1,152	$ 1,060
Retained earnings (accumulated deficit), July 1, 1996	(18,514)	(18,514)	
Retained earnings (accumulated deficit), June 30, 1997	$ (18,422)	$ (17,362)	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)

(Continued)

For the Year Ended June 30, 1997

	Data Processing Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 1,834,222	$ 1,838,487	$ 4,265
Operating expenses:			
Cost of goods sold			
Classified salaries	1,095,265	1,109,993	(14,728)
Employee benefits	283,173	259,261	23,912
Materials and supplies	161,229	143,840	17,389
Contract services and other operating expenses	975,961	366,598	609,363
Depreciation		147,635	(147,635)
Debt service:			
Principal retirement		47,785	(47,785)
Interest		13,809	(13,809)
Total operating expenses	2,515,628	2,088,921	426,707
Operating income (loss)	(681,406)	(250,434)	430,972
Other income	50,000	93,836	43,836
Income (loss) before operating transfers	(631,406)	(156,598)	474,808
Other financing sources (uses):			
Operating transfers in	41,010	41,010	
Operating transfers out			
Total other financing sources (uses)	41,010	41,010	
Net income (loss)	(590,396)	(115,588)	$ 474,808
Retained earnings (accumulated deficit), July 1, 1996	1,340,187	1,340,187	
Retained earnings (accumulated deficit), June 30, 1997	$ 749,791	$ 1,224,599	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)
(Continued)
For the Fiscal Year Ended June 30, 1997

	Total		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 9,630,334	$ 10,742,014	$ 1,111,680
Operating expenses:			
Cost of goods sold	5,162,307	6,659,524	(1,497,217)
Classified salaries	2,613,110	2,831,478	(218,368)
Employee benefits	653,241	627,863	25,378
Materials and supplies	382,367	366,302	16,065
Contract services and other operating expenses	1,274,248	769,392	504,856
Depreciation	5,003	257,261	(252,258)
Debt service:			
Principal retirement		58,861	(58,861)
Interest		16,799	(16,799)
Total operating expenses	10,090,276	11,587,480	(1,497,204)
Operating income (loss)	(459,942)	(845,466)	(385,524)
Other income	103,100	240,607	137,507
Income (loss) before operating transfers	(356,842)	(604,859)	(248,017)
Other financing sources (uses):			
Operating transfers in	120,368	252,574	132,206
Operating transfers out	(185,098)	(185,098)	
Total other financing sources (uses)	(64,730)	67,476	132,206
Net income (loss)	(421,572)	(537,383)	$ (115,811)
Retained earnings (accumulated deficit), July 1, 1996	2,675,470	2,675,470	
Retained earnings (accumulated deficit), June 30, 1997	$ 2,253,898	$ 2,138,087	

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 Fiscal Year Ended June 30, 1997

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
Cash flows from operating activities:						
Net (loss) income	$ (422,947)	$ 1,152	$ (115,588)	$ (537,383)		$ (537,383)
Adjustment to reconcile net income (loss) to net cash (used in) provided by operating activities:						
Depreciation	84,149	9,336	147,634	241,119		241,119
Changes in operating assets and liabilities:						
Decrease (increase) in accounts receivable	5,111	(819)	431,577	435,869		435,869
(Increase) decrease in inventory	(215,997)	1,935		(214,062)		(214,062)
Increase in prepaids		(9,914)		(9,914)		(9,914)
Increase in deferred revenue	5,229			5,229		5,229
Increase in accrued employee benefits	8,944	2,453	9,317	20,714		20,714
Increase in accounts payable	269,218	65,514	156,434	491,166	$ 210,000	701,166
Net cash (used in) provided by operating activities	(266,293)	69,657	629,374	432,738	210,000	642,738
Cash flows from non-capital financing activities:						
Decrease (increase) in amounts due from other funds	41,182	(266,330)	(42,282)	(267,430)	(10,000)	(277,430)
Decrease in amounts due to other funds	(972,177)	(641,532)	(24,785)	(1,638,494)		(1,638,494)
Increase in amount to be provided by future deposits	700,400	520,726		1,221,126		1,221,126
Net cash used in non-capital financing activities	(230,595)	(387,136)	(67,067)	(684,798)	(10,000)	(694,798)

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS
(Continued)
For the Fiscal Year Ended June 30, 1997

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
Cash flows used in capital financing activities:						
Principal payments under capitalized lease obligations	$ (11,071)		$ (47,790)	$ (58,861)		$ (58,861)
Decrease in notes payable	(14,006)			(14,006)		(14,006)
Dispositions (acquisitions) of property and equipment	1,639	$ (13,016)	(256,324)	(267,701)		(267,701)
Net cash used in capital financing activities	(23,438)	(13,016)	(304,114)	(340,568)		(340,568)
(Decrease) increase in cash and cash equivalents	(520,326)	(330,495)	258,193	(592,628)	$ 200,000	(392,628)
Cash and cash equivalents, July 1, 1996	1,126,785	410,643	1,159,286	2,696,714		2,696,714
Cash and cash equivalents, June 30, 1997	$ 606,459	$ 80,148	$ 1,417,479	$ 2,104,086	$ 200,000	$ 2,304,086
Supplemental disclosure of cash flow information:						
Cash paid for interest	$ 3,331	$ -	$ -	$ 3,331	$ -	$ 3,331
Non-cash capital financing activities:						
Transfer of capitalized lease obligations	$ 150,385		$ 13,559	$ 163,944		$ 163,944
Acquisitions of fixed assets through capitalized leases obligations			23,487	23,487		23,487
Net effect of non-cash capital financing activities	$ 150,385	$ -	$ 37,046	$ 187,431	$ -	$ 187,431

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL FIDUCIARY FUNDS

June 30, 1997

	Expendable Trust Funds					Agency Fund	
	Student Financial Aid	Student Scholarship and Loan	Associated Students	Student Body Center Building and Operating	Total Expendable Trust Funds	Cal Grants	Total Fiduciary Funds
ASSETS							
Cash on hand and in banks	$ 517,203	$ 184,533	$ 480,557		$ 1,182,293		$ 1,182,293
Investments		485,000	15,000		500,000		500,000
Accounts receivable	128,396	3,526		$ 1,159	133,081		133,081
Due from other funds	102,129			2,226,867	2,328,996		2,328,996
Total assets	$ 747,728	$ 673,059	$ 495,557	$ 2,228,026	$ 4,144,370	$ -	$ 4,144,370
LIABILITIES AND FUND BALANCES							
Liabilities:							
Amount to be provided by future deposits				$ 866,264	$ 866,264		$ 866,264
Accounts payable				14,125	14,125		14,125
Deferred revenue	$ 12,429				12,429		12,429
Due to other funds	736,173		$ 15,823	496,292	1,248,288		1,248,288
Due to student organizations			299,677		299,677		299,677
Total liabilities	748,602		315,500	1,376,681	2,440,783		2,440,783
Fund balances (deficit):							
Reserved	(874)	$ 673,059	180,057	851,345	1,703,587		1,703,587
Total liabilities and fund balances	$ 747,728	$ 673,059	$ 495,557	$ 2,228,026	$ 4,144,370	$ -	$ 4,144,370

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 (DEFICIT)

ALL EXPENDABLE TRUST FUNDS

For the Year Ended June 30, 1997

	Student Financial Aid	Student Scholarship and Loan	Associated Students	Student Body Center Building and Operating	Total
Revenues:					
Federal sources	$ 5,206,575				$ 5,206,575
State sources	522,580				522,580
Local sources		$ 165,920	$ 202,115	$ 24,857	392,892
Total revenues	5,729,155	165,920	202,115	24,857	6,122,047
Expenditures:					
Salaries and benefits			17,193		17,193
Books and supplies			188,199		188,199
Contract services and operating expenditures			11,233		11,233
Student financial assistance	5,739,616	219,808			5,959,424
Total expenditures	5,739,616	219,808	216,625		6,176,049
(Deficiency) excess of revenues (under) over expenditures	(10,461)	(53,888)	(14,510)	24,857	(54,002)
Other financing sources (uses):					
Operating transfers in	41,842	61,600	16,827	185,790	306,059
Operating transfers out	(32,255)			(495,127)	(527,382)
Total other financing sources (uses)	9,587	61,600	16,827	(309,337)	(221,323)
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(874)	7,712	2,317	(284,480)	(275,325)
Fund balances, July 1, 1996		665,347	177,740	1,135,825	1,978,912
Fund balances (deficit), June 30, 1997	$ (874)	$ 673,059	$ 180,057	$ 851,345	$ 1,703,587

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

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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, 1997, and have issued our report thereon dated January 7, 1998. In our report, our opinion was qualified because of the omission of the General Fixed Assets Group of accounts. 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; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 taken as a whole. The accompanying supplemental financial and statistical information including the Schedule of Federal and State Financial Assistance and the reports listed below, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements of Contra Costa Community College District and includes the following schedules:

- Organization
- 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
January 7, 1998

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 1997

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 Pittsburgh, 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

Members	Office	Term Expires
William M. Corey	President	December 2000
John T. Nejedly	Vice-President	December 1998
David N. MacDiarmid	Secretary	December 1998
Eugene H. Ross	Member	December 1998
Kristine L. Chase	Member	December 2000
Kristy S. Carr	Student Member	May 1998

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, 1997

	Federal Catalog Number	Program Entitlements			Program Revenues				Program Expend-itures
		Current Year	Prior Year Carry-over	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenues	
Federal Programs:									
Pell Grants	84.063	$ 4,688,074		$ 4,688,074	$ 4,688,074	$ 73,677		$ 4,761,751	$ 4,761,751
Federal Supplemental Education Opportunity Grant	84.007	240,108		240,108	240,108			240,108	281,950
Federal Direct Student Loans		204,716		204,716	204,716			204,716	204,716
Federal Work Study	84.033	214,962		214,962	214,962			214,962	214,962
Vocational and Applied Technology Education Acts:									
Title IIA - Worksite Experience	84.048	73,074		73,074	54,972	6,410	$ 26,385	34,997	34,997
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	7,885		49,885	49,885
Title IIC - Basic Grant	84.048	516,568	$ 44,125	560,693	478,042	60,348	4,904	533,486	533,486
Title IIIE - Technical Preparation	84.049	214,770	12,606	227,376	192,211	32,892	1,185	223,918	224,362
Title III -Economic Development	84.049	10,000		10,000	8,400	1,180		9,580	9,580
FIPSE	84.116B	123,423		123,423	64,063	62		64,125	64,150
Job Training Partnership Act	17.246	160,432		160,432	11,530	143,905		155,435	155,435
Higher Education Act III	84.031A	562,942	194,246	757,188	262,818	217,172		479,990	479,990
Other Federal Revenue		355,929	18,622	374,551	422,604	23,335	11,748	434,191	434,191
Total Federal Programs		$ 7,474,998	$ 269,599	$ 7,744,597	$ 6,934,900	$ 576,466	$ 44,222	$ 7,467,144	$ 7,509,455

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 1997

	Program Entitlements			Program Revenues				
	Current Year	Prior Year Carry-over	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenues	Program Expend-itures
State Programs:								
Matriculation	$ 1,428,777	$ 26,626	$ 1,455,403	$ 1,455,403			$ 1,455,403	$ 1,444,715
Extended Opportunity Program Services	1,823,632		1,823,632	1,823,632		$ 39,612	1,784,020	1,784,020
Disabled Student Program Services	1,077,238		1,077,238	1,077,238		64,862	1,012,376	1,012,376
Preschool Grant	840,684		840,684	1,014,525		286,270	728,255	728,255
Workability III	192,351		192,351	97,687	$ 63,106		160,793	160,793
Environmental Tech - State Leadership	95,596		95,596	80,301	14,919		95,220	95,220
Faculty and Staff Development	156,715	71,112	227,827	227,827		66,942	160,885	160,885
BFAP Administration	147,143		147,143	147,117	1,354	4,370	144,101	144,216
Other State Programs	685,701		685,701	344,371	108,165	216,750	235,786	249,230
Instruction Equipment	2,814,823		2,814,823	2,814,823		1,583,807	1,231,016	1,384,251
GAIN	318,562		318,562	318,562		318,562		
Cal Grants	225,930		225,930	171,211	54,719		225,930	225,930
Total State Programs	$ 9,807,152	$ 97,738	$ 9,904,890	$ 9,572,697	$ 242,263	$ 2,581,175	$ 7,233,785	$ 7,389,891

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, 1997

Categories	Reported Data	Audit Adjustments	Revised Data
A. Credit full-time equivalent student (FTES)			
1. Weekly census	23,949		23,949
2. Daily census	930		930
3. Actual hours of attendance	1,982		1,982
4. Independent study work experience	249		249
Total	27,110	-	27,110
B. Noncredit FTES			
1. Actual hours of attendance	263	-	263
C. Gross Square Footage			
1. Existing facilities	1,205,749	-	1,205,749

See accompanying notes to
supplemental information

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF ANNUAL APPRENTICESHIP HOURS OF INSTRUCTION

Annualized Attendance as of June 30, 1997

	Reported Annual Hours
Reporting periods	
July 1 - December 31, 1996	31,460
January 1 - April 15, 1997	-
April 16 - June 30, 1997	30,241
Total	61,701

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, 1997

	General Fund	Capital Projects Fund	Bookstore Fund	Cafeteria Fund	Data Processing Fund	Student Financial Aid	Associated Students Fund	Student Body Center
June 30, 1997 Annual Financial and Budget Report Fund Balances/ Retained Earnings (Deficit)	$ 7,776,693	$ 1,139,408	$ 1,161,866	$ 1,153	$ 1,318,726		$ 149,374	$ (753,654)
Adjustments:								
Increase in cash and cash equivalents	26,187	638,763					7,502	
Decrease in fixed assets			(30,770)					
Increase in prepaid expenditures	38,239							
(Increase) decrease in accounts payable	(331,103)	25,449	(6,788)	(18,515)	(24,402)			
Decrease in Federal revenue						$ (4,202)		
Increase (decrease) in State revenue	25,596					(221,728)		
Increase in local revenue	44,998	68,445	4,800		15,977		23,181	
Decrease in cost of goods sold			6,366					
Decrease in instructional salaries	61,138							
Increase in classified salaries	(10,645)							
Decrease in employee benefits	25,264							
Increase in books, materials and supplies			(62,052)					
Increase in contract services and operating expenditures	(429,935)	(56)	(32,704)		(41,646)			
Increase in other outgo						(113,436)		
Increase (decrease) in other financing sources		495,128				338,492		(495,128)
Adjustments subtotal	(550,261)	1,227,729	(121,148)	(18,515)	(50,071)	(874)	30,683	(495,128)

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 1997

	General Fund	Capital Projects Fund	Bookstore Fund	Cafeteria Fund	Data Processing Fund	Student Financial Aid	Associated Students Fund	Student Body Center
Adjustments subtotal	$ (550,261)	$ 1,227,729	$ (121,148)	$ (18,515)	$ (50,071)	$ (874)	$ 30,683	$ (495,128)
(Decrease) increase in due to other funds		(1,955,067)						2,100,127
Decrease in capital outlay	573,775							
Decrease in operating revenue			(109,868)					
Transfer abatement subfund	325,354							
Transfer COPs special revenue activity		1,064,482						
Blend Financing Corp. to Capital Projects		28,296						
Other prior adjustments not recorded	65,231				(44,056)			
Net adjustments	414,099	365,440	(231,016)	(18,515)	(94,127)	(874)	30,683	1,604,999
June 30, 1997 Audited Financial Statements Fund Balances/Retained Earnings (Accumulated Deficit)	$ 8,190,792	$ 1,504,848	$ 930,850	$ (17,362)	$ 1,224,599	$ (874)	$ 180,057	$ 851,345

See accompanying notes to supplemental information.

NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Federal and State Financial Assistance

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. To comply with A-133 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, 1997.

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 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, 1997, and have issued our report thereon dated January 7, 1998. 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 July 1997 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 (EOP&S) or Disabled Student Programs and Services (DSP&S) accounts unless their activities require them to perform additional functions for the EOP&S or DSP&S 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 EOP&S or DSP&S.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE
(Continued)

8. The District's claim upon EOP&S funds excluded expenses incurred as administrative salaries unless the administrator exclusively functions in the capacity of the EOP&S Director or an exemption is specifically certified by the Chancellor's Office.

9. The District has calculated appropriation 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, 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 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:

- Holds placed on students who have been formally dismissed from the college do not preclude enrolling for the following semester.
- 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 EOP&S and DSP&S for services by college staff, who also have other program responsibilities, were not always adequately documented to justify the allocation.
- Signed census reports are not retained for two campuses.

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
January 7, 1998

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (SUBJECT TO A-133)

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, 1997, and have issued our report thereon dated January 7, 1998. In our report, our opinion was qualified because of the omission of the General Fixed Assets Group of accounts. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Contra Costa Community College District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Findings and Recommendations section of this report as items seventeen through twenty-one.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Contra Costa Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Contra Costa Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the Findings and Recommendations section of this report as items one through three.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a fairly low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions identified above are material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (SUBJECT TO A-133)

(Continued)

This report is intended for the information of the Board of Trustees, management, the State Department of Finance, the Chancellor's Office, California Community Colleges and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Perry-Smith & Co.

Certified Public Accountants

Sacramento, California
January 7, 1998

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Contra Costa Community
College District
Martinez, California

Compliance

We have audited the compliance of Contra Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1997. Contra Costa Community College District's major federal programs are identified in the accompanying schedule of Federal financial assistance. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Contra Costa Community College District's management. Our responsibility is to express an opinion on Contra Costa Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Contra Costa Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Contra Costa Community College District's compliance with those requirements.

As described in items seventeen through twenty-one in the Findings and Recommendations section of this report, Contra Costa Community College District did not comply with requirements in regard to supplementation versus supplanting applicable to VATEA, institutional eligibility ratios, the Federal Work Study match, recording of revenues in the proper fund, cash management and financial reporting applicable to Student Financial Aid and monitoring of and accounting for equipment purchased with Federal funds applicable to the EDGAR requirements for all major Federal programs. Compliance with such requirements is necessary, in our opinion, for Contra Costa Community College District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Contra Costa Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

The management of Contra Costa Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Contra Costa Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management, the State Department of Finance, the Chancellor's office, California Community Colleges and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Perry - Smith & Co.
Certified Public Accountants

Sacramento, California
January 7, 1998

FINDINGS AND RECOMMENDATIONS

Board of Trustees
Contra Costa Community College District
500 Court Street
Martinez, California 94553

In planning and performing our procedures in connection with our audit of the general purpose financial statements of Contra Costa Community College District (the "District") for the year ended June 30, 1997, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements, and not to provide assurance on the internal control structure. We also considered the District's internal control structure to determine compliance with selected State and Federal regulations. 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 District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

REPORTABLE CONDITIONS

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

2) During our evaluation of the District's internal controls, we noted the District was unable to maintain accurate account balances on the computerized general ledger for the majority of the year as evidenced by the following:

   - The District was unable to post journal entries to the new system until late January, 1997. Thus, journal entries were not posted or reviewed timely.

   - The District had limited system access to financial statement information for a majority of the year. Monthly financial statements were generated off-system by the Comptroller.

3) Several account reconciliations were neither prepared nor reviewed by management on a timely basis. Specifically, they include the following:

   - Bank Accounts
   - Accounts Receivable
   - Accounts Payable
   - Fund Balance

Board of Trustees
Contra Costa Community College District

MATERIAL WEAKNESSES

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable conditions identified in the memorandum that accompanies this report are material weaknesses.

ADDITIONAL COMMENTS

Additionally, during our evaluation of the internal control structure, we became aware of certain matters that we believe present opportunities for strengthening internal controls and improving operating efficiency. Although some improvement from the previous year was noted in the District's accounting procedures, many of these matters were discussed in the prior year. The accompanying memorandum summarizes our observations and recommendations.

This report is intended solely for the information and use of the Board of Trustees, management, and others as appropriate within the District. This restriction is not intended to limit distribution of this report, which is a matter of public record.

We would be pleased to discuss these observations and recommendations in greater detail at your convenience. In addition, we will be available to assist you in the implementation of our recommendations. We would like to take this opportunity to express our appreciation for the courtesies and cooperation extended to us by your staff during our audit.

Perry-Smith & Co.
Certified Public Accountants

Sacramento, California
December 16, 1997

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 1997

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES

1. ACCOUNTING DEPARTMENT STAFFING

Finding

The District's Accounting Department remains inadequately staffed to support the Comptroller and the accounting requirements of the District. This is apparent by the magnitude of audit adjustments, additional reportable conditions, delays in implementing prior year recommendations and the level of performance within certain accounting functions. In general, the volume and complexity of the accounting transactions, combined with turnover in key positions has left the Business Office with resources which are not consistent with expected levels of effectiveness and efficiency.

Recommendation

The appointment of experienced accountants should assist in standardizing the finance function, generating timely financial information and enhancing internal controls. The professional qualifications for future Business Office personnel should be elevated to ensure that technical abilities are commensurate with the requirements of the position. Additionally, we believe that the District accounting staff would benefit from a comprehensive training program covering the fundamentals of governmental accounting. Such training should also include instruction on the District's operating policies and procedures. Furthermore, 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.

2. SYSTEM CONVERSION

Finding

During our review of internal controls, we noted the District was unable to maintain accurate account balances for the majority of the year due to the conversion of the general ledger software as evidenced by the following:

- Although system implementation began in July 1996, the District was unable to post journal entries to the new system until late January 1997. Thus, journal entries were not posted or reviewed timely.

- The District had limited system access to financial statement information for a majority of the year. Monthly financial statements were generated off-system by the Comptroller.

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES (Continued)

2. SYSTEM CONVERSION (Continued)

Recommendation

We recommend that future conversions be scheduled with a timeline that specifically addresses the utilization of accounting department staff and procedures for maintaining accounting data during the conversion process. This will provide management with a plan to efficiently complete the conversion while maintaining the integrity of accounting data and reducing the interruption of the regular duties of department staff.

3. ACCOUNT RECONCILIATIONS

Finding

Several account reconciliations were not prepared on a timely basis nor reviewed by management. Specifically, they include the following:

- Bank Accounts
- Accounts Receivable
- Accounts Payable
- Fund Balances

Recommendation

We understand that this situation was a result of both the staffing constraints in the Accounting Department and the conversion to the new general ledger system. However, key control procedures such as reconciliations, review of journal entries and preparation of financial statements should be performed completely and in a timely manner in order to:

- Prevent unauthorized use of cash.
- Ensure proper accounting recognition for:
    - Accounts Receivable
    - Accounts Payable
    - Fund Balances
- Prevent material misstatement of account balances.

GENERAL

4. FINANCIAL AND MANAGEMENT REPORTING

Finding

The current information system and its related administrative processes for financial and management reporting over payroll, disbursements, cash receipts and human resources limit the efficiency and effectiveness of the District's financial reporting. Internal control weaknesses result from the inability of the Accounting Department to extract timely and accurate information from the financial system. Development of better reporting and efficient internal controls over disbursements, payroll, and financial reporting is dependent upon the implementation of procedures which address the system shortfalls. A timeline and strategy should be established to ensure that the necessary internal controls are in place and operating effectively.

Recommendation

We recommend the District evaluate its administrative process for financial and management reporting to address needed policies and procedures for the current system. Additionally, as a key component of planning for the new data processing system, the Accounting Department should evaluate and revise policies and procedures to ensure an efficient and effective financial reporting process and internal control. While a significant commitment of time and resources will be required, this investment will result in immediate and tangible improvements over internal controls and operating efficiency.

5. ELECTRONIC DATA PROCESSING (EDP)

Findings

Our review of the District's EDP department 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.
- Presently, in case of a disaster, only certain individuals know the proper procedures to be followed to restore the EDP system to full operation. There are no written procedures to ensure successful restoration of the system.
- Access to the computer room is restricted only on weekends and after 5 p.m. In addition, eating and drinking is allowed in the computer room without restriction.

GENERAL (Continued)

5. ELECTRONIC DATA PROCESSING (EDP) (Continued)

Recommendations

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 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 program modifications are reviewed for accuracy.

- 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.

- As the building is undergoing major renovation, the District should consider installing a keypad to control access to the computer room. In addition, eating and drinking should be restricted around the computer equipment.

6. CASH DISBURSEMENTS

Findings

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.

GENERAL (Continued)

6. CASH DISBURSEMENTS (Continued)

Findings (Continued)

- Confirming Requisitions are used for invoices over $700 and invoices are paid from the Confirming Requisitions without 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.

- During our cash disbursement testing, we noted a disbursement which was paid without an invoice or any other supporting documentation.

- An invoice could not be located to support an expenditure made by the Diablo Valley College Bookstore.

Recommendations

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

- 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.

- All purchases should require a purchase order.

- The District should emphasize the importance of ensuring that appropriate documentation is maintained to support all payments.

7. CASH DISBURSEMENTS - ASSOCIATED STUDENT BODY

Finding

During our review of the cash disbursements for the Associated Student Body, we noted that the Los Medanos College campus does not require the clubs to document and maintain minutes of their meetings to support the decisions made by the club officers and members. Consequently, disbursements were not supported by minutes of the club meeting in which the disbursement was authorized.

GENERAL (Continued)

7. CASH DISBURSEMENTS - ASSOCIATED STUDENT BODY (Continued)

Recommendation

In order to ensure that the District is in accordance with the fiduciary duties over Student Body activities imposed by the Education Code, the District should require the Associated Student Body and related clubs to maintain minutes of their meetings and ensure that disbursements are supported by approval in the minutes.

8. CASH RECEIPTS

Findings

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

- 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 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, personnel are unable to appropriately monitor their funds.

- The District Accountant receives the bookstore Daily Sales and Cash Reports along with register receipts from the campuses. However, the register receipts are not reconciled to the Daily Sales and Cash Report.

- During our testing of Diablo Valley College cafeteria cash receipts, we noted that the register tape could not be located to support an item selected for testing.

- Certain sales at the Contra Costa College cafeteria occurred after hours when registers were closed. No supporting register tapes or receipts were maintained.

- Sales at the Contra Costa College cafeteria for the entire Fall semester were not substantiated by register tape or other supporting documentation as the register was sent out for repair.

GENERAL (Continued)

8. CASH RECEIPTS (Continued)

Recommendations

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

- All funds received at the District Office 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.
- All register tapes should be maintained, in a orderly fashion, to provide adequate support for the cafeteria's annual revenues.
- To ensure the accuracy of the Daily Sales and Cash Report we recommend the Daily Sales and Cash Report be agreed to the register receipts.
- A formalized written policy should be developed and enforced to ensure sales do not occur after business hours.
- The District should ensure that controls are in place to properly support all cash transactions at remote collection sites throughout the District.

9. ACCOUNTS RECEIVABLE

Finding

During our review of the cash receipt internal controls we noted that there are no systematic monitoring procedures over delinquent accounts receivable. The new accounting system has the ability to print out an aging report (CCDAR12). However there is no evidence this report is being utilized.

Recommendations

The District should utilize the report to monitor past due accounts and to determine the collectibility of accounts outstanding in excess of one year.

GENERAL (Continued)

10. ACCOUNTS PAYABLE

Finding

While performing our search for unrecorded liabilities, we noted several items which were either improperly recorded as liabilities or improperly excluded from the accounts payable balance at June 30, 1997.

Recommendation

We recommend that the detail accruals be reviewed at year end to ensure that all valid liabilities are included in accounts payable. The accounts payable personnel should be reminded of the need for accuracy when reviewing the dates on vendor invoices and when recording the liabilities on the general ledger.

11. PAYROLL/PERSONNEL

Findings

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

- Permanent personnel files are not maintained for student employees.
- The PY91 report, which identifies all pay rate changes and newly hired personnel, is not reviewed by an independent party to verify the additions and corrections are accurate and properly supported. This finding is further heightened since all employees who can access the payroll system can add employees to the master file.
- The payroll manager reviews, approves and inputs payroll information, creating a lack of segregation of duties.
- Due to the preliminary pre-list being shredded, no reliance can be placed on the reconciliation of the pre-list to the final payroll register.
- Documentation is not maintained to support the object code to which each employee's salary is charged.
- The Payroll Department generates a benefits total for the Health & Welfare Account that is independent from the system-generated ES-13 report. Payroll also makes adjustments to the contribution account that are not included in the payroll reports. The changes made by the Payroll Department were not reviewed or reconciled by the Accounting Department during the year.

GENERAL (Continued)

11. PAYROLL/PERSONNEL (Continued)

Recommendations

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 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.
- Although turnover for student employees is high, personnel files should be maintained for all personnel employed by the District.
- Documentation supporting the object code to which each employee's salary and benefits is charged should be maintained in each employee's personnel file and updated as required.
- We recommend that the accounting department reconcile the Health & Welfare Account to ensure adjustments made by the payroll department are properly reflected on the general ledger.

12. GENERAL FIXED ASSET ACCOUNT GROUP

Finding

As noted in prior years, 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.

GENERAL (Continued)

13. BOOKSTORE INVENTORY CUT-OFF/WRITE OFF

Findings

During our review of internal controls and observation of bookstore inventory we noted the following:

- The Diablo Valley College and Los Medanos College bookstores do not maintain shipping and receiving logs which contain pertinent information with which to identify inventory received or shipped.

- Inventory cut-off testing revealed that several invoices were noted as goods received prior to June 30, 1997, but the goods and liability were not recorded as inventory and accounts payable until October, 1997.

- Obsolete inventory at Contra Costa College is not properly written off. As obsolete inventory is not included in the physical inventory, the adjustment for shrinkage includes the amount which should have been written off as obsolete inventory.

Recommendations

In order to improve internal controls over the bookstore inventory and properly account for write offs, we recommend the following:

- 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.

- To ensure inventory and any related liabilities are properly recorded in the District's general ledger, invoices must be presented and posted timely.

- Obsolete inventory should be immediately written off the books and not recorded as shrinkage.

GENERAL (Continued)

14. ACCESS TO ASSETS

Finding

While testing cash balances, we noted that there were certificates of deposit which were not properly recorded on the general ledger as certificates of deposit.

Recommendation

In order to ensure that the assets of the District are properly safeguarded, the District should implement policies and procedures regarding the purchase of investments. The policy should address proper authorization and documentation procedures and address the proper restriction of access to assets by employees. Furthermore, cash should be reconciled monthly and any variances should be investigated and resolved immediately.

STATE COMPLIANCE

15. ATTENDANCE

Findings

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 dismissals only affect future registration actions and do not affect classes already enrolled by the student, 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.

STATE COMPLIANCE

15. ATTENDANCE (Continued)

Findings (Continued)

- Diablo Valley College and Los Medanos College are not obtaining and maintaining the signed first census reports from all instructors. Instructors are required to return the census reports only if they wish to initiate changes, i.e., drops/withdrawals. As a result, Diablo Valley College and Los Medanos College are not in full 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.
- Instructors back date student drop cards.

Recommendations

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.

STATE COMPLIANCE (Continued)

15. ATTENDANCE (Continued)

Recommendations (Continued)

- The system should require password access to supervisory personnel to override the system for dismissed students.
- When an instructor identifies a student as a no show for the semester, the instructor should not initiate a drop for the student. In this instance, it is the student's responsibility to drop the course.

16. ALLOCATION OF COSTS

Finding

The Colleges have not documented the method for allocating the time of multi-funded employees to EOP&S and DSP&S. 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 DSP&S 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 in the form of time cards or documented based on scheduled classes and duties. The supporting cost allocations should then be maintained in each employee's personnel file.

FEDERAL COMPLIANCE

17. VATEA

Finding

Compliance requirements under the Vocational and Applied Technological Education Act (VATEA) require controls in place to ensure that Federal funding supplements and does not supplant State and local funding. During our audit, we were unable to obtain data necessary to ensure compliance with this requirement since the District does not account for vocational activities separately. In addition, VATEA evaluations completed by each campus coordinator are not reviewed by the VATEA Administrator at the District Office.

FEDERAL COMPLIANCE (Continued)

17. **VATEA** (Continued)

Recommendation

The District Administrator should prepare an annual worksheet, by vocational activity, comparing Federal expenditures to State and local expenditures to provide adequate assurance that Federal funds are not being used to supplant State and local funds. In addition, all VATEA Program evaluations should be reviewed to determine if the evaluation is adequate and in compliance with the guidelines detailed in the VATEA Plan. The VATEA Administrator should date and initial the program evaluations to signify a timely review.

18. **STUDENT FINANCIAL AID**

Findings

- The Institution Eligibility Ratios, specifically the Ability to Benefit Ratio, are being calculated as part of matriculation. However, the College's Student Financial Aid Directors are not reviewing the ratios to ensure District compliance.
- The District did not fund the entire Federal Work Study match as calculated on the FISAP in a timely manner.
- The District currently reflects the revenues in the General Fund for expenditures incurred in the Student Financial Aid Fund for certain categorical programs.
- Cash drawn down in the Student Financial Aid Fund for expenditures in the General Fund were not recognized in the Student Financial Aid Fund and the General Fund as interfund receivables/payables.

Recommendations

- An annual checklist detailing eligibility requirements should be completed to ensure the District is in compliance with Institution Eligibility Ratios. Procedures should be implemented to verify the completeness of the match.
- To provide for the correct funding of Federal Work Study, the match requirement calculated on the FISAP should be reviewed for accuracy by someone other than the preparer.
- We recommend that future interfund activity between the General Fund and the Student Financial Aid Fund recognize revenues in the fund in which the expenditures were incurred.

FEDERAL COMPLIANCE (Continued)

19. CASH MANAGEMENT

Findings

During our review of cash management, we noted the following:

- The Federal clearing account, maintained by the District, included month end 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, EFT draw downs of federal funds should not be held over three days.

- Personnel were not properly trained to perform the Title III and Student Financial Aid draw downs in a timely manner. Delays in requesting reimbursements necessitated covering disbursements with resources from governmental funds resulting in the loss of interest income on those transferred funds.

- As noted in the prior year, the fiscal 94/95 Pell Grant account receivable of $73,677 had not been requested for draw down.

Recommendations

- Draw downs should be performed on a monthly basis.

- In order to be in adherence with compliance requirements, the District should maintain the Federal clearing account on an imprest basis of no more than $1,000.

- The District should research the collectibility of the 1994 Pell account receivable. If determined to be uncollectible, the amount should be written off.

20. FINANCIAL REPORTING

Findings

During our audit of Federal compliance, we noted the following:

- Substantial differences existed 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 of the Federal clearing account and be reconciled in a timely manner.

FEDERAL COMPLIANCE (Continued)

20. FINANCIAL REPORTING (Continued)

Findings (Continued)

- The April PMS 272 contained a $147,349 adjustment for prior periods which consisted of over-disbursed Federal funds for the 94/95 and 95/96 Pell awards. This represents money the Federal government claims the District was not entitled to receive.
- Reporting between the three colleges and the District Office for Federal programs is not centralized.

Recommendations

- 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.
- The District should implement a policy to investigate over or under disbursements and make any necessary adjustments on a timely basis. Should the District be able to support their claim, they should reapply for reimbursement.
- A formalized written policy should establish requirements for all Federal reporting requirements. The District should serve as the central reporting agent for the Student Financial Aid and other Federal programs. All reports and expenditure adjustments should be provided by the Colleges to the District for review and approval.

21. EDGAR

Finding

Compliance requirements for the Education Department General Administrative Regulations (EDGAR) require that equipment purchased with major Federal program funds 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 performed and reconciled to property records on a continuous basis and reviewed by Federal program managers.
- A control system should be in place to ensure adequate safeguards to prevent loss, theft or damage of equipment.

FEDERAL COMPLIANCE (Continued)

21. EDGAR (Continued)

Recommendation

To comply with Federal requirements, the District should establish property records and associated controls for equipment purchased with Federal funds. Computerized listings should be created to simplify the current manual system.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

June 30, 1997

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.

Current Status

Implemented.

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.

REPORTABLE CONDITIONS (Continued)

2. ACCOUNTING DEPARTMENT STAFFING (Continued)

Current Status

See current year findings and recommendations.

GENERAL

3. ELECTRONIC DATA PROCESSING (EDP)

Findings

The 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.

GENERAL (Continued)

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

Recommendations

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 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.

- 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.

Current Status

See current year findings and recommendations.

4. **CASH DISBURSEMENTS**

Findings

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.

GENERAL (Continued)

4. **CASH DISBURSEMENTS** (Continued)

Findings (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 under $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.

Recommendations

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

- 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. 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.

Current Status

The District has implemented the procedure for the Department Manager to sign purchase requisitions prior to authorization of a purchase order by the Purchasing Department. For remaining items, see current year findings and recommendations.

GENERAL (Continued)

5. CASH RECEIPTS

Findings

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.

Recommendations

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.

Current Status

See current year findings and recommendations.

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.

GENERAL (Continued)

6. ACCOUNTS RECEIVABLE (Continued)

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.

Current Status

See current year findings and recommendations.

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
- Investments
- 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:
  - Investments
  - Accounts Receivable
  - Fixed Assets
  - Accounts Payable
- Prevent material misstatement of account balances.

GENERAL (Continued)

7. **ACCOUNT RECONCILIATION** (Continued)

Current Status

See current year findings and recommendations.

8. **PAYROLL/PERSONNEL**

Findings

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

- The PY91 report, which identifies all pay rate 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.

Recommendations

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 Internal Auditor should periodically distribute paychecks to confirm the identity of all employees.

Current Status

See current year findings and recommendations.

GENERAL (Continued)

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.

Current Status

See current year findings and recommendations.

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.

Current Status

See current year findings and recommendations applicable to the bookstores at Diablo Valley College and Los Medanos College.

STATE COMPLIANCE

11. ATTENDANCE

Findings

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.

Recommendations

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.

STATE COMPLIANCE (Continued)

11. ATTENDANCE (Continued)

Recommendations (Continued)

- 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.

Current Status

See current year findings and recommendations.

12. ALLOCATION OF COSTS

Finding

The Colleges have not documented the method for allocating the time of multi-funded employees to EOP&S and DSP&S. 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 DSP&S 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

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.

Current Status

The District now maintains documentation to support that VATEA serves the highest concentrations of special populations first. See current year findings and recommendations for evaluations of targeted programs.

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.

Current Status

Implemented.

FEDERAL COMPLIANCE (Continued)

14. 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.

Current Status

The ratios are being calculated at the campuses. However, see related current year findings and recommendations.

15. 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.

Current Status

See current year findings and recommendations.

FEDERAL COMPLIANCE (Continued)

16. 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.

Current Status

See current year findings and recommendations.

17. 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.

Current Status

See current year findings and recommendations.