



PERRY-SMITH&CO.

CERTIFIED PUBLIC ACCOUNTANTS

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COUNTY OF CONTRA COSTA

MARTINEZ, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 1999

AND

INDEPENDENT AUDITOR'S REPORT

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 1999

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CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 1999

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CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 1999

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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.



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, 1999, 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Over the years, the District has not maintained, and is not required by the California State Education Code to maintain, detailed fixed asset records supporting the balances shown in the General Fixed Assets Account Group in the accompanying general purpose financial statements. Accordingly, we do not express an opinion on the General Fixed Assets Account Group at June 30, 1999.

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, 1999, and the results of its operations and cash flows of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the financial 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 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 1999 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., LLP

Certified Public Accountants

Sacramento, California
December 3, 1999



CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1999

ASSETS	Governmental Fund Types			Proprietary Fund Types	Fiduciary Funds	Account Groups		Total (Memorandum Only)
	General	Capital Projects	Debt Service	Internal Service and Enterprise		General Fixed Assets	General Long-Term Debt	
Cash and cash equivalents (Note 3):								
Cash in County Treasury	\$ 2,783,420		\$ 5,141,291	\$ 179,310	\$ 311,959			\$ 8,415,980
Cash on hand and in banks	457,868		144,049	296,517	828,530			1,726,964
Revolving fund	125,000			21,700				146,700
Local Agency Investment Fund	9,749,648	\$ 260,695	4,765,399	5,560				14,781,302
Cash held by Fiscal Agent - restricted for repayment of TRANS	<u>15,416,706</u>							<u>15,416,706</u>
Total cash and cash equivalents	<u>28,532,642</u>	<u>260,695</u>	<u>10,050,739</u>	<u>503,087</u>	<u>1,140,489</u>			<u>40,487,652</u>
Investments (Note 3)			11,705,000		485,000			12,190,000
Accounts receivable (Note 4)	5,760,529	3,477,045	293,800	443,148	145,973			10,120,495
Due from other funds (Note 6)	2,685,226	1,623,638	790,491	495,109	1,307,603			6,902,067
Inventories	172,810			1,712,407				1,885,217
Prepaid expenditures	1,034,027							1,034,027
Property, plant and equipment, net (Note 5)				2,853,784		\$ 160,121,085		162,974,869
Other assets			134,983					134,983
Amount available for debt service (Note 7)							\$ 21,853,536	21,853,536
Amount to be provided for debt service (Note 7)							<u>17,731,508</u>	<u>17,731,508</u>
Total assets	<u>\$ 38,185,234</u>	<u>\$ 5,361,378</u>	<u>\$ 22,975,013</u>	<u>\$ 6,007,535</u>	<u>\$ 3,079,065</u>	<u>\$ 160,121,085</u>	<u>\$ 39,585,044</u>	<u>\$ 275,314,354</u>

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS

(Continued)

June 30, 1999

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>	<u>Fiduciary Funds</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Internal Service and Enterprise</u>		<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
LIABILITIES, FUND EQUITY AND OTHER CREDITS								
Liabilities:								
Amount to be provided by future deposits (Note 3)	\$ 138,330	\$ 4,233,317	\$ 35	\$ 2,688,804				\$ 7,060,486
Accounts payable	5,629,622	497,025	1,162	356,798	\$ 32,399			6,517,006
Accrued liabilities	2,873,534			83,253	4,695			2,961,482
Deferred revenue	7,629,196				2,274			7,631,470
Due to other funds (Note 6)	2,963,419	84,839	1,120,280	406,462	2,327,067			6,902,067
TRANS payable (Note 3)	15,010,595							15,010,595
Due to student organizations					139,581			139,581
Liability for self-insurance (Note 9)				179,310				179,310
Capitalized lease obligations, current portion (Note 8)	143,076			571,459				714,535
Compensated absences (Note 8)							\$ 4,614,345	4,614,345
Capitalized lease obligations (Note 8)				1,206,668			564,699	1,771,367
Certificates of Participation (Note 8)							1,510,000	1,510,000
Post-retirement health benefits obligation (Note 8)							32,896,000	32,896,000
Total liabilities	34,387,772	4,815,181	1,121,477	5,492,754	2,506,016		39,585,044	87,908,244
Fund equity and other credits:								
Investment in general fixed assets						\$ 160,121,085		160,121,085
Fund balances:								
Reserved (Note 10)	1,331,837		4,924,797		573,049			6,829,683
Unreserved:								
Designated (Note 10)			16,928,739					16,928,739
Undesignated	2,465,625	546,197						3,011,822
Retained earnings				514,781				514,781
Total fund equity and other credits	3,797,462	546,197	21,853,536	514,781	573,049	160,121,085		187,406,110
Total liabilities, fund equity and other credits	\$ 38,185,234	\$ 5,361,378	\$ 22,975,013	\$ 6,007,535	\$ 3,079,065	\$ 160,121,085	\$ 39,585,044	\$ 275,314,354

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, 1999

	<u>Governmental Fund Types</u>			<u>Expendable Trust Funds</u>	<u>Total (Memoran- dum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>		
Revenues:					
Federal sources	\$ 2,688,167			\$ 5,877,872	\$ 8,566,039
State sources	58,351,653	\$ 5,471,774		570,298	64,393,725
Local sources	<u>63,460,704</u>	<u>141,500</u>	\$ 1,813,570	<u>533,644</u>	<u>65,949,418</u>
Total revenues	<u>124,500,524</u>	<u>5,613,274</u>	<u>1,813,570</u>	<u>6,981,814</u>	<u>138,909,182</u>
Expenditures:					
Academic salaries	53,508,806				53,508,806
Classified salaries	26,208,010			51,592	26,259,602
Employee benefits (Notes 11 and 12)	17,057,126			4,165	17,061,291
Books and supplies	4,570,349	310		138,056	4,708,715
Contract services and operating expenditures	16,482,135	211,771		189,870	16,883,776
Student financial assistance				6,699,123	6,699,123
Capital outlay	4,830,916	7,168,631			11,999,547
Investment expense			4,159	6,781	10,940
Debt service:					
Principal retirement (Note 8)	97,181	33,111	124,000		254,292
Interest	<u>34,278</u>	<u>10,886</u>	<u>94,939</u>		<u>140,103</u>
Total expenditures	<u>122,788,801</u>	<u>7,424,709</u>	<u>223,098</u>	<u>7,089,587</u>	<u>137,526,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,711,723</u>	<u>(1,811,435)</u>	<u>1,590,472</u>	<u>(107,773)</u>	<u>1,382,987</u>
Other financing sources (uses):					
Operating transfers in (Note 6)	221,780	2,266,435	4,269,452	1,095,354	7,853,021
Operating transfers out (Note 6)	(5,931,787)		(735,168)	(1,633,240)	(8,300,195)
Other	(1,036,748)		186,490		(850,258)
Proceeds from capitalized lease obligations (Note 8)	<u>66,073</u>				<u>66,073</u>
Total other financing sources (uses)	<u>(6,680,682)</u>	<u>2,266,435</u>	<u>3,720,774</u>	<u>(537,886)</u>	<u>(1,231,359)</u>
Cumulative effect of a change in accounting principle (Note 2)	<u>4,269,452</u>				<u>4,269,452</u>
(Deficiency) excess of revenues and other financing sources (under) over expend- itures and other uses and cumulative effect of a change in accounting principle	<u>(699,507)</u>	<u>455,000</u>	<u>5,311,246</u>	<u>(645,659)</u>	<u>4,421,080</u>
Fund balances, July 1, 1998, as originally stated	4,496,969	(588,236)	16,542,290	1,218,708	21,669,731
Prior period adjustment (Note 17)		<u>679,433</u>			<u>679,433</u>
Fund balances, July 1, 1998, restated	<u>4,496,969</u>	<u>91,197</u>	<u>16,542,290</u>	<u>1,218,708</u>	<u>22,349,164</u>
Fund balances, June 30, 1999	<u>\$ 3,797,462</u>	<u>\$ 546,197</u>	<u>\$ 21,853,536</u>	<u>\$ 573,049</u>	<u>\$ 26,770,244</u>

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

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

For the Year Ended June 30, 1999

	<u>General</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
Federal sources	\$ 2,106,901	\$ 2,688,167	\$ 581,266
State sources	64,860,885	58,351,653	(6,509,232)
Local sources	59,813,893	63,460,704	3,646,811
Total revenues	<u>126,781,679</u>	<u>124,500,524</u>	<u>(2,281,155)</u>
Expenditures:			
Academic salaries	51,638,144	53,508,806	(1,870,662)
Classified salaries	26,079,233	26,208,010	(128,777)
Employee benefits	17,289,634	17,057,126	232,508
Books and supplies	5,034,648	4,570,349	464,299
Contract services and operating expenditures	15,087,882	16,482,135	(1,394,253)
Capital outlay	6,784,099	4,830,916	1,953,183
Investment expense			
Debt service:			
Principal retirement	101,600	97,181	4,419
Interest		34,278	(34,278)
Appropriations for contingencies	<u>2,361,793</u>		<u>2,361,793</u>
Total expenditures	<u>124,377,033</u>	<u>122,788,801</u>	<u>1,588,232</u>
Excess of revenues over expenditures	<u>2,404,646</u>	<u>1,711,723</u>	<u>(692,923)</u>
Other financing sources (uses):			
Operating transfers in	572,874	221,780	(351,094)
Operating transfers out	(1,550,009)	(5,931,787)	(4,381,778)
Other	(1,198,866)	(1,036,748)	162,118
Proceeds from capitalized lease obligations		66,073	66,073
Total other financing sources (uses)	<u>(2,176,001)</u>	<u>(6,680,682)</u>	<u>(4,504,681)</u>
Cumulative effect of a change in accounting principle		<u>4,269,452</u>	<u>4,269,452</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses and cumulative effect of a change in accounting principle	228,645	(699,507)	\$ <u>(928,152)</u>
Fund balances, July 1, 1998	<u>4,496,969</u>	<u>4,496,969</u>	
Fund balances, June 30, 1999	<u>\$ 4,725,614</u>	<u>\$ 3,797,462</u>	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)

(Continued)

For the Year Ended June 30, 1999

	<u>Debt Service</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Federal sources			
State sources			
Local sources	\$ 1,624,800	\$ 1,813,570	\$ 188,770
Total revenues	<u>1,624,800</u>	<u>1,813,570</u>	<u>188,770</u>
Expenditures:			
Academic salaries			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures			
Capital outlay			
Investment expense	4,800	4,159	641
Debt service:			
Principal retirement	7,000	124,000	(117,000)
Interest	3,090	94,939	(91,849)
Appropriations for contingencies			<u>2,361,793</u>
Total expenditures	<u>14,890</u>	<u>223,098</u>	<u>(208,208)</u>
Excess of revenues over expenditures	<u>1,609,910</u>	<u>1,590,472</u>	<u>(19,438)</u>
Other financing sources (uses):			
Operating transfers in	9,600	4,269,452	4,259,852
Operating transfers out		(735,168)	(735,168)
Other		186,490	186,490
Proceeds from capitalized lease obligations			
Total other financing sources (uses)	<u>9,600</u>	<u>3,720,774</u>	<u>3,711,174</u>
Cumulative effect of a change in accounting principle			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses and cumulative effect of a change in accounting principle	1,619,510	5,311,246	\$ <u>3,691,736</u>
Fund balances, July 1, 1998	<u>15,263,474</u>	<u>16,542,290</u>	
Fund balances, June 30, 1999	\$ <u>16,882,984</u>	\$ <u>21,853,536</u>	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)
(Continued)
For the Year Ended June 30, 1999

	<u>Total (Memorandum Only)</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:			
Federal sources	\$ 2,106,901	\$ 2,688,167	\$ 581,266
State sources	64,860,885	58,351,653	(6,509,232)
Local sources	61,438,693	65,274,274	3,835,581
Total revenues	<u>128,406,479</u>	<u>126,314,094</u>	<u>(2,092,385)</u>
Expenditures:			
Academic salaries	51,638,144	53,508,806	(1,870,662)
Classified salaries	26,079,233	26,208,010	(128,777)
Employee benefits	17,289,634	17,057,126	232,508
Books and supplies	5,034,648	4,570,349	464,299
Contract services and operating expenditures	15,087,882	16,482,135	(1,394,253)
Capital outlay	6,784,099	4,830,916	1,953,183
Investment expense	4,800	4,159	641
Debt service:			
Principal retirement	108,600	221,181	(112,581)
Interest	3,090	129,217	(126,127)
Appropriations for contingencies	<u>2,361,793</u>	<u>2,361,793</u>	<u>2,361,793</u>
Total expenditures	<u>124,391,923</u>	<u>123,011,899</u>	<u>1,380,024</u>
Excess of revenues over expenditures	<u>4,014,556</u>	<u>3,302,195</u>	<u>(712,361)</u>
Other financing sources (uses):			
Operating transfers in	582,474	4,491,232	3,908,758
Operating transfers out	(1,550,009)	(6,666,955)	(5,116,946)
Other	(1,198,866)	(850,258)	348,608
Proceeds from capitalized lease obligations	<u>66,073</u>	<u>66,073</u>	<u>66,073</u>
Total other financing sources (uses)	<u>(2,166,401)</u>	<u>(2,959,908)</u>	<u>(793,507)</u>
Cumulative effect of a change in accounting principle	<u>4,269,452</u>	<u>4,269,452</u>	<u>4,269,452</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses and cumulative effect of a change in accounting principle	1,848,155	4,611,739	\$ <u>2,763,584</u>
Fund balances, July 1, 1998	<u>19,760,443</u>	<u>21,039,259</u>	
Fund balances, June 30, 1999	<u>\$ 21,608,598</u>	<u>\$ 25,650,998</u>	

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

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

ALL PROPRIETARY FUNDS

For the Year Ended June 30, 1999

Operating revenues	<u>\$ 11,243,049</u>
Operating expenses:	
Cost of goods sold	6,803,822
Classified salaries	3,070,362
Employee benefits	514,356
Materials and supplies	308,328
Contract services and other operating expenses	1,060,168
Depreciation	<u>626,384</u>
Total operating expenses	<u>12,383,420</u>
Operating loss	<u>(1,140,371)</u>
Other income (expenses):	
Interest income	19,777
Interest expense	(334,449)
Other income	<u>66,980</u>
Total other income (expense)	<u>(247,692)</u>
Loss before operating transfers	<u>(1,388,063)</u>
Other financing sources (uses):	
Operating transfers in	467,864
Operating transfers out	<u>(20,690)</u>
Total other financing sources (uses)	<u>447,174</u>
Net loss	(940,889)
Retained earnings, July 1, 1998	<u>1,455,670</u>
Retained earnings, June 30, 1999	<u>\$ 514,781</u>

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

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)

For the Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues	\$ 11,596,434	\$ 11,183,443	\$ (412,991)
Operating expenses:			
Cost of goods sold	7,624,999	6,803,822	821,177
Classified salaries	3,151,555	3,070,362	81,193
Employee benefits	547,191	514,356	32,835
Materials and supplies	319,451	308,328	11,123
Contract services and other operating expenses	857,294	963,752	(106,458)
Depreciation	<u>406,070</u>	<u>626,384</u>	<u>(220,314)</u>
Total operating expenses	<u>12,906,560</u>	<u>12,287,004</u>	<u>619,556</u>
Operating loss	<u>(1,310,126)</u>	<u>(1,103,561)</u>	<u>206,565</u>
Other income (expenses):			
Interest income	50,000	19,777	(30,223)
Interest expense		(334,449)	(334,449)
Other income	<u>30,000</u>	<u>66,980</u>	<u>36,980</u>
Total other income	<u>80,000</u>	<u>(247,692)</u>	<u>(327,692)</u>
Loss before operating transfers	<u>(1,230,126)</u>	<u>(1,351,253)</u>	<u>(121,127)</u>
Other financing sources (uses):			
Operating transfers in	30,929	467,864	436,935
Operating transfers out			
Total other financing sources (uses)	<u>30,929</u>	<u>467,864</u>	<u>436,935</u>
Net loss	(1,199,197)	(883,389)	<u>\$ 315,808</u>
Retained earnings, July 1, 1998	<u>1,398,170</u>	<u>1,398,170</u>	
Retained earnings, June 30, 1999	<u>\$ 198,973</u>	<u>\$ 514,781</u>	

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, 1999

Cash flows from operating activities:	
Operating loss	\$ (1,140,371)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	626,384
Changes in operating assets and liabilities:	
Increase in accounts receivable	(77,289)
Decrease in inventory	10,895
Decrease in prepaid expenses	1,554
Decrease in amounts due from other funds	359,583
Decrease in amounts due to other funds	(312,513)
Increase in liability for self-insurance	36,810
Decrease in accrued liabilities	(57,034)
Decrease in accounts payable	(99,417)
Net cash used in operating activities	<u>(651,398)</u>
Cash flows from non-capital financing activities:	
Transfers in from other funds	467,864
Transfers out to other funds	(20,690)
Decrease in amount to be provided by future deposits	(393,461)
Interest and other income	<u>86,757</u>
Net cash provided by non-capital financing activities	<u>140,470</u>
Cash flows from capital financing activities:	
Interest expense	(255,534)
Principal payments under capitalized lease obligations	(598,045)
Acquisitions of property and equipment	<u>(62,676)</u>
Net cash used in capital financing activities	<u>(916,255)</u>
Decrease in cash and cash equivalents	(1,427,183)
Cash and cash equivalents, July 1, 1998	<u>1,930,270</u>
Cash and cash equivalents, June 30, 1999	<u>\$ 503,087</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting policies of 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 District's Debt Service Funds.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

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.
3. The Authority and Financing Corporation provide specific financial benefits or impose 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 is presented with the District's Debt Service Funds. The financial statements present the Authority's and Financing Corporation's debt in the General Long-Term Debt Account Group.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Structure

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

A - Governmental Fund Types

1 - General Fund:

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

2 - Capital Projects Fund:

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

3 - Debt Service Funds:

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 Fund.

D - Account Groups

1 - General Fixed Asset Account Group:

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

2 - General Long-Term Debt Account Group:

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

- Mandated Cost Claims
- Property Taxes

Cash and Cash Equivalents

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

The District implemented Statement of Governmental Accounting Standards No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Under this Statement, the District has opted not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research Bulletins issued after November 30, 1989.

Fair Value of Pooled Investments

The District records its investments in Contra Costa County Treasury and the Local Agency Investment Fund (LAIF) at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenditures/expenses and changes in fund balances/retained earnings. The fair value of investments, including the Contra Costa County Treasury and LAIF, as external investment pools at June 30, 1999 approximated their carrying value.

Inventories

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to ten years.

Effective July 1, 1998 the District changed the estimated life of the Datatel software from five to ten years. The effect of this change on net income for the year ended June 30, 1999 was approximately \$237,000.

Compensated Absences and Sick Leave

The District recognizes the liability for compensated absences in the General Long-Term Debt Account Group. At June 30, 1999, compensated absences in the amount of \$4,614,345 are recorded as a liability in the General Long-Term Debt Account Group.

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

Deferred Revenue and Program Advances

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

Interfund Activity

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The District adopts a budget for its Capital Project 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. Accordingly, a statement of revenues, expenditures and changes in fund balance - budget and actual is not presented for this fund.

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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. CHANGE IN ACCOUNTING METHOD

At June 30, 1999, the District created a Deferred Compensation Fund to accumulate funding for accrued compensated absences. In prior years the District recognized the entire liability in the General Fund. The liability was transferred to the General Long-Term Debt Account Group and the cash accumulated for funding of accrued compensated absences was transferred into the Deferred Compensation Fund. The change in accounting method resulted in an increase in the General Fund fund balance of approximately \$4,600,000 at June 30, 1999 from the recognition of the liability in the General Long-Term Debt Account Group. The impact on the General Fund for establishing the Deferred Compensation Fund is reflected as a \$4,269,452 operating transfer out, thereby reducing fund balance by that amount.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 1999 consisted of the following:

Pooled Funds:

Cash in County Treasury	\$ 8,415,980
Local Agency Investment Fund	14,781,302

Deposits:

Cash on hand and in banks	1,726,964
Revolving fund	146,700
Cash held by Fiscal Agent - restricted	<u>15,416,706</u>

Total cash and cash equivalents	<u>40,487,652</u>
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Amount to be provided by future deposits	<u>(7,060,486)</u>
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Net cash and cash equivalents	<u>\$ 33,427,166</u>
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Investments:

Corporate Note	\$ 3,000,000
U.S. Treasury Bonds	1,180,000
U.S. Government Agencies	7,525,000
Certificate of Deposit	<u>485,000</u>

Total investments	<u>\$ 12,190,000</u>
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CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 Contra Costa 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 fair 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 .04% of the pool at June 30, 1999.

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, 1999, the District's investments, with a carrying value of \$12,190,000, which is fair value, consist of a corporate note, U.S. Treasury Bonds, U.S. Government Agencies and a certificate of deposit. 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 Treasurer may invest in derivative securities. Contra Costa County Treasury representatives have indicated that the pool has not invested in derivative securities.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

On July 1, 1998, the District issued \$14,980,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on September 30, 1999, with interest at 8.00% 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, 2000. Repayment terms require that an amount equal to the principal balance and accrued interest be set aside. As of June 30, 1999, funds totaling \$15,416,706, held in the General fund, were restricted for repayment for the TRANS.

	Category			Bank Balance	Book Balance
	1	2	3		
Deposits:					
Cash on hand and in banks	\$ 134,834	\$ 2,946,067		\$ 3,080,901	\$ 1,726,964
Cash in revolving fund	146,700			146,700	146,700
Pooled Funds:					
Cash in County Treasury		5,686,425		5,686,425	8,415,980
Local Agency Investment Fund		14,781,302		14,781,302	14,781,302
Cash held by Fiscal Agent - restricted		15,416,706		15,416,706	15,416,706
Investments-Other		12,190,000		12,190,000	12,190,000
	<u>\$ 281,534</u>	<u>\$ 51,020,500</u>	<u>\$ -</u>	<u>\$ 51,302,034</u>	<u>\$ 52,677,652</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 1999 consisted of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Federal	\$ 930,368				\$ 131,971	\$ 1,062,339
State	2,643,526	\$ 3,444,037			13,759	6,101,322
Local government and other	<u>2,186,635</u>	<u>33,008</u>	<u>\$ 293,800</u>	<u>\$ 443,148</u>	<u>243</u>	<u>2,956,834</u>
Total receivables	<u>\$ 5,760,529</u>	<u>\$ 3,477,045</u>	<u>\$ 293,800</u>	<u>\$ 443,148</u>	<u>\$ 145,973</u>	<u>\$ 10,120,495</u>

5. PROPERTY, PLANT AND EQUIPMENT

The Proprietary Funds' property, plant and equipment, at June 30, 1999, consisted of the following:

	<u>Bookstore Fund</u>	<u>Cafeteria Fund</u>	<u>Data Processing Center Fund</u>	<u>Total</u>
Property, plant and equipment	\$ 499,411	\$ 114,921	\$ 4,913,540	\$ 5,527,872
Less accumulated depreciation	<u>(404,927)</u>	<u>(108,389)</u>	<u>(2,160,772)</u>	<u>(2,674,088)</u>
Property, plant and equipment, net	<u>\$ 94,484</u>	<u>\$ 6,532</u>	<u>\$ 2,752,768</u>	<u>\$ 2,853,784</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. INTERFUND ACTIVITY

Interfund due from/to amounts at June 30, 1999 and operating transfers for the year then ended were as follows:

	<u>Interfund Balances</u>		<u>Interfund Operating Transfers</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,685,226	\$ 2,963,419	\$ 221,780	\$ 5,931,787
Capital Projects Funds	1,623,638	84,839	2,266,435	
Debt Service Funds	790,491	1,120,280	4,269,452	735,168
Fiduciary Funds	1,307,603	2,327,067	1,095,354	1,633,240
Proprietary Funds	<u>495,109</u>	<u>406,462</u>	<u>467,864</u>	<u>20,690</u>
	<u>\$ 6,902,067</u>	<u>\$ 6,902,067</u>	<u>\$ 8,320,885</u>	<u>\$ 8,320,885</u>

7. AMOUNTS AVAILABLE AND TO BE PROVIDED FOR DEBT SERVICE

The amount available for debt service, \$21,853,536 in the General Long-Term Debt Account Group represents the fund balance 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, \$17,731,508, represents amounts required to be collected in the future in order to make required payments on bonded and other debt obligations.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. LONG-TERM DEBT

General Long-Term Debt Account Group

A schedule of changes in general long-term debt for the year ended June 30, 1999, is shown below:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Compensated absences	\$ 451,739	\$ 4,162,606		\$ 4,614,345
Revenue bonds	89,000		\$ 89,000	
Capitalized lease obligations	628,918	66,073	130,292	564,699
Certificates of Participation	1,545,000		35,000	1,510,000
Post-retirement health benefits obligation	<u>32,896,000</u>			<u>32,896,000</u>
	<u>\$ 35,610,657</u>	<u>\$ 4,228,679</u>	<u>\$ 254,292</u>	<u>\$ 39,585,044</u>

Proprietary Funds' Debt

A schedule of changes in debt recorded in the Proprietary Funds for the year ended June 30, 1999 is shown below:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Capitalized lease obligations	<u>\$ 206,339</u>	<u>\$ 2,177,684</u>	<u>\$ 605,896</u>	<u>\$ 1,778,127</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG-TERM DEBT (Continued)

Capitalized Lease Obligations

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

<u>Year Ending June 30,</u>	<u>General Long-Term Debt Account Group</u>	<u>Proprietary Funds</u>
2000	\$ 187,073	\$ 649,510
2001	164,241	634,112
2002	146,403	634,113
2003	140,570	3,715
2004	<u>33,833</u>	<u> </u>
Total	672,120	1,921,450
Less amount representing interest	<u>(107,421)</u>	<u>(143,323)</u>
Net minimum lease payments	<u>\$ 564,699</u>	<u>\$ 1,778,127</u>

Certificates of Participation

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

The annual debt service requirement for the Certificates of Participation, as of June 30, 1999 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 35,000	\$ 89,332	\$ 124,332
2001	40,000	87,495	127,495
2002	40,000	85,354	125,354
2003	40,000	83,175	123,175
2004	45,000	80,955	125,955
Thereafter	<u>1,310,000</u>	<u>816,039</u>	<u>2,126,039</u>
Total	<u>\$ 1,510,000</u>	<u>\$ 1,242,350</u>	<u>\$ 2,752,350</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG-TERM DEBT (Continued)

Operating Leases

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

<u>Year Ending June 30,</u>	<u>Total</u>
2000	\$ 28,864
2001	15,395
2002	11,679
2003	4,370
2004	<u>856</u>
Total lease payments	<u>\$ 61,164</u>

Rental expenditures for the year ended June 30, 1999 were \$38,485.

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, 1999 totaled 516. Such payments for these retired employees totaled \$2,008,779, for fiscal year ended June 30, 1999 and were recorded as expenditures in the General Fund.

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 \$16,000,000 was unfunded. The District made a contribution in 1999 of \$758,800. At June 30, 1999, net assets in the Post-Retirement Health Benefits Fund totaled \$16,928,739, which were designated for future payment of the obligation included in the General Long-Term Debt Account Group.

9. SELF-INSURANCE PROGRAM

The District self-insures for property and liability claims up to \$10,000. 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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. SELF-INSURANCE PROGRAM (Continued)

The claims reserve activity for the year ended June 30, 1999 is as follows:

Unpaid claims and claim adjustment expenses, beginning of year	\$ 142,500
Incurred claims and claim adjustment expenses: Provision for covered events of the current year	75,726
Payments: Claims and claim adjustment expenses	<u>(38,916)</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 179,310</u>

10. RESERVED AND DESIGNATED FUND BALANCES

The reserved fund balances at June 30, 1999 consisted of the following:

	General Fund	Debt Service Funds	Fiduciary Fund Types
Reserved for:			
Revolving fund cash	\$ 125,000		
Inventory	172,810		
Prepaid expenditures	1,034,027		
Restricted purposes			\$ 573,049
Debt services	<u> </u>	<u>\$ 4,924,797</u>	<u> </u>
Total	<u>\$ 1,331,837</u>	<u>\$ 4,924,797</u>	<u>\$ 573,049</u>

The designated fund balances at June 30, 1999 consisted of the following:

	Debt Service Funds
Designated for retirement benefits	<u>\$ 16,928,739</u>

11. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit 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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions

State Teachers' Retirement System (STRS)

All full-time and some part-time academic employees are eligible to participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. 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 two 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. After five years of 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.

Benefit provisions for STRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, Sec. 22000 et seq.). STRS issues a separate comprehensive annual financial report. Copies of the STRS annual financial report may be obtained from the STRS Executive Office at 7667 Folsom Boulevard, Sacramento, California 95826.

California Public Employees' Retirement System (CalPERS)

All full-time and some part-time classified employees participate in CalPERS, 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. The District is part of a "cost sharing" pool within CalPERS. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. Employees are eligible for retirement at the age of 60 and are entitled to a monthly benefit of two 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 5 years of credited service. Upon separation from the District, members' accumulated contributions are refundable with interest credited through the date of separation.

Benefit provisions for CalPERS are established by the Public Employees' Retirement Law (Part 3 of the California Government Code, Sec. 20000 et seq.). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Policy

The District is required by statute to contribute 8.25 percent of covered gross salary expenditures to STRS. The District was not required by statute to make contributions to CalPERS during the year ended June 30, 1999. Participants are required to contribute 8.0 percent and 7.0 percent of covered gross salary to STRS and CalPERS, respectively. For part-time faculty who have elected to participate in the STRS "cash balance" plan, the employer and employee contribute at a rate of 4.0 percent of gross salary. The District's employer contributions to STRS for the years ended June 30, 1997, 1998 and 1999 were \$2,974,660, \$3,113,155 and \$3,143,778, respectively. The District's employer contributions to CalPERS for the years ended June 30, 1997 and 1998 were \$1,474,879 and \$1,239,408, respectively. The District's employer contributions to STRS and CalPERS met the required contribution rates set by law.

12. EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted three early retirement incentive programs, one STRS and two 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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. EARLY RETIREMENT INCENTIVE PROGRAM (Continued)

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

Fiscal Year 1998-99:

<u>Position Vacated</u>	<u>Employee Age</u>	<u>Service Credit*</u>
Instructor	67	41
Education Manager	65	26
Instructor	64	37
Instructor	60	35
Manager	60	14
Instructor	69	37
Instructor	78	26
Instructor	64	35
Education Manager	55	30
Classified	61	24
Instructor	62	33
Education Manager	61	37
Instructor	62	38
Education Manager	63	37
Instructor	69	31
Instructor	69	30
Instructor	65	36

* Before the additional two years credit.

Additional Costs

As a result of these early retirement incentive programs, the District expects to incur \$902,771 in additional costs. The breakdown in additional costs is presented below:

Retirement costs (including interest, if applicable)	\$ 720,776
Post-retirement health benefit costs	<u>181,995</u>
Total additional costs	<u>\$ 902,771</u>

Yearly Payroll Savings

The District expects this early retirement program to generate first year payroll savings of \$494,964 which equals the difference in payroll costs for the seventeen retirees and their replacements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

12. EARLY RETIREMENT INCENTIVE PROGRAM (Continued)

The retirees' annual salary and benefits are presented below:

<u>Position Vacated</u>	<u>Retired Employee</u>		<u>Replacement Employee (If applicable)</u>	
	<u>Salary</u>	<u>Benefits</u>	<u>Salary</u>	<u>Benefits</u>
Instructor	\$ 72,924	\$ 12,896	\$ 48,462	\$ 7,815
Educational Manager	100,500	16,154	72,756	10,274
Instructor	72,924	12,896	48,462	7,815
Instructor	72,924	13,679	48,462	7,815
Manager	100,500	15,687	72,756	10,274
Instructor	72,924	12,896	48,462	7,815
Instructor	72,924	12,896	48,462	7,815
Instructor	72,924	12,896	48,462	7,815
Educational Manager	99,185	15,555	76,536	10,656
Classified	47,640	9,850	34,704	6,423
Instructor	69,096	12,973	48,462	7,815
Educational Manager	113,912	17,044	84,540	11,466
Instructor	72,924	12,896	48,462	7,815
Educational Manager	95,664	15,667	72,756	10,274
Instructor	71,316	13,516	48,462	7,815
Instructor	72,924	12,896	48,462	7,815
Instructor	<u>72,924</u>	<u>12,900</u>	<u>48,462</u>	<u>7,815</u>
Total	<u>\$ 1,354,129</u>	<u>\$ 233,297</u>	<u>\$ 947,130</u>	<u>\$ 145,332</u>

In addition, the Early Retirement Incentive Program was accepted by five classified employees who received an additional two years service credit with PERS. The related additional costs incurred or expected to be incurred by the District is approximately \$106,109.

13. 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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

14. 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. The following is a summary of financial information for BACCDJPA as of June 30, 1999:

	<u>BACCDJPA</u>
Total assets	\$ 2,883,449
Total liabilities	\$ 1,956,527
Total retained earnings	\$ 926,922
Total revenues	\$ 2,031,628
Total expenses	\$ 2,235,178

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 CCCSIG as of June 30, 1999, is as follows:

	<u>CCCSIG</u>
Total assets	\$ 49,443,349
Total liabilities	\$ 21,867,722
Total retained earnings	\$ 27,575,627
Total revenues	\$ 12,364,651
Total expenses	\$ 12,892,102

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, 1999:

Total assets	\$ 3,710,554
Total liabilities	\$ 2,723,044
Total fund equity	\$ 987,510
Total revenues	\$ 19,619,525
Total expenditures	\$ 19,661,793

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

16. SUBSEQUENT EVENTS

On July 1, 1999, the District issued \$15,250,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on September 29, 2000, with interest at 4.00% 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, 2000. 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 1999 Tax and Revenue Anticipation Note Repayment Fund.

On September 30, 1999, the District repaid its 1998 TRANS and related interest.

17. RESTATEMENT OF FUND BALANCE

At June 30, 1998, the District did not accrue selected revenue that was measurable and available in the amount of \$679,433 in the Capital Projects Fund. The District restated the Capital Projects fund balance for June 30, 1998 to match revenues with expenditures in the proper period.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL DEBT SERVICE FUNDS

June 30, 1999

	<u>Deferred Compensation</u>	<u>Post- Retirement Health Benefits</u>	<u>Bond Interest and Redemption</u>	<u>COPs</u>	<u>Financing Corp</u>	<u>Total</u>
ASSETS						
Cash in County Treasury	\$ 4,041,989	\$ 95,978	\$ 47,942	\$ 955,382		\$ 5,141,291
Cash on hand and in banks		10,001		134,048		144,049
Local Agency Investment Fund		4,756,501		5,233	\$ 3,665	4,765,399
Investments		11,705,000				11,705,000
Accounts receivable		269,945	300	1,810	21,745	293,800
Due from other funds	387,127	53,796		349,568		790,491
Other assets		38,679		96,304		134,983
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,429,116</u>	<u>\$ 16,929,900</u>	<u>\$ 48,242</u>	<u>\$ 1,542,345</u>	<u>\$ 25,410</u>	<u>\$ 22,975,013</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Amount to be provided by future deposits					\$ 35	\$ 35
Accounts payable		\$ 1,161			1	1,162
Due to other funds	\$ 159,664			\$ 960,616		1,120,280
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>159,664</u>	<u>1,161</u>	<u> </u>	<u>960,616</u>	<u>36</u>	<u>1,121,477</u>
Fund balances:						
Reserved	4,269,452		\$ 48,242	581,729	25,374	4,924,797
Unreserved:						
Designated		16,928,739				16,928,739
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>4,269,452</u>	<u>16,928,739</u>	<u>48,242</u>	<u>581,729</u>	<u>25,374</u>	<u>21,853,536</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,429,116</u>	<u>\$ 16,929,900</u>	<u>\$ 48,242</u>	<u>\$ 1,542,345</u>	<u>\$ 25,410</u>	<u>\$ 22,975,013</u>

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

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

ALL DEBT SERVICE FUNDS

For the Year Ended June 30, 1999

	<u>Deferred Compensation</u>	<u>Post- Retirement Health Benefits</u>	<u>Bond Interest and Redemption</u>	<u>COPs</u>	<u>Financing Corp</u>	<u>Total</u>
Revenues:						
Local sources		\$ 1,810,481			\$ 3,089	\$ 1,813,570
Expenditures:						
Investment expense		4,135			24	4,159
Debt service:						
Principal retirement			\$ 89,000	\$ 35,000		124,000
Interest			3,839	91,100		94,939
Total expenditures		4,135	92,839	126,100	24	223,098
Excess (deficiency) of revenues over (under) expenditures		1,806,346	(92,839)	(126,100)	3,065	1,590,472
Other financing sources (uses):						
Operating transfers in	\$ 4,269,452					4,269,452
Operating transfers out				(735,168)		(735,168)
Other				186,490		186,490
Total other financing sources (uses)	4,269,452			(548,678)		3,720,774
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	4,269,452	1,806,346	(92,839)	(674,778)	3,065	5,311,246
Fund balances, July 1, 1998		15,122,393	141,081	1,256,507	22,309	16,542,290
Fund balances, June 30, 1999	\$ 4,269,452	\$ 16,928,739	\$ 48,242	\$ 581,729	\$ 25,374	\$ 21,853,536

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, 1999

	<u>Deferred Compensation</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
Local sources			
Expenditures:			
Investment expense			
Debt service:			
Principal retirement			
Interest			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures			
Other financing sources (uses):			
Operating transfers in		\$ 4,269,452	\$ 4,269,452
Operating transfers out			
Other			
Total other financing sources (uses)		<u>4,269,452</u>	<u>4,269,452</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses		4,269,452	<u>\$ 4,269,452</u>
Fund balances, July 1, 1998			
Fund balances, June 30, 1999	<u>\$ -</u>	<u>\$ 4,269,452</u>	

(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, 1999

	<u>Post-Retirement Health Benefits</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Local sources	<u>\$ 1,618,800</u>	<u>\$ 1,810,481</u>	<u>\$ 191,681</u>
Expenditures:			
Investment expense	4,800	4,135	665
Debt service:			
Principal retirement			
Interest			
Total expenditures	<u>4,800</u>	<u>4,135</u>	<u>665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,614,000</u>	<u>1,806,346</u>	<u>192,346</u>
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Other			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	<u>1,614,000</u>	<u>1,806,346</u>	<u>\$ 192,346</u>
Fund balances, July 1, 1998	<u>15,122,393</u>	<u>15,122,393</u>	
Fund balances, June 30, 1999	<u>\$ 16,736,393</u>	<u>\$ 16,928,739</u>	

(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, 1999

	<u>Bond Interest and Redemption</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Local sources	\$ 6,000		\$ (6,000)
Expenditures:			
Investment expense			
Debt service:			
Principal retirement	7,000	\$ 89,000	(82,000)
Interest	3,090	3,839	(749)
Total expenditures	10,090	92,839	(82,749)
Excess (deficiency) of revenues over (under) expenditures	(4,090)	(92,839)	(88,749)
Other financing sources (uses):			
Operating transfers in	9,600		(9,600)
Operating transfers out			
Other			
Total other financing sources (uses)	9,600		(9,600)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	5,510	(92,839)	\$ (98,349)
Fund balances, July 1, 1998	141,081	141,081	
Fund balances, June 30, 1999	\$ 146,591	\$ 48,242	

(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, 1999

	COPs		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Local sources			
Expenditures:			
Investment expense			
Debt service:			
Principal retirement		\$ 35,000	\$ (35,000)
Interest		91,100	(91,100)
Total expenditures		126,100	(126,100)
Excess (deficiency) of revenues over (under) expenditures		(126,100)	(126,100)
Other financing sources (uses):			
Operating transfers in		(735,168)	(735,168)
Operating transfers out		186,490	186,490
Other			
Total other financing sources (uses)		(548,678)	(548,678)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses		(674,778)	\$ (674,778)
Fund balances, July 1, 1998		1,256,507	
Fund balances, June 30, 1999	\$ -	\$ 581,729	

(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, 1999

	<u>Financing Corp</u>	
	<u>Budget</u>	<u>Actual</u>
		<u>Variance Favorable (Unfavorable)</u>
Revenues:		
Local sources	<u>\$</u>	<u>3,089</u>
		<u>\$</u> 3,089
Expenditures:		
Investment expense		24
Debt service:		
Principal retirement		
Interest		
Total expenditures		<u>24</u>
		<u>(24)</u>
Excess (deficiency) of revenues over (under) expenditures		<u>3,065</u>
		<u>3,065</u>
Other financing sources (uses):		
Operating transfers in		
Operating transfers out		
Other		
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses		3,065
		<u>\$</u> 3,065
Fund balances, July 1, 1998		<u>22,309</u>
Fund balances, June 30, 1999	<u>\$</u> -	<u>\$</u> 25,374

(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, 1999

	<u>Total</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
Local sources	<u>\$ 1,624,800</u>	<u>\$ 1,813,570</u>	<u>\$ 188,770</u>
Expenditures:			
Investment expense	4,800	4,159	641
Debt service:			
Principal retirement	7,000	124,000	(117,000)
Interest	<u>3,090</u>	<u>94,939</u>	<u>(91,849)</u>
Total expenditures	<u>14,890</u>	<u>223,098</u>	<u>(208,208)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,609,910</u>	<u>1,590,472</u>	<u>(19,438)</u>
Other financing sources (uses):			
Operating transfers in	9,600	4,269,452	4,259,852
Operating transfers out		(735,168)	(735,168)
Other		<u>186,490</u>	<u>186,490</u>
Total other financing sources (uses)	<u>9,600</u>	<u>3,720,774</u>	<u>3,711,174</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	<u>1,619,510</u>	<u>5,311,246</u>	<u>\$ 3,691,736</u>
Fund balances, July 1, 1998	<u>15,263,474</u>	<u>16,542,290</u>	
Fund balances, June 30, 1999	<u>\$ 16,882,984</u>	<u>\$ 21,853,536</u>	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET
ALL PROPRIETARY FUNDS
June 30, 1999

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>	<u>Total</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total Enterprise Funds</u>	<u>Self- Insurance Fund</u>	
ASSETS						
Current assets:						
Cash and cash equivalents:						
Cash in County Treasury					\$ 179,310	\$ 179,310
Cash on hand and in banks	\$ 271,401	\$ 25,116		\$ 296,517		296,517
Revolving cash	21,700			21,700		21,700
Local Agency Investment Fund			\$ 5,560	5,560		5,560
Total cash and cash equivalents	<u>293,101</u>	<u>25,116</u>	<u>5,560</u>	<u>323,777</u>	<u>179,310</u>	<u>503,087</u>
Accounts receivable	431,356		11,792	443,148		443,148
Due from other funds	91,575	9,826	393,708	495,109		495,109
Inventories	<u>1,705,529</u>	<u>6,878</u>		<u>1,712,407</u>		<u>1,712,407</u>
Total current assets	<u>2,521,561</u>	<u>41,820</u>	<u>411,060</u>	<u>2,974,441</u>	<u>179,310</u>	<u>3,153,751</u>
Property, plant and equipment, net	<u>94,484</u>	<u>6,532</u>	<u>2,752,768</u>	<u>2,853,784</u>		<u>2,853,784</u>
Total assets	<u>\$ 2,616,045</u>	<u>\$ 48,352</u>	<u>\$ 3,163,828</u>	<u>\$ 5,828,225</u>	<u>\$ 179,310</u>	<u>\$ 6,007,535</u>

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL PROPRIETARY FUNDS

(Continued)

June 30, 1999

	<u>Enterprise Funds</u>				<u>Internal Service Fund Self- Insurance Fund</u>	<u>Total</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total Enterprise Funds</u>		
LIABILITIES AND RETAINED EARNINGS (ACCUMULATED DEFICIT)						
Liabilities:						
Current liabilities:						
Amount to be provided by future deposits	\$ 1,328,482	\$ 49,975	\$ 1,310,347	\$ 2,688,804		\$ 2,688,804
Accounts payable	227,173	43,114	86,511	356,798		356,798
Accrued liabilities	37,387	10,846	35,020	83,253		83,253
Due to other funds	211,456	146,088	48,918	406,462		406,462
Liability for self-insurance					\$ 179,310	179,310
Capitalized lease obligations, current portion	<u>29,964</u>		<u>541,495</u>	<u>571,459</u>		<u>571,459</u>
Total current liabilities	1,834,462	250,023	2,022,291	4,106,776	179,310	4,286,086
Capitalized lease obligations	<u>57,892</u>		<u>1,148,776</u>	<u>1,206,668</u>		<u>1,206,668</u>
Total liabilities	1,892,354	250,023	3,171,067	5,313,444	179,310	5,492,754
Retained earnings (accumulated deficit)	<u>723,691</u>	<u>(201,671)</u>	<u>(7,239)</u>	<u>514,781</u>		<u>514,781</u>
Total liabilities and retained earnings (accumulated deficit)	<u>\$ 2,616,045</u>	<u>\$ 48,352</u>	<u>\$ 3,163,828</u>	<u>\$ 5,828,225</u>	<u>\$ 179,310</u>	<u>\$ 6,007,535</u>

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

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

ALL PROPRIETARY FUNDS

For the Year Ended June 30, 1999

	<u>Enterprise Funds</u>			<u>Internal Service Fund Self- Insurance Fund</u>	
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total Enterprise Funds</u>	<u>Total</u>
Operating revenues	\$ 8,391,092	\$ 934,944	\$ 1,857,407	\$ 11,183,443	\$ 11,243,049
Operating expenses:					
Cost of goods sold	6,156,566	647,256		6,803,822	6,803,822
Classified salaries	1,358,080	361,142	1,351,140	3,070,362	3,070,362
Employee benefits	223,806	61,745	228,805	514,356	514,356
Materials and supplies	151,269	21,939	135,120	308,328	308,328
Contract services and other operating expenses	224,337	36,499	702,916	963,752	1,060,168
Depreciation	58,400	6,822	561,162	626,384	626,384
Total operating expenses	8,172,458	1,135,403	2,979,143	12,287,004	12,383,420
Operating income (loss)	218,634	(200,459)	(1,121,736)	(1,103,561)	(1,140,371)
Other income (expense):					
Interest income			19,777	19,777	19,777
Interest expense	(89,011)	(33,430)	(212,008)	(334,449)	(334,449)
Other income		66,980		66,980	66,980
Total other income (expense)	(89,011)	33,550	(192,231)	(247,692)	(247,692)
Income (loss) before operating transfers	129,623	(166,909)	(1,313,967)	(1,351,253)	(1,388,063)
Other financing sources (uses):					
Operating transfers in			467,864	467,864	467,864
Operating transfers out				(20,690)	(20,690)
Total other financing sources (uses)			467,864	467,864	447,174
Net income (loss)	129,623	(166,909)	(846,103)	(883,389)	(940,889)
Retained earnings (accumulated deficit), July 1, 1998	594,068	(34,762)	838,864	1,398,170	1,455,670
Retained earnings (accumulated deficit), June 30, 1999	\$ 723,691	\$ (201,671)	\$ (7,239)	\$ 514,781	\$ 514,781

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, 1999

	Bookstore		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating revenues	<u>\$ 8,644,500</u>	<u>\$ 8,391,092</u>	<u>\$ (253,408)</u>
Operating expenses:			
Cost of goods sold	7,169,599	6,156,566	1,013,033
Classified salaries	1,329,701	1,358,080	(28,379)
Employee benefits	210,499	223,806	(13,307)
Materials and supplies	90,875	151,269	(60,394)
Contract services and other operating expenses	230,583	224,337	6,246
Depreciation	<u>57,000</u>	<u>58,400</u>	<u>(1,400)</u>
Total operating expenses	<u>9,088,257</u>	<u>8,172,458</u>	<u>915,799</u>
Operating income (loss)	<u>(443,757)</u>	<u>218,634</u>	<u>662,391</u>
Other income (expense):			
Interest income			
Interest expense		(89,011)	(89,011)
Other income			
Total other income (expense)		<u>(89,011)</u>	<u>(89,011)</u>
Income (loss) before operating transfers	<u>(443,757)</u>	<u>129,623</u>	<u>573,380</u>
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Net (loss) income	<u>(443,757)</u>	<u>129,623</u>	<u>\$ 573,380</u>
Retained earnings (accumulated deficit), July 1, 1998	<u>594,068</u>	<u>594,068</u>	
Retained earnings (accumulated deficit), June 30, 1999	<u>\$ 150,311</u>	<u>\$ 723,691</u>	

(Continued)

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)

(Continued)

For the Year Ended June 30, 1999

	<u>Cafeteria</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Operating revenues	\$ 1,047,712	\$ 934,944	\$ (112,768)
Operating expenses:			
Cost of goods sold	455,400	647,256	(191,856)
Classified salaries	372,511	361,142	11,369
Employee benefits	80,450	61,745	18,705
Materials and supplies	80,347	21,939	58,408
Contract services and other operating expenses	89,004	36,499	52,505
Depreciation		6,822	(6,822)
Total operating expenses	1,077,712	1,135,403	(57,691)
Operating income (loss)	(30,000)	(200,459)	(170,459)
Other income (expense):			
Interest income			
Interest expense		(33,430)	(33,430)
Other income	30,000	66,980	36,980
Total other income (expense)	30,000	33,550	3,550
Income (loss) before operating transfers		(166,909)	(166,909)
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Net (loss) income		(166,909)	\$ (166,909)
Retained earnings (accumulated deficit), July 1, 1998	(34,762)	(34,762)	
Retained earnings (accumulated deficit), June 30, 1999	\$ (34,762)	\$ (201,671)	

(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, 1999

	Data Processing Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	\$ 1,904,222	\$ 1,857,407	\$ (46,815)
Operating expenses:			
Cost of goods sold			
Classified salaries	1,449,343	1,351,140	98,203
Employee benefits	256,242	228,805	27,437
Materials and supplies	148,229	135,120	13,109
Contract services and other operating expenses	537,707	702,916	(165,209)
Depreciation	349,070	561,162	(212,092)
Total operating expenses	2,740,591	2,979,143	(238,552)
Operating income (loss)	(836,369)	(1,121,736)	(285,367)
Other income (expense):			
Interest income	50,000	19,777	(30,223)
Interest expense		(212,008)	(212,008)
Other income			
Total other income (expense)	50,000	(192,231)	(242,231)
Income (loss) before operating transfers	(786,369)	(1,313,967)	(527,598)
Other financing sources (uses):			
Operating transfers in	30,929	467,864	436,935
Operating transfers out			
Total other financing sources (uses)	30,929	467,864	436,935
Net (loss) income	(755,440)	(846,103)	\$ (90,663)
Retained earnings (accumulated deficit), July 1, 1998	838,864	838,864	
Retained earnings (accumulated deficit), June 30, 1999	\$ 83,424	\$ (7,239)	

(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, 1999

	Total		Variance
	Budget	Actual	Favorable
			(Unfavorable)
Operating revenues	<u>\$ 11,596,434</u>	<u>\$ 11,183,443</u>	<u>\$ (412,991)</u>
Operating expenses:			
Cost of goods sold	7,624,999	6,803,822	821,177
Classified salaries	3,151,555	3,070,362	81,193
Employee benefits	547,191	514,356	32,835
Materials and supplies	319,451	308,328	11,123
Contract services and other operating expenses	857,294	963,752	(106,458)
Depreciation	<u>406,070</u>	<u>626,384</u>	<u>(220,314)</u>
Total operating expenses	<u>12,906,560</u>	<u>12,287,004</u>	<u>619,556</u>
Operating income (loss)	<u>(1,310,126)</u>	<u>(1,103,561)</u>	<u>206,565</u>
Other income (expense):			
Interest income	50,000	19,777	(30,223)
Interest expense		(334,449)	(334,449)
Other income	<u>30,000</u>	<u>66,980</u>	<u>36,980</u>
Total income (expense)	<u>80,000</u>	<u>(247,692)</u>	<u>(327,692)</u>
Income (loss) before operating transfers	<u>(1,230,126)</u>	<u>(1,351,253)</u>	<u>(121,127)</u>
Other financing sources (uses):			
Operating transfers in	30,929	467,864	436,935
Operating transfers out			
Total other financing sources (uses)	<u>30,929</u>	<u>467,864</u>	<u>436,935</u>
Net (loss) income	<u>(1,199,197)</u>	<u>(883,389)</u>	<u>\$ 315,808</u>
Retained earnings (accumulated deficit), July 1, 1998	<u>1,398,170</u>	<u>1,398,170</u>	
Retained earnings (accumulated deficit), June 30, 1999	<u>\$ 198,973</u>	<u>\$ 514,781</u>	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS

For the Year Ended June 30, 1999

	<u>Enterprise Funds</u>			<u>Internal Service Fund Self- Insurance Fund</u>	
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities:					
Operating income (loss)	\$ 218,634	\$ (200,459)	\$ (1,121,736)	\$ (1,103,561)	\$ (36,810)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:					
Depreciation	58,400	6,822	561,162	626,384	626,384
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(87,212)	2,343	7,580	(77,289)	(77,289)
Decrease (increase) in inventory	17,773	(6,878)		10,895	10,895
Decrease in prepaid expenses		1,554		1,554	1,554
Decrease (increase) in due from other funds	155,400	538,483	(334,300)	359,583	359,583
Increase (decrease) in due to other funds	11,170	90,385	(414,068)	(312,513)	(312,513)
Increase in liability for self-insurance				36,810	36,810
Decrease in accrued liabilities	(26,255)	(2,161)	(28,618)	(57,034)	(57,034)
(Decrease) increase in accounts payable	(99,412)	10,229	(10,234)	(99,417)	(99,417)
 Net cash provided by (used in) operating activities	 <u>248,498</u>	 <u>440,318</u>	 <u>(1,340,214)</u>	 <u>(651,398)</u>	 <u>(651,398)</u>
Cash flows from non-capital financing activities:					
Transfers in from other funds			467,864	467,864	467,864
Transfers out to other funds					(20,690)
(Decrease) increase in amount to be provided by future deposits	(920,995)	(546,513)	1,074,047	(393,461)	(393,461)
Interest income		66,980	19,777	86,757	86,757
 Net cash (used in) provided by non-capital financing activities	 <u>(920,995)</u>	 <u>(479,533)</u>	 <u>1,561,688</u>	 <u>161,160</u>	 <u>(20,690)</u>

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS

(Continued)

For the Year Ended June 30, 1999

	<u>Enterprise Funds</u>			<u>Internal Service Fund Self- Insurance Fund</u>	
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Data Processing Center</u>	<u>Total Enterprise Funds</u>	<u>Total</u>
Cash flows from capital financing activities:					
Interest expense	\$ (102,091)	\$ (33,430)	\$ (120,013)	\$ (255,534)	\$ (255,534)
Principal payments under capitalized lease obligations	(38,138)		(559,907)	(598,045)	(598,045)
Acquisitions of property and equipment	<u>(24,892)</u>		<u>(37,784)</u>	<u>(62,676)</u>	<u>(62,676)</u>
Net cash used in capital financing activities	<u>(165,121)</u>	<u>(33,430)</u>	<u>(717,704)</u>	<u>(916,255)</u>	<u>(916,255)</u>
Decrease in cash and cash equivalents	(837,618)	(72,645)	(496,230)	(1,406,493)	\$ (20,690) (1,427,183)
Cash and cash equivalents, July 1, 1998	<u>1,130,719</u>	<u>97,761</u>	<u>501,790</u>	<u>1,730,270</u>	<u>200,000 1,930,270</u>
Cash and cash equivalents, June 30, 1999	<u>\$ 293,101</u>	<u>\$ 25,116</u>	<u>\$ 5,560</u>	<u>\$ 323,777</u>	<u>\$ 179,310 503,087</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL FIDUCIARY FUNDS

June 30, 1999

	<u>Student Financial Aid</u>	<u>Student Scholarship and Loan</u>	<u>Associated Students</u>	<u>Student Body Center Building and Operating</u>	<u>Total</u>
ASSETS					
Cash in County Treasury				\$ 311,959	\$ 311,959
Cash on hand and in banks	\$ 188,772	\$ 144,952	\$ 494,806		828,530
Investments		485,000			485,000
Accounts receivable	145,730		74	169	145,973
Due from other funds	<u>175,628</u>	<u>708</u>	<u>70,377</u>	<u>1,060,890</u>	<u>1,307,603</u>
Total assets	<u>\$ 510,130</u>	<u>\$ 630,660</u>	<u>\$ 565,257</u>	<u>\$ 1,373,018</u>	<u>\$ 3,079,065</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Accounts payable	\$ 24,611	\$ 3,500	\$ 2,000	\$ 2,288	\$ 32,399
Accrued employee benefits				4,695	4,695
Deferred revenue	2,274				2,274
Due to other funds	478,373	265	56,189	1,792,240	2,327,067
Due to student organizations	<u></u>	<u></u>	<u>139,581</u>	<u></u>	<u>139,581</u>
Total liabilities	<u>505,258</u>	<u>3,765</u>	<u>197,770</u>	<u>1,799,223</u>	<u>2,506,016</u>
Fund balances (deficit):					
Reserved	<u>4,872</u>	<u>626,895</u>	<u>367,487</u>	<u>(426,205)</u>	<u>573,049</u>
Total liabilities and fund balances (deficit)	<u>\$ 510,130</u>	<u>\$ 630,660</u>	<u>\$ 565,257</u>	<u>\$ 1,373,018</u>	<u>\$ 3,079,065</u>

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

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

ALL FIDUCIARY FUNDS

For the Year Ended June 30, 1999

	<u>Student Financial Aid</u>	<u>Student Scholarship and Loan</u>	<u>Associated Students</u>	<u>Student Body Center Building and Operating</u>	<u>Total</u>
Revenues:					
Federal sources	\$ 5,877,872				\$ 5,877,872
State sources	570,298				570,298
Local sources		\$ 96,693	\$ 212,740	\$ 224,211	533,644
Total revenues	<u>6,448,170</u>	<u>96,693</u>	<u>212,740</u>	<u>224,211</u>	<u>6,981,814</u>
Expenditures:					
Classified salaries				51,592	51,592
Employee benefits			449	3,716	4,165
Books and supplies		3,526	132,951	1,579	138,056
Contract services and operating expenditures		327	14,003	175,540	189,870
Student financial assistance	6,520,015	179,108			6,699,123
Investment expense				6,781	6,781
Total expenditures	<u>6,520,015</u>	<u>182,961</u>	<u>147,403</u>	<u>239,208</u>	<u>7,089,587</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(71,845)</u>	<u>(86,268)</u>	<u>65,337</u>	<u>(14,997)</u>	<u>(107,773)</u>
Other financing sources (uses):					
Operating transfers in	104,803	76,000	15,000	899,551	1,095,354
Operating transfers out	<u>(28,240)</u>			<u>(1,605,000)</u>	<u>(1,633,240)</u>
Total other financing sources (uses)	<u>76,563</u>	<u>76,000</u>	<u>15,000</u>	<u>(705,449)</u>	<u>(537,886)</u>
Excess (deficiency) of revenues and other financing sources over (under) expend- itures and other uses	4,718	(10,268)	80,337	(720,446)	(645,659)
Fund balances, July 1, 1998	<u>154</u>	<u>637,163</u>	<u>287,150</u>	<u>294,241</u>	<u>1,218,708</u>
Fund balances (deficit), June 30, 1999	<u>\$ 4,872</u>	<u>\$ 626,895</u>	<u>\$ 367,487</u>	<u>\$ (426,205)</u>	<u>\$ 573,049</u>

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, 1999, and have issued our report thereon dated December 3, 1999. In our report, our opinion was qualified because of the lack of detailed fixed asset records supporting the balances shown in the General Fixed Assets Account Group. 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
- Year 2000 (Unaudited)

The information in these schedules, except for the Year 2000 schedule on which we express no opinion, 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., LLP
Certified Public Accountants

Sacramento, California
December 3, 1999

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 1999

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

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
David N. MacDiarmid	President	December 2002
Kristine L. Chase	Vice-President	December 2000
William M. Corey	Secretary	December 2000
Sheila A. Grilli	Member	December 2002
John T. Nejedly	Member	December 2002
Jenny E. Hughes	Student Member	May 2000

DISTRICT ADMINISTRATION

Mr. Charles C. Spence
Chancellor

Mr. John Hendrickson
Vice-Chancellor, Finance and Administration

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 1999

	<u>Federal Catalog Number</u>	<u>Program Entitlements</u>			<u>Program Revenues</u>				<u>Program Expend- itures</u>
		<u>Current Year</u>	<u>Prior Year Carry- over</u>	<u>Total</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>	<u>Total Revenues</u>	
Federal Programs:									
Pell Grants	84.063	\$ 5,273,126		\$ 5,273,126	\$ 5,197,209	\$ 119,977		\$ 5,317,186	\$ 5,317,186
Federal Supplemental Education Opportunity Grant	84.007	402,561		402,561	330,276	11,994		342,270	342,270
Federal Direct Student Loans	84.007	218,416		218,416	218,416			218,416	218,416
Federal Work Study	84.003	336,367		336,367	186,114	127,858		313,972	313,972
Vocational and Applied Technology Education Acts:									
Title IIB - Single Parent	84.048	120,000		120,000	100,800	14,984		115,784	115,784
Title IIB - Gender Equity	84.048	150,000	\$ 1,972	151,972	126,853	7,370	\$ 23,805	110,418	110,418
Title IIC - Basic Grant	84.048	590,498	137,344	727,842	616,755	55,545		672,300	672,300
Title IIIE - Technical Preparation	84.049	199,860	3,416	203,276	171,298	11,337		182,635	182,636
Transitional and Work- force Skills	84.048	50,000		50,000	42,000	4,458		46,458	46,458
Student Leadership	84.048	50,000		50,000	42,000		20,262	21,738	21,738
National Science Foundation Grants	47.076	35,235		35,235	53,892		23,616	30,276	30,276
Center for Science Excellence	12.431	543,363		543,363	313,754	202,707		516,461	516,461
Job Training Partnership Act	17.246	23,594	11,029	34,623	60,826	18,783	57,444	22,165	22,165
Higher Education Act III	84.031A		426,710	426,710		381,369		381,369	381,369
TANF	93.667	185,722	72,122	257,844	257,844		101,745	156,099	156,099
Violence Counseling	93.592	8,600	19,728	28,328	28,330		15,795	12,535	12,533
Talent Search Program	84.044	190,000		50,000		105,957		105,957	105,957
Total Federal Programs		<u>\$ 8,377,342</u>	<u>\$ 672,321</u>	<u>\$ 8,909,663</u>	<u>\$ 7,746,367</u>	<u>\$ 1,062,339</u>	<u>\$ 242,667</u>	<u>\$ 8,566,039</u>	<u>\$ 8,566,038</u>

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 1999

	<u>Program Entitlements</u>			<u>Program Revenues</u>				<u>Program Expend- itures</u>
	<u>Current Year</u>	<u>Prior Year Carry- over</u>	<u>Total</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>	<u>Total Revenues</u>	
State Programs:								
Matriculation	\$ 1,581,646		\$ 1,581,646	\$ 1,581,646		\$ 58,639	\$ 1,523,007	\$ 1,523,007
Extended Opportunity Program Services	2,096,819		2,096,819	2,096,819		20,172	2,076,647	2,084,948
Disabled Student Program Services	1,289,839	\$ 20,754	1,310,593	1,310,593		70,687	1,239,906	1,239,906
Preschool Grant	992,921	497,433	1,490,354	1,490,354		438,779	1,051,575	1,051,575
Environmental Tech - State Leadership	135,000	10,859	145,859	123,989	\$ 11,508		135,497	135,497
Faculty and Staff Development	139,299	50,471	189,770	189,770		50,068	139,702	159,868
BFAP Administration	154,681		154,681	154,681		3,054	151,627	173,078
Faculty and Staff Diversity	30,636		30,636	30,710		12,887	17,823	17,823
Instruction Equipment	2,612,187	1,988,474	4,600,661	4,600,661		1,499,918	3,100,743	3,100,753
TANF	371,443	144,244	515,687	515,687		203,490	312,197	312,197
Cal Works	1,433,060	759,003	2,192,063	2,192,063		115,208	2,076,855	2,076,855
Cal Grants	264,645		264,645	250,886	13,759		264,645	264,645
Child Care Facility	67,500	292,722	360,222	326,472			326,472	459,087
Independent Living	22,650		22,650	9,104	13,546		22,650	22,840
Network Technology Academy	249,969	249,969	499,938	459,943	39,995	249,969	249,969	249,969
Environmental Health & Safety	228,002		228,002	203,952		149,650	54,302	54,302
Environmental Business Resource		128,862	128,862	128,861		2,938	125,923	125,923
IS/615	242,800		242,800	191,521		173,281	18,240	18,240
Multimedia	249,950		249,950	209,958		39,665	170,293	170,293
Telecomm Grant		21,968	21,968	21,968		14,387	7,581	7,581
Foster Relative Training	30,000		30,000		30,000		30,000	31,879
Foster Parent Training	203,381		203,381		156,244		156,244	162,370
Student Success	160,600		160,600	82,952	35,743	2,692	116,003	116,003
CAN/Assist	10,000		10,000	10,000		4,786	5,214	5,214
School to Work		6,187	6,187	6,187			6,187	6,187
USSP	9,375		9,375	7,031		2,394	4,637	4,637

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 1999

	<u>Program Entitlements</u>			<u>Program Revenues</u>				<u>Program Expend- itures</u>
	<u>Current Year</u>	<u>Prior Year Carry- over</u>	<u>Total</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>	<u>Total Revenues</u>	
State Programs: (Continued)								
Puente Project	\$ 1,094,000		\$ 1,094,000		\$ 1,094,000		\$ 1,094,000	\$ 1,094,000
Heritage Project	30,000		30,000		30,000		30,000	30,000
Common Course Numbering	<u>77,027</u>		<u>77,027</u>	<u>\$ 8,094</u>	<u>33,349</u>		<u>41,443</u>	<u>41,433</u>
Total State Programs	<u>\$13,777,430</u>	<u>\$ 4,170,946</u>	<u>\$17,948,376</u>	<u>\$16,203,902</u>	<u>\$ 1,458,144</u>	<u>\$ 3,112,664</u>	<u>\$14,549,382</u>	<u>\$ 14,740,110</u>

See accompanying notes to
supplemental information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

Annualized Attendance as of June 30, 1999

	<u>Reported Data</u>	<u>Audit Adjust- ments</u>	<u>Revised Data</u>
Categories			
A. Credit full-time equivalent student (FTES)			
1. Weekly census	23,848		23,848
2. Daily census	1,354		1,354
3. Actual hours of attendance	2,133		2,133
4. Independent study work experience	<u>225</u>		<u>225</u>
Total	<u>27,560</u>	<u>-</u>	<u>27,560</u>
B. Noncredit FTES			
1. Actual hours of attendance	<u>262</u>	<u>-</u>	<u>262</u>
C. Gross Square Footage			
1. Existing facilities	<u>1,241,159</u>	<u>-</u>	<u>1,241,159</u>
2. New facilities	<u>35,400</u>	<u>-</u>	<u>35,400</u>
D. FTES in New Facilities	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to
supplemental information

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF ANNUAL APPRENTICESHIP HOURS OF INSTRUCTION
Annualized Attendance as of June 30, 1999

	<u>Reported Annual Hours</u>
Reporting periods	
July 1 - December 31, 1998	29,678
January 1 - April 15, 1999	-
April 16 - June 30, 1999	<u>28,623</u>
Total	<u>58,301</u>

See accompanying notes to
supplemental information

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 1999

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Post- Retirement Health Benefits</u>	<u>Bookstore Fund</u>	<u>Cafeteria Fund</u>	<u>Data Processing Fund</u>	<u>Student Financial Aid</u>	<u>Student Scholarship and Loan</u>	<u>Associated Students Fund</u>	<u>Student Body Center</u>
June 30, 1999 Annual Financial and Budget Report Fund Balances/ Retained Earnings (Deficit)	<u>\$ 4,926,362</u>	<u>\$ 1,630,948</u>	<u>\$ 16,928,789</u>	<u>\$ 993,062</u>	<u>\$ (198,012)</u>	<u>\$ 50,472</u>	<u>\$ -</u>	<u>\$ 544,899</u>	<u>\$ 336,245</u>	<u>\$ 297,047</u>
Adjustments:										
Decrease in Federal revenue	(227,976)			(26,642)			(62,820)			
(Decrease) increase in State revenue	(1,880,331)	(493,482)			30,714		308,432			
Increase (decrease) in local revenue	2,114,284	35,997			3,788			26,675	(1,895)	(134,048)
Increase in academic salaries	(4,663)									
Increase in classified salaries	(9,503)			(54,390)		(1,531)				1
Decrease in employee benefits	200,171									
Increase in books, materials and supplies	(298,594)			(107,666)	(4,773)				(683)	
(Increase) decrease in contract services and operating expenditures	(945,613)	(10,920)			40	(56,180)		(3,526)	(765)	126,100
(Increase) decrease in capital outlay	(122,552)	(49,459)			1					(84,820)
Increase in principal retirement	(97,181)									
Increase in interest	(34,278)			(80,673)	(33,429)					
Decrease (increase) in other outgo	206,259	(43,997)					(20,481)	(17,154)	(5,833)	
(Decrease) increase in other financing sources	(95,684)	(25,851)					(194,234)	76,000		(707,830)
Decrease (increase) in other uses	66,758		(50)				(26,025)			77,345
Blending of student trust funds									40,418	
Prior period adjustment		679,433								
Fund balance incorrectly reported on CCFS-311		(1,176,472)								
Other	<u>3</u>							<u>1</u>		
Net adjustments	<u>(1,128,900)</u>	<u>(1,084,751)</u>	<u>(50)</u>	<u>(269,371)</u>	<u>(3,659)</u>	<u>(57,711)</u>	<u>4,872</u>	<u>81,996</u>	<u>31,242</u>	<u>(723,252)</u>
June 30, 1999 Audited Financial Statements Fund Balances/Retained Earnings (Accumulated Deficit)	<u>\$ 3,797,462</u>	<u>\$ 546,197</u>	<u>\$ 16,928,739</u>	<u>\$ 723,691</u>	<u>\$ (201,671)</u>	<u>\$ (7,239)</u>	<u>\$ 4,872</u>	<u>\$ 626,895</u>	<u>\$ 367,487</u>	<u>\$ (426,205)</u>

See accompanying notes to supplemental information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

YEAR 2000

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations.

Contra Costa Community College District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and student information.

Each of these systems has been assessed, remediated, tested and validated.

Contra Costa County collects and reports property tax collections for the District. Contra Costa County is responsible for remediating the tax collection system. The County is solely responsible for any costs associated with the tax collection system project.

The State of California distributes a substantial sum of money to the District in the form of Federal and State grant, entitlement and apportionment payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through State information systems. The State is responsible for remediating these systems. The State is solely responsible for any costs associated with these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. District management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

See accompanying notes to
supplemental information

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Federal and State Financial Assistance

OMB Circular A-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, 1999.

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.

E - Year 2000

Governmental Accounting Standards Board Technical Bulletins 98-1 and 99-1, "Disclosures about Year 2000 Issues," require disclosure of certain matters regarding the Year 2000 issue.

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, 1999, and have issued our report thereon dated December 3, 1999. In our report, our opinion was qualified because of the lack of detailed fixed asset records supporting the balances shown in the General Fixed Assets Account Group. 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 April 1999 transmittal of audit requirements for community colleges. The objectives of the examination of compliance applicable to 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 claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
4. 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.
5. The District adhered to uniform academic standards for placing students on probation and making students on probation subject to dismissal.
6. 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.
7. 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.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

(Continued)

8. 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.
9. 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.
10. The District has charged an enrollment fee to all eligible students taking qualified classes. Students who are exempt from the non-resident tuition fee are charged the correct fee per course unit if the District claims the student as resident FTES for apportionment purposes. Fees collected are reported in the proper accounting period.
11. Classes which fall under instructional service agreements/contracts for which FTES are claimed are eligible for State funding.
12. The District complied with all state laws and regulations in accordance with Section 1(a)(3) of the California Education Code and Chapter 3.6, Section 15379.28 of the California Governmental Code and to the standard grant conditions in the administration of Economic Development Program grants.

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:

- 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.
- All admissions and records employees have access to override the system for dismissed students.
- Grade report data entry is not reviewed for accuracy by instructor or employee.
- Contra Costa College could not provide general ledger support for the District match portion of matriculation.
- The District does not identify fixed assets acquired using Economic Development Program funds.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

(Continued)

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., LLP

Certified Public Accountants

Sacramento, California
December 3, 1999

**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, 1999, and have issued our report thereon dated December 3, 1999. In our report, our opinion was qualified because of the lack of detailed fixed asset records supporting the balances shown in the General Fixed Assets Account Group. 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 16 and 17.

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 and two.

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 the reportable condition identified above as item one is a material weakness.

**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., LLP

Certified Public Accountants

Sacramento, California
December 3, 1999

**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, 1999. 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.

In our opinion, 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, 1999.

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.

**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 (Continued)

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 weakness.

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., LLP

Certified Public Accountants

Sacramento, California
December 3, 1999

FINDINGS AND RECOMMENDATIONS

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 1999

FINANCIAL STATEMENTS

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Reportable condition(s) identified not considered
to be material weakness(es)?

 X Yes None reported

Noncompliance material to financial statements
noted?

 Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

 X Yes No

Reportable condition(s) identified not considered
to be material weakness(es)?

 Yes X None reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133?

 X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.003 *	Student Financial Aid
84.048	Vocational and Applied Technology Education Acts
12.431	Center for Science Excellence
84.031	Higher Education Act III

* Clustered

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

SUMMARY OF 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, 1999, 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 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. We have identified the reportable conditions as discussed in the Summary of Findings and Recommendations section of this report as items 1 and 2.

MATERIAL WEAKNESS

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 controls would not necessarily disclose all matters in the internal controls 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 condition identified as item one in the memorandum that accompanies this report is a material weakness.

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. The accompanying memorandum summarizes our observations and recommendations.

Board of Trustees
Contra Costa Community College District

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., LLP

Certified Public Accountants

Sacramento, California
December 3, 1999

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 1999

1. ACCOUNT RECONCILIATIONS - MATERIAL WEAKNESS

Finding

Although performed at year end, several account reconciliations were not prepared or reviewed on a timely basis throughout the year. Specifically, they include the following:

- General and Fiduciary Fund Bank Accounts
- Accounts Receivable
- Deferred Revenue
- Accounts Payable

As a result, over 100 adjustments were recorded subsequent to filing the Annual Financial and Budget Report with the Chancellor's office. The fund balances of ten funds were revised as noted on page 61 of this report.

Recommendation

We understand that this situation was a result of both staffing constraints in the Accounting Department and the conversion to the Datatel computer 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:
 - Revenues, Accounts Receivable, and Deferred Revenue
 - Expenditures and Accounts Payable
- Prevent material misstatement of account balances.
- Ensure proper cash management, including timely monitoring of claims for funds and outstanding accounts receivable balances.

District Response

Year-end reconciliation of all funds and accounts was completed and ready by November 1999 for the year-end audit. During the fiscal year 1999-2000 monthly bank reconciliations will be made starting not later than December 1999. Bank statement reconciliations will be performed monthly and reviewed by the Comptroller or the Chief Accountant.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

2. BUDGETARY PRACTICES - REPORTABLE CONDITION

Finding

The final revised budget presented in the District's accounting system and financial statements differed significantly in the categorization of expenditures from the budget approved by the District's Governing Board in the August 25, 1999 meeting. Although the total expenditures remained substantially unchanged, the final revised budget resulted in significant excess expenditures over appropriations, by major object code, in the General Fund and Debt Service Funds. Expenditures cannot legally exceed appropriation by major object accounts.

Recommendation

The adjusted budget should more closely reflect the actual income and expenditures during the year. The budget should be monitored and revised throughout the year to give consideration to unanticipated income and expenditures. In addition, the final revised budget should be reviewed by management and the District's Governing Board.

District Response

Agree. 1998-99 was an unusual year given the urgency and amount of staff time and effort that was required to both install and maintain the new finance and budget system while performing close-out of a former system. During this period, misclassifications, when writing journals and entering system transactions, did occur, especially during fiscal year-end close. Proper categorization of expenditure account codes will be carefully reviewed to assure that the final revised budget is consistent with year-end audited statements.

Quarterly Governing Board financial reports will continue to be completed to update the District's budget for new income or transfer of expenditure between expenditure categories.

3. FINANCIAL REPORTING

Finding

We noted several reconciling differences between the expenditures reported on the Fiscal Operations Report and Application to Participate (FISAP) for Pell, Federal Supplemental Educational Opportunity Grant (SEOG), and Federal Work Study (FWS) and the District's student financial aid expenditures recorded on the general ledger. Contra Costa College had offsetting errors in excess of \$50,000 and Los Medanos College had one error in excess of \$50,000. However, the net effect of the differences for all campuses was minor.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

3. FINANCIAL REPORTING (Continued)

Recommendation

Although the FISAP was revised in December 1999 for the differences noted above, we would recommend the District serve as the central reporting agent for the Colleges. Expenditure adjustments made and reports prepared by the Colleges should be reviewed and approved throughout the year to ensure the District's general ledger reconciles to the records at the College level.

District Response

Agree. The District Office accounting department will review college FISAP reports for any corrections necessary during the fiscal year.

4. ELECTRONIC DATA PROCESSING (EDP)

Finding

Although the EDP Department has improved the control environment, we noted EDP does not have a formal written microcomputer policy addressing the following areas:

- Restrictions and limitations on the use of personal computers and the data they contain and/or generate.
- Security of the personal computers to ensure safeguarding of District assets.
- Backup procedures to ensure reliable data is available at all times.

Recommendation

Written policies and procedures should be consolidated into a formal microcomputer policy and distributed to employees.

District Response

The Vice Chancellor of Technology Systems, Planning and Support will insure that written policies and procedures covering the above are developed by the end of the fiscal year.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

5. PAYROLL

Findings

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

- Payroll employees are able to access, add, and change employee data master files. Changes to pay rates and additions to payroll are not reviewed by an independent party to verify the additions and corrections are accurate and properly authorized.
- The payroll manager has the ability to review, approve, and input payroll information creating a lack of segregation of duties.
- Documentation is not maintained of object codes charged for employee salary and benefits, essential to support charges to State and Federal programs. While performing payroll testing we noted the following coding errors:
 - One employee was an instructional aide per the Classified Personnel Requisition, however, was paid from the non-instructional budget code.
 - Two employees charged to instructional budget codes should have been paid from non-instructional budget codes.
 - One employee was being paid at Class IV, Step 12 but should have been paid at Class V, Step 14.

Recommendations

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

- On a test basis, the Internal Auditor should review personnel records for selected newly hired personnel and agree information to the payroll system.
- Although the Payroll Manager does not enter payroll except for emergency needs, the capability does exist. Periodic surprise audits of selected personnel files should be performed by the Internal Auditor.
- Object codes should be authorized and documented within the personnel files to support charges to specific programs.

District Response

Once Colleague software is fully implemented by December 31, 1999, Payroll personnel will no longer have the ability to set up employees on the system and employee positions will be assigned and linked to a general ledger account number. The District is in the process of developing an internal control system that insures all employees entitled to Step increases receive the proper increase.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

6. CASH DISBURSEMENTS AND CASH RECEIPTS - ASSOCIATED STUDENT BODY

Findings

During our review of the internal controls of Contra Costa College's Associated Student Body, we noted the following:

- Manually prepared transaction journals are not reconciled to the District's on-line general ledger.
- Employees are not cross-trained to perform functions of absent employees.
- Financial information is provided only upon request from the clubs.

During our testing of Associated Student Body expenditures and revenues, we noted the following:

- Two Diablo Valley College disbursements did not have dual signatures on the Authorization For Payment form.
- A Diablo Valley College cash deposit did not have supporting documentation.
- A Los Medanos College disbursement did not have a supporting receipt/invoice.

Recommendations

To detect and resolve discrepancies in a timely manner and to ensure completeness of manual ledgers, the student ledgers should be reconciled monthly to the District's on-line general ledger. Additionally, clubs should receive account balances monthly.

The Associated Student Body disbursement policies should be followed to ensure all expenditures and cash receipts are valid and authorized.

District Response

The District Office will provide copies of monthly bank statements which will be used in conjunction with the District's general ledger reports to reconcile club accounts. In addition, monthly financial information will be provided to the campus clubs by the College's Business Office.

7. BOOKSTORE - SEGREGATION OF DUTIES

Finding

Due to the small size of the Center for Higher Education bookstore (a satellite location for Diablo Valley College), one individual collects all receipts and prepares the cash drawer reconciliation without sufficient review.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

7. BOOKSTORE - SEGREGATION OF DUTIES (Continued)

Recommendation

The Diablo Valley College bookstore should implement procedures for a weekly review of the Center for Higher Education cash receipts and deposits.

District Response

The Diablo Valley College Bookstore Manager is in the process of scaling back the Center for Higher Education operations by not renewing the off-site leased facility and reducing the hours of operation and the inventory on hand. Additionally, the Operations Assistant will be visiting the site weekly to ensure cash reports are properly completed and deposits are made timely.

8. CAFETERIA - CASH RECEIPTS

Finding

The Diablo Valley College cafeteria does not use a cash register for football game food sales. The supporting documentation for sales consists of a cash sheet signed by one individual.

Recommendation

Cash should be collected and counted under dual custody using a cash register.

District Response

The Director of Business Services and the Manager of Audit Services will inspect the facility and determine the practicality of installing cash registers at the concession stand. A solution will be implemented by Fall 2000.

9. CAPITAL PROJECTS

Finding

Each project's expenditures and revenues were not reconciled to the general ledger throughout the year, which resulted in sub fund classification errors and untimely filing of claim reimbursements. The lack of timely filing makes cash management more difficult and results in lost interest income for the District.

Recommendation

The District should track each project separately throughout the year and reconcile the claim reimbursement forms and the expenditure recap sheets to the general ledger on a monthly basis.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

9. CAPITAL PROJECTS (Continued)

District Response

Agree. In the past, it has been the task of one of the District Office Fiscal Operations Specialists to maintain the accounting process that tracks each capital project separately throughout the year, and to timely reconcile claim reimbursement forms to the general ledger expenditure statements. Now that some of the competing needs of the system conversion are over, priority can once again be given to this area.

10. GENERAL FIXED ASSET ACCOUNT GROUP

Finding

Although the District hired an outside company to perform a physical count of fixed assets in the current year, the project was not completed by June 30, 1999.

Recommendation

The District's fixed asset listing should be updated and be supported by adequate documentation for the location and the cost associated with each fixed asset. Additionally, a physical inventory should be performed periodically to verify accuracy of the fixed asset listing.

District Response

Agree. The contract to perform the District-wide equipment inventory has not been satisfactorily completed and has not been accepted by the District. Payment to the contract firm is withheld pending follow-up inventory for several college locations. The transfer of inventory records to the District's system is an ongoing project.

11. GENERAL

Finding

During the audit process, we noted the following:

- Selected vendor invoices could not be located or were misfiled.
- General fund expenditures were not properly classified between the 4000 and 5000 object codes.
- Several year-end journal entries were posted without review or approval.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

11. GENERAL (Continued)

Recommendations

We recommend the following:

- Procedures should be implemented to consistently file vendor invoices and require a sign out form in the file when the invoices are removed.
- All journal entries posted to the general ledger should be reviewed and approved to ensure they are properly coded to the correct object codes.

District Response

The finding notes exceptions to our staff procedures, not lack thereof. Procedures are in place, and they are currently being updated to incorporate the new system. Additional staff training will be provided to reinforce the proper maintenance of vendor files, account coding, and documentary evidence of approval of journal entries.

STATE COMPLIANCE

12. ATTENDANCE

Findings

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

- The instructor or another employee does not review grade report data entry for accuracy. This could 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.

Recommendation

A representative of the campus should review grade reports to ensure accuracy.

District Response

Beginning in Fall 1999, each instructor will have the ability to enter grades directly into Colleague. The instructor will verify the accuracy of input and electronically stamp their signature. Only the instructor of record will be allowed to enter and change grades.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

STATE COMPLIANCE (Continued)

12. ATTENDANCE (Continued)

Recommendation

The system should require password security to limit overrides for dismissed students to supervisory level personnel.

District Response

It is true the Admissions and Records employees have access to override the system for dismissed students, an override is only performed by written request of either the Counseling Department (Contra Costa College and Los Medanos College) or the Assistant Dean of Student Services at Diablo Valley College. We are in the process of developing a weekly report for the above departments to list all dismissed students and any activity for those students to insure all overrides are properly documented and approved.

13. ALLOCATION OF COSTS

Finding

A District employee's cost was charged 50% to DSP&S and 50% to matriculation on the Time Sheet for Multi-Funded Categorical Personnel but was allocated 37% to DSP&S and 63% to matriculation on the approved Certificated Personnel Requisition in the employee's personnel file.

Recommendation

Each employee should have an up to date object code authorization, in their personnel file, to support charges to specific programs.

District Response

Human Resources will require all Business Directors to review and certify a listing of categorical personnel and their general ledger account numbers.

14. ECONOMIC DEVELOPMENT

Finding

The District does not identify personal and real property purchased with Economic Development funds.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

STATE COMPLIANCE (Continued)

14. ECONOMIC DEVELOPMENT (Continued)

Recommendation

The District should specifically identify and tag personal and real property purchased with California Economic Development Program funds.

District Response

As part of the District-wide inventory-record-project, equipment and real property, if any, will be recorded as having been purchased with California Economic Development Program funds, as appropriate.

15. MATRICULATION

Finding

Contra Costa College used estimated expenditures to complete the District match portion of the 1998-99 Credit and Noncredit Matriculation Report.

Recommendation

Actual expenditures should be reported on the Credit and Noncredit Matriculation Report to ensure compliance. The District should review reports submitted from the campuses for accuracy.

District Response

The District revised the report using actual expenditures before submitting to the State.

FEDERAL COMPLIANCE

16. INVENTORY OF EQUIPMENT

Findings

During our audit of Federal compliance, we noted the following concerning equipment purchased with Federal program funds:

- Current property records are not maintained. Each item of equipment should be identified by an accurate description, manufacturer's serial number, and an identification number and acquisition date.
- A control system is not in place to ensure adequate safeguards to prevent loss, theft or damage of equipment.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

FEDERAL COMPLIANCE (Continued)

16. INVENTORY OF EQUIPMENT (Continued)

Recommendation

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

District Response

As part of the District-wide inventory-record-project, equipment and real property, if any, will be recorded as having been purchased with Federal funds, as appropriate.

17. VATEA

Finding

A PBX Operator's payroll expense, for August 21-September 20, was improperly charged to the VATEA budget code even after supervisor approval.

Recommendation

A thorough review of expenditures should be performed by Department Managers to ensure programs are charged properly.

District Response

The employee was incorrectly charged to VATEA due to a transposition error in the account number. A journal entry has been recorded to correct the error.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

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

June 30, 1999

1. ACCOUNT RECONCILIATIONS - MATERIAL WEAKNESS

Finding

Although performed at year end, several account reconciliations were not prepared or reviewed on a timely basis throughout the year. Specifically, they include the following:

- General and Fiduciary Fund Bank Accounts
- Accounts Receivable
- Accounts Payable

Recommendation

We understand that this situation was a result of both the staffing constraints in the Accounting Department and the inefficiency of the FACS computer 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:
 - Revenues and Accounts Receivable
 - Expenditures and Accounts Payable
- Prevent material misstatement of account balances.

Current Status

See current year Findings and Recommendations

2. 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. While the new system will likely involve less programmer intervention as it is a purchased package, the EDP access should be reviewed to ensure that only authorized changes to the operating system and other software are uploaded.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 1999

2. ELECTRONIC DATA PROCESSING (EDP) (Continued)

Findings (Continued)

- Modifications have been made to passwords and other security measures as a means to control access to software programs. However, the modifications to approved access levels have not been tested 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 are allowed in the computer room without restriction.

Recommendations

As the District continues its development and implementation of plans and procedures for the EDP department, we recommend consideration of the following items:

- Software and operating system 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.

Current Status

Implemented.

- Password controls should be periodically audited by the District internal auditor.

Current Status

Implemented.

- 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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

2. ELECTRONIC DATA PROCESSING (EDP) (Continued)

Recommendations (Continued)

- 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.

Current Status

Implemented.

3. CASH DISBURSEMENTS

Finding

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

- Keys to the check signing machine are held in the Data Processing Center. This enables data entry, warrant printing, and check signing functions to be performed without independent review.

Recommendation

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

- Data entry personnel should not have access to the check signing machine. While the current procedures limit the amount of check stock available to the data entry personnel, the environment exists where unauthorized disbursements could occur and the District would have to detect the situation through the bank reconciliation process.

Current Status

Implemented.

4. CASH DISBURSEMENTS AND CASH RECEIPTS - ASSOCIATED STUDENT BODY

Findings

During our review of internal controls we noted the following:

- Prior to March 1998, Los Medanos College (LMC) did not require Associated Student Body clubs to document and maintain minutes of their meetings to support the authorizations made by club officers and members. Consequently, prior to that date disbursements were not supported by minutes of a club meeting in which the disbursements were authorized.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 1999

4. CASH DISBURSEMENTS AND CASH RECEIPTS - ASSOCIATED STUDENT BODY
(Continued)

Findings (Continued)

- The LMC Student Activities Coordinator does not reconcile the manual club financial activity ledgers to the District's on-line general ledger. Additionally, the student body clubs were only provided with their account balances three times during the current year.

Recommendations

We recommend the following be implemented to enhance Associated Student Body internal controls:

- The District should require the Associated Student Body and related clubs to maintain minutes of their meetings to document the authorization process for disbursements. Additionally, procedures should be established to ensure that disbursements are supported by approval in the minutes.

Current Status

Implemented.

- To detect and resolve discrepancies in a timely manner and to ensure completeness of manual ledgers, the student club ledgers should be reconciled monthly to the District's on-line general ledger. Additionally, clubs should receive account balances monthly.

Current Status

See current year Findings and Recommendations.

5. BOOKSTORE AND CAFETERIA CASH RECEIPTS

Findings

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

- Bookstore and cafeteria cash receipts are not posted to the general ledger timely. Monthly bank reconciliations and complete financial statements are integral to the system of accounting controls. 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, for the majority of the 1998 fiscal year these records were not reconciled.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

5. BOOKSTORE AND CAFETERIA CASH RECEIPTS (Continued)

Findings (Continued)

- Bookstore and cafeteria managers were not consistently provided with monthly financial statements from the District Office.

Recommendations

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

- Cash receipts should be posted to the general ledger immediately after processing the deposit permit.

Current Status

Implemented.

- To ensure the accuracy of the Daily Sales and Cash Report we recommend the Daily Sales and Cash Report be agreed to the register tape.

Current Status

Implemented.

- Monthly financial statements should be provided to the bookstore and cafeteria managers so that timely and accurate information is available to make financial decisions and allow them to investigate any unexpected or unusual activity.

Current Status

See current year Findings and Recommendations

6. ACCOUNTS RECEIVABLE

Finding

During our review of cash receipt internal controls we noted that there are no systematic monitoring procedures over delinquent accounts receivable.

Recommendation

The District did use the MSGAR58 report to analyze and write off receivables at June 30, 1998. However, the report should be utilized through out the year to monitor past due accounts and to determine the collectibility of accounts receivable.

Current Status

See current year Findings and Recommendations.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

7. 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 by an independent party to verify the additions and corrections are accurate and properly authorized. In addition, 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.
- Documentation is not maintained to support the object codes to which each employee's salary and benefits are charged. This is essential for charges to Federal programs.

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 records and agree information to the payroll system.

Current Status

See current year Findings and Recommendations.

- 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.

Current Status

See current year Findings and Recommendations.

- The District's Internal Auditor should periodically distribute a sample of paychecks to confirm the identity of all employees.

Current Status

See current year Findings and Recommendations.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

7. PAYROLL/PERSONNEL (Continued)

Recommendations (Continued)

- Object codes should be authorized and documented within the personnel files to support charges to specific programs.

Current Status

See current year Findings and Recommendations.

8. GENERAL FIXED ASSET ACCOUNT GROUP

Finding

As noted in prior years, the District does not maintain a complete listing of fixed assets, nor has there been a recent inventory to determine if available records properly reflect all fixed assets held by the District. While the District attempted to complete this project in the 1998 fiscal year end, the project was not completed due to personnel shortages.

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.

STATE COMPLIANCE

9. ATTENDANCE

Findings

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

- 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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

STATE COMPLIANCE (Continued)

9. ATTENDANCE (Continued)

Findings (Continued)

- Grade report data entry is not reviewed for accuracy by the instructor or another employee. This could 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:

- 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.

Current Status

Implemented.

- Grade reports should be reviewed by a representative of the campus to ensure accuracy.

Current Status

See current year Findings and Recommendations.

- The system should require password access to supervisory personnel to override the system for dismissed students.

Current Status

See current year Findings and Recommendations.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

STATE COMPLIANCE (Continued)

10. ALLOCATION OF COSTS

Finding

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

Recommendation

For College employees who provide EOP&S and DSP&S program services, 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.

Current Status

Implemented.

11. EDGAR

Finding

Compliance requirements for the Education Department General Administrative Regulations (EDGAR) require that equipment purchased with 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.

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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 1999

STATE COMPLIANCE (Continued)

11. EDGAR (Continued)

Current Status

See current year Findings and Recommendations.

FEDERAL COMPLIANCE

12. FINANCIAL REPORTING

Finding

During our audit of Federal compliance, we noted that reporting between the three colleges and the District Office for Federal programs is not centralized. As a result, for the Student Financial Aid program, the District reported expenditures in excess of the total grant authorization.

Recommendation

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.

Current Status

See current year Findings and Recommendations.