

CONTRA COSTA
COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH AUDITORS' REPORTS THEREON

JUNE 30, 2004

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

Table of Contents	1 - 2
Objectives of the Single Audit	3
Organization	4

FINANCIAL SECTION

Independent Auditors' Report	5 - 6
Management's Discussion and Analysis (Required Supplementary Information)	7 - 19
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	20
Statement of Revenues, Expenses, and Changes in Net Assets	21
Statement of Cash Flows	22 - 23
Notes to Basic Financial Statements	24 - 42

SUPPLEMENTARY INFORMATION

FUND FINANCIALS

Balance Sheet - All Funds	43
Statement of Changes in Fund Balances and Net Assets - All Funds	44
Current Funds - Unrestricted	
Combining Balance Sheet	45
Combining Statement of Changes in Fund Balance	46
Current Funds - Restricted	
Combining Balance Sheet	47
Combining Statement of Changes in Fund Balance	48
Plant Funds	
Combining Balance Sheet	49
Combining Statement of Changes in Fund Balance	50
Auxiliary Organizations	
Combining Balance Sheet	51
Combining Statement of Changes in Net Assets	52
College Foundations	
Combining Balance Sheet	53
Combining Statement of Changes in Net Assets	54
Notes to Fund Financials	55

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS (continued)

Page No.

SUPPLEMENTARY INFORMATION

FEDERAL AND STATE REQUIRED

Schedule of Expenditures of Federal Awards	56 - 57
Notes to Schedule of Expenditures of Federal Awards	58
Schedule of State Financial Assistance	59
Reconciliation of Annual Financial and Budget Report (Form CCFS-311) with Audited Basic Financial Statements	60
Schedule of Workload Measures for State General Apportionment	61
Schedule of Annual Apprenticeship Hours of Instruction	62

OTHER INDEPENDENT AUDITORS' REPORTS AND SCHEDULES

Independent Auditors' Report on State Compliance Requirements	63 - 67
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	68 - 69
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	70 - 71
Schedule of Findings and Questioned Costs	72 - 75
State Compliance Findings and Recommendations	76

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Objectives of the Single Audit
June 30, 2004

Objectives

The single audit of the Contra Costa Community College District (the "District") had the following objectives:

- To determine the fairness of presentation of the District's basic financial statements in accordance with accounting principles generally accepted in the United States of America.
- To obtain reasonable assurance about whether the District's basic financial statements are free of material misstatement by testing the District's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statement amounts.
- To determine that the District complied, in all material respects, with the compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 compliance supplement that are applicable to each major program.
- To test and report on the District's internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs.
- To recommend appropriate actions to correct areas where internal controls could be improved or where noncompliance with applicable federal regulations was noted during the audit.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Organization
June 30, 2004

The Contra Costa Community College District (the "District") was established in 1948 as a separate district and began operating in 1949. The District serves Contra Costa County, California, with three colleges: Diablo Valley College located in Pleasant Hill, Contra Costa College located in San Pablo, and Los Medanos College located in Pittsburg. The administrative offices of the District are located in Martinez, California. The District also operates satellite education centers in San Ramon and Brentwood. The boundaries of the District are contiguous with the boundaries of the County of Contra Costa, excluding only 48 of the County's 734 square miles. All colleges are accredited two-year colleges offering a wide range of study including vocational and technical education.

The members of the Board of Education of Contra Costa Community College District holding office during the audit period, and their term of office expiration dates are as follows:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
David W. Girard	President	December 2004
Jess H. Reyes	Vice President	December 2004
Sheila A. Grilli	Secretary	December 2006
David N. MacDiarmid	Member	December 2006
John T. Nejedly	Member	December 2006
Gigi Green	Student Member	(June 2004 - May 2005)

ADMINISTRATION

Mr. Charles C. Spence
Chancellor

Mr. Thomas L. Smith
Vice-Chancellor, Finance and Administration

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
FINANCIAL SECTION
JUNE 30, 2004

ARMANINO MCKENNA LLP

Certified Public Accountants & Consultants
12667 Alcosta Blvd., Suite 500
San Ramon, CA 94583-4427
ph: 925.790.2600
fx: 925.790.2601
www.amllp.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the accompanying basic financial statements of the business-type activities and the discretely presented component units of the Contra Costa Community College District (the "District") as of and for the year ended June 30, 2004, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards identified by the *California Community Colleges Contracted District Audit Manual*, as listed in the table of contents, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new reporting standard concerning component units, as required by the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis ("MD&A") on pages 7 through 19 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Federal and State Supplementary Information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Fund Financial Statements on pages 43 through 55, included as other supplementary information, are not a required part of the basic financial statements and, accordingly, we express no opinion on them.



ARMANINO McKENNA LLP

March 9, 2005

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

New Accounting Standards

In June 1999, the Governmental Accounting Standard's Board ("GASB") released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established new reporting formats for annual statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applied the new reporting models to public colleges and universities. In its "Accounting Advisory No. 2001-01", the State Chancellor's Office opined that the California Community Colleges would best benefit from, and would "therefore implement," the business-type activities ("BTA") reporting model, as outlined in GASB Statement No. 34. According to the GASB's implementation schedule, the District's effective implementation date began with fiscal year 2001-2002.

In May 2002, the Governmental Accounting Standard's Board ("GASB") released Statement No. 39, "Determining Whether Certain Organizations are Component Units," which required financial report inclusion of organizations closely related to the governmental unit. For the District, the college foundations meet such criteria, and, in compliance with the Statement's implementation date, they are included in the District's financial reports beginning fiscal year 2003-2004.

Because the new reporting model is such a departure from that used in prior years, the District continues to also present (in supplemental schedules) the District's financial statements using the fund statements format, which continues as the format that the District uses in reporting to the State Chancellor's Office.

As required by the new reporting model, the annual report consists of three basic financial statements that provide information on the District as a whole:

- the Statement of Net Assets;
- the Statement of Revenues, Expenses and Changes in Net Assets; and,
- the Statement of Cash Flows.

These statements are designed to emulate corporate presentation models, whereby all District activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to "bottom line" results for the District. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on both the gross costs, and the net costs, of District activities, which are supported mainly by property taxes, state apportionment, and other state revenues. This approach is intended to summarize and simplify the analysis of cost of various District services to students and the public.

The following discussion and analysis provides an overview of the District's financial activities and includes comparisons of current year to prior year activity.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the District. Overall, the net assets of the District decreased \$5.6 million, or about 4.9%, over that of the previous year. This decrease was primarily due to the net-decrease associated with annual asset depreciation-expense and the one-time use of debt service reserves to fund operational expenditures.

Condensed Statement of Net Assets

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current assets				
Cash and short-term investments	\$ 29,361,738	\$ 52,087,681	\$(22,725,943)	(43.6%)
Receivables	17,230,639	13,000,886	4,229,753	32.5%
Inventory, prepaid expenses and other	<u>3,494,459</u>	<u>4,065,114</u>	<u>(570,655)</u>	<u>(14.0%)</u>
Total current assets	50,086,836	69,153,681	(19,066,845)	(27.6%)
Non-current assets				
Net capital assets and restricted funding	<u>141,181,024</u>	<u>141,689,542</u>	<u>(508,518)</u>	<u>(0.4%)</u>
Total assets	<u>\$191,267,860</u>	<u>\$210,843,223</u>	<u>\$(19,345,961)</u>	<u>(9.3%)</u>
Current liabilities				
Accounts payable, and accrued liabilities	\$ 11,123,959	\$ 11,040,197	\$ 83,762	0.8%
Deferred revenues	9,564,589	7,421,566	2,143,023	28.9%
Bonds and notes payable - current portion	3,927,312	17,700,130	(13,772,818)	(77.8%)
Other long-term liabilities - current portion	<u>1,351,889</u>	<u>1,066,086</u>	<u>285,803</u>	<u>26.8%</u>
Total current liabilities	25,967,749	37,227,979	(11,260,230)	(30.2%)
Non-current liabilities				
Long-term liabilities	<u>55,579,224</u>	<u>58,246,337</u>	<u>(2,667,113)</u>	<u>(4.6%)</u>
Total liabilities	<u>81,546,973</u>	<u>95,474,316</u>	<u>(13,927,343)</u>	<u>(14.6%)</u>
Net assets				
Investment in capital assets, net of debt	80,084,537	37,689,741	42,394,796	112.5%
Restricted	2,167,115	43,495,424	(41,328,309)	(95.0%)
Unrestricted	<u>27,469,235</u>	<u>34,183,742</u>	<u>(6,714,507)</u>	<u>(19.6%)</u>
Total net assets	<u>\$109,720,887</u>	<u>\$115,368,907</u>	<u>\$ (5,648,020)</u>	<u>(4.9%)</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

The components of cash and short-term investments are primarily: 1) the short-term investment of yet-to-be-spent Bond funds, \$13.8 million 2) funds held at the County Treasury for life-time, retiree health benefits, \$4.5 million, 3) the funded-portion of the District's liability for accrued compensated absences, \$2.0 million, 4) the 2003-04 College funding carry-overs, \$7.7 million, 5) \$0.9 million for state-mandated reserves, and, 6) the net cash effect of non-cash assets, receivables, and liabilities. The primary components of the \$22.7 million fiscal year decrease were: 1) the absence of funds from a tax revenue anticipation note (TRAN), and, 2) the reclassification of short-term investments held for life-time retiree health benefits to "long-term investments." Last year, the District held \$15.2 million in cash for the repayment of a TRAN in July, 2003. There was no TRAN-borrowing during 2003-04.

Accounts receivable primarily represents state funding owed to the District for capital and non-capital apportionments and grants. The total owed to the District by the state is approximately \$11.2 million. Local property taxes comprise \$1.3 million of the amounts due to the District, and federal grants-receivable make up another \$1.6 million. The remaining accounts receivable are made up of student-receivables, book vendor credits, and miscellaneous items. The primary component of the 2003-04 net increase in accounts receivable was \$4.6 million in June apportionment revenues of which the State deferred payment until July 2004.

Inventories and prepaid items, \$1.8 and 1.6 million, respectively, represent bookstore merchandise-inventories and prepayments for July 2004 health insurance, and the first half of the 04-05 workers' compensation premiums. Overall 2003-04, inventory-levels remained steady, and prepayments decreased by \$500,000.

Non-current, net capital assets and restricted funding primarily represent: 1) the District's original investment in land, site improvements, buildings and equipment, less the cost of accumulated depreciation, \$107.4 million, 2) unspent cash from the proceeds from the \$50 million-issuance of 2002 Measure "A" bonds, \$8.8 million, 3) the funds accumulated at the County Treasury for the redemption of bonds, \$3.3 million, 4) the unspent cash held in categorical-program and trust funds, \$2.0 million, and, 5) the long-term investments held for the funding of the District's liability for life-time, retiree health benefits, \$19.7 million. For 2003-04, the increase in capital assets was mirrored by a nearly equal decrease in restricted funding.

Accounts payable and accrued liabilities primarily represent year-end accruals for services and goods received by the District, during fiscal 2003-04, for which payment would not be made until 2004-05. The accounts payable amount primarily represents debt on vendor invoices, but does include a \$600,000 accrual for unresolved 2001-02 energy costs related to the District's participation in a consortium contract with the Enron Corporation. Accrued liabilities principally represent 2003-04 payroll-expenditures and student refunds not paid until 2004-05. The 2003-04 year end balances are approximately the same as the previous year.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

Deferred revenues represent prepayments, made to the District, for which services have yet to be rendered. \$6.2 million of this amount represents student tuition and registration fees, received during 2003-04, for the fiscal year 2004-05 summer and fall terms. The other \$3.4 million represents funding for grants and contracts, whose terms and conditions extend beyond 2003-04 fiscal year. The \$2.1 million increase from 2002-03 to 2003-04 is primarily due to the State's increase of enrollment fees from \$18 per unit to \$26 per unit.

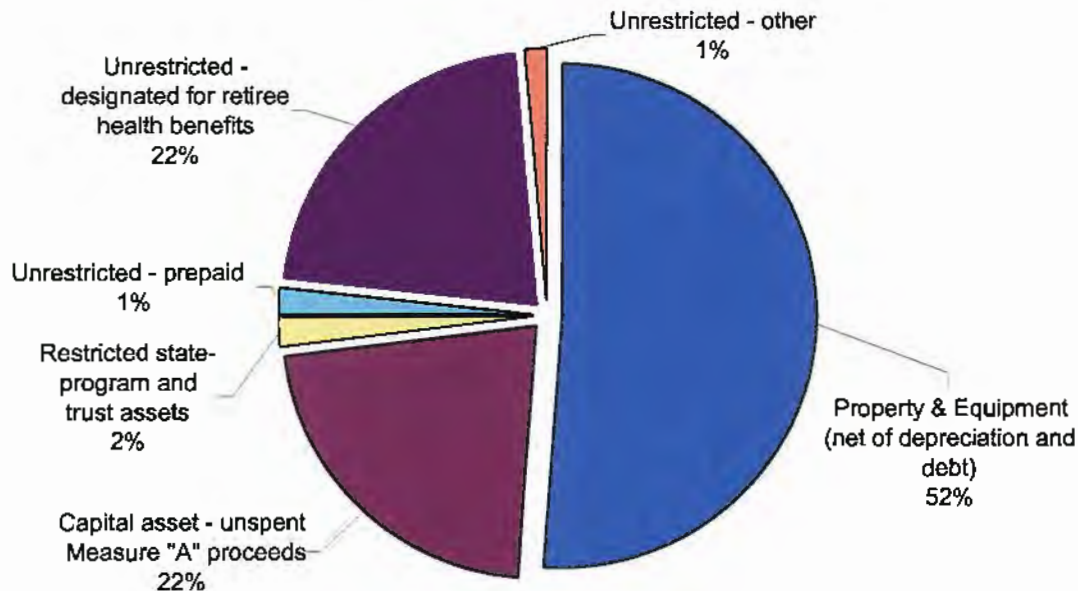
The amount for bonds and notes payable primarily represents the principal and interest to be paid during 2004-05 on the 2002 Measure "A" bonds. The change in amount from 2002-03 reflects the absence of any aforementioned TRAN liability.

Other current liabilities are composed of: 1) that portion of long-term capitalized leases to be paid during the 2004-05 fiscal year, \$418,000, 2) \$198,000 for the year-end accrual of the District's "deductible" for all outstanding insurance claims, and, 3) \$736,000 for the funds held in trust for student organizations. Each of these categories saw increases over 2003-04.

The District's non-current liabilities primarily consist of: 1) the long-term debt remaining on the 2002 Measure "A" bonds, \$46.9 million, 2) the accumulated liability for accrued, employee compensated absences, \$6.6 million, 3) the long-term debt remaining on the certificates of participation that were used to help construct the Diablo Valley College, Student Body Center, \$1.3 million, and, 4) numerous capitalized lease obligations for the purchase of equipment throughout the District, \$0.7 million. The decrease, from the 2002-03 total was due to bond redemption payments and a \$600,000 reduction in the liability for accrued compensated absences.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

Net Assets - June 30, 2004



The largest component of the District's \$80.1 million in capital assets (net of related debt) is the \$56.4 million representing the District's initial cost for property, plant, and equipment, less accumulated depreciation, and debt used for the initial purchase. Capital assets, net of accumulated depreciation, are \$107.4 million. It is the "netting-effect" of \$51.0 million in related debt; primarily from the debt associated with the \$50 million-issuance in Measure "A" bonds, which result in this lessened 2003-04 amount. The next largest component is the \$23.7 million in unspent cash and investments from the proceeds of the Measure "A" bond issuance.

The primary component of the District's "net assets" in restricted, expendable-assets, is \$2.0 million held in restricted categorical and trust funds.

The last component, at \$27.5 million, is the District's unrestricted assets, of which \$24.4 million has been Board-designated as debt-funding for the District's liability for retiree health benefits. \$1.6 million represents the District's investments in prepaid expenses. The remaining \$1.5 million represents the net, non capital assets for the District's auxiliary operations, unrestricted operations, and debt funding for the District's liability for accrued employee compensated absences.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets (see next page) presents the financial results of the District's "operations", as well as its "non-operating activities." The distinction between these two activities involves the concepts of "exchange" and "non-exchange." An operating activity is one in which a "direct payment"/exchange is made (by one party to another) for the receipt of specified goods or services, i.e., the payor is the one receiving benefit. As an example, tuition fees, paid by a student, is an "exchange" for instructional services. Likewise, grant and contract-funding received (on the condition that the District provides specific/contracted services), is also an "exchange." Both are therefore recorded as "operating revenue". The receipt of state apportionments and property taxes, however, do not include this "exchange" relationship between "payment" and the "receipt of benefit". Such revenues are deemed "non-exchange" transactions, and are therefore treated as "non-operating" activities.

Because the primary sources of funding, that support the District's instructional activities, comes from state apportionment and local property taxes, the financial results of the District's "operations" will result in a net operating expense.

The primary components of "tuition and fees" are the \$18 per unit enrollment fee that is charged to all students registering for classes and the additional \$145 per unit fee that is charged to all non-resident students. The discrepancy between these fee-rates is due to the fact that resident student instruction is largely subsidized by local property taxes and state apportionment. Non-resident students must pay for the full cost of instruction. Respectively, these two revenue-streams account for \$7.6 and \$4.5 million. Another \$1.5 million is collected in the form of parking permits. The remainder is collected from an assortment of other student fees. For 2003-04, enrollment fees increased from \$11 per unit to \$18 per unit, which accounts for the revenue increase.

The amount listed for "scholarship discounts and allowances" represents Federal and State student financial aid. The largest component, \$9.0 million, is from the Federal Pell Grant Program. The remaining \$1.7 million is from a mixture of student grant and loan programs. For all of these revenues, the District is a primary conduit for distributing the money directly to the students. With the aforementioned increase in tuition, more students became eligible for financial aid at a higher level of financial support.

The largest component of the District's operating revenues is non-capital grants and contracts. The largest sub-component, \$11.0 million, results from funding received from the state for categorical programs, such as DSP&S, EOP&S, Matriculation, etc.; Federal grants totaling \$14.4 million, including \$10.7 million in student financial aid (shown as "scholarship discounts"), and another \$3.7 million in funding for vocational, teacher training and higher education programs. Included within local grants and contracts of \$3.3 million are all of the college's contract-education services, as well as all other miscellaneous service-revenues received by the District.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

**Statement of Revenues, Expenses & Changes
in Net Assets**

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues				
Tuition and fees	\$ 15,236,034	\$ 12,897,202	\$ 2,338,832	18.1%
Scholarship discounts	(10,678,339)	(8,599,662)	(2,078,677)	24.2%
Grants and contracts, noncapital	28,728,533	26,660,955	2,067,578	7.8%
Auxiliary enterprises	14,456,854	14,662,142	(205,288)	(1.4%)
Total operating revenues	<u>47,743,082</u>	<u>45,620,637</u>	<u>2,122,445</u>	<u>4.7%</u>
Operating expenses				
Salaries	107,142,426	112,915,359	(5,772,933)	(5.1%)
Benefits	29,015,620	25,699,126	3,316,494	12.9%
Payments to students	1,545,138	1,625,756	(80,618)	(5.0%)
Supplies, materials, and other expenses	37,549,362	39,821,575	(2,272,213)	(5.7%)
Utilities	3,702,345	2,987,411	714,934	23.9%
Depreciation	4,728,951	6,243,015	(1,514,064)	(24.3%)
Total operating expenses	<u>183,683,842</u>	<u>189,292,242</u>	<u>(5,608,400)</u>	<u>(3.0%)</u>
Operating (expenses) net	<u>(135,940,760)</u>	<u>(143,671,605)</u>	<u>7,730,845</u>	<u>(5.4%)</u>
Nonoperating revenues (expenses)				
State apportionments, noncapital	42,514,640	52,664,022	(10,149,382)	(19.3%)
Local property taxes	75,071,424	69,581,892	5,489,532	7.9%
State taxes and other revenue	7,545,317	8,337,395	(792,078)	(9.5%)
Investment income	627,599	3,719,936	(3,092,337)	(83.1%)
Other non-operating revenues and expenditures	(3,246,632)	(3,527,924)	281,292	(8.0%)
Total nonoperating revenues	<u>122,512,348</u>	<u>130,775,321</u>	<u>(8,262,973)</u>	<u>(6.3%)</u>
Loss before other revenues, expenses, gains or losses	(13,428,412)	(12,896,284)	(532,128)	4.1%
State and local revenue, grants & gifts (capital)	<u>7,780,392</u>	<u>14,105,980</u>	<u>(6,325,588)</u>	<u>(44.8%)</u>
Increase (decrease) in net assets	(5,648,020)	1,209,696	(6,857,716)	(566.9%)
Net assets - beginning of year	<u>115,368,907</u>	<u>114,159,211</u>	<u>1,209,696</u>	<u>1.1%</u>
Net assets - end of year	<u>\$109,720,887</u>	<u>\$115,368,907</u>	<u>\$(5,648,020)</u>	<u>(4.9%)</u>

The revenue, for auxiliary enterprises, principally consists of revenue from the District's bookstore, cafeteria, and I.T. operations. These three enterprise operations account for \$10.6, \$1.3 and \$2.4 million respectively, and total auxiliary revenue is approximately consistent with the prior year.

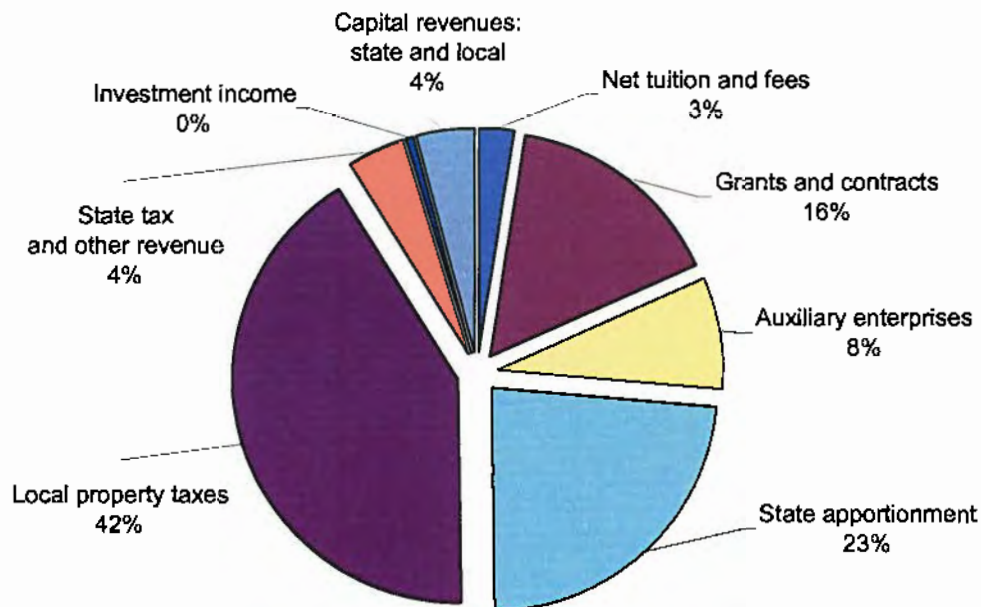
CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

The principal components of the District's non-operating revenue are: non-capital state apportionment, local property taxes, other state funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities. Since the amount of state general apportionment received by the District is dependent upon the amounts received from enrollment fees and local property taxes, increases in these two revenue-categories led to a correspondent decrease in apportionment.

The net investment income (non-capital) is primarily earned on the investments designated for the funding of the District's liability for retiree health benefits and on other funds held in the County Treasury during the fiscal year. The 2003-04 interest earned on funds held for retiree health benefits was net of a \$600,000 investment market-value decrease. The \$420,000 investment income (capital) represents interest earned on the unspent cash and investments from the Measure "A" bonds.

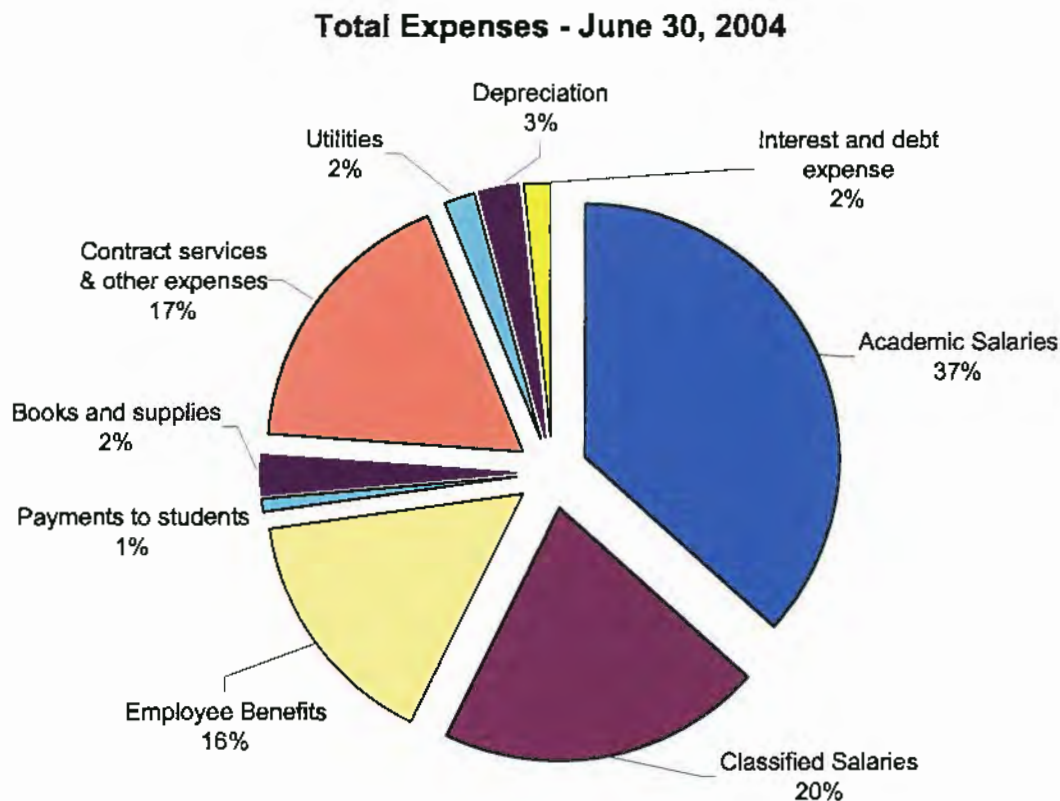
The principal components of "capital-revenues" are \$7.7 million in state apportionment, and local revenues, utilized for capital projects and deferred maintenance programs. In 2002-03, the District recognized a one-time \$5.9 million in "grants & gifts" which represented the "less-than-market-value-discount" that the District received on the purchase price of the San Ramon Valley Center property. It is the absence of this one-time event that accounts for most of the 2003-04 reduction in capital revenues.

Total Revenues - June 30, 2004



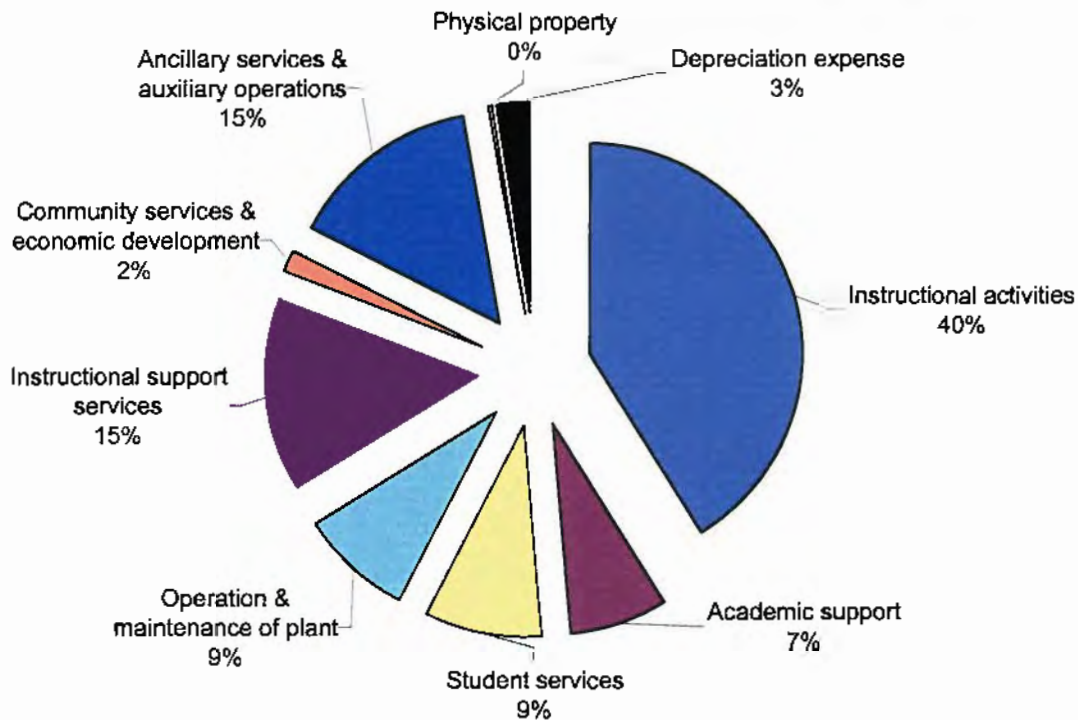
CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

The largest component of the District's total expense (operating and non-operating) is the cost associated with salaries and benefits. Nearly 73% percent of operating expenditures are spent in this area. Payments to students (other than direct financial aid) accounted for 1% of District expenses. "Supplies, materials, and other expenses" account for an additional 19% of the total. This latter category includes \$4.6 million for the cost of books and supplies, \$8.5 million for cost of goods sold in the auxiliary operations, and \$5.9 million spent in connection with restricted programs funded by grants and contracts. The remainder of this expenditure-category includes insurance premiums, instructional contracts, facilities rental, equipment repair, and a host of other expenditures necessary to the operation of the District. Utilities, depreciation, and debt principal and interest expenses make up the remaining 7% of total expenditures.



CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

2003-04 Operating Expenses by Functional Classification



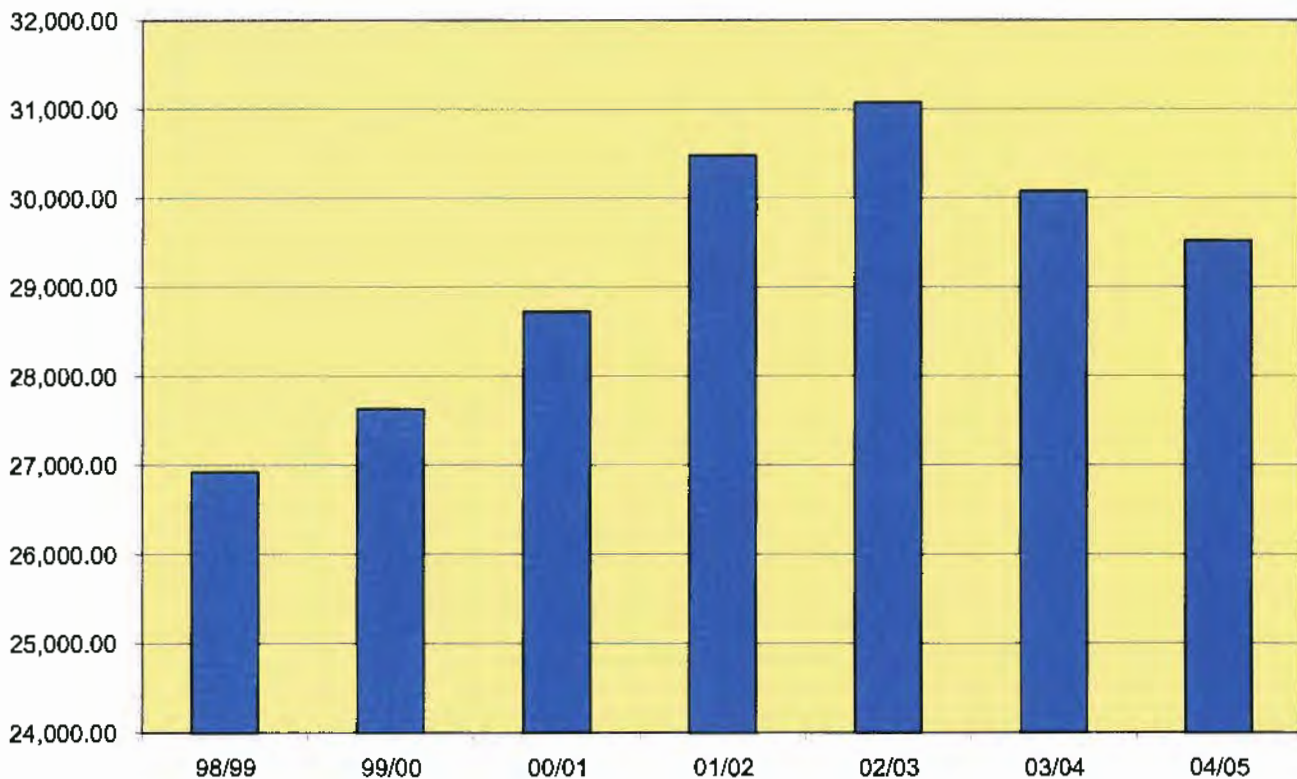
Operating Expenses by Functional Classification

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Instructional activities	\$ 75,214,740	\$ 76,046,790	\$ (832,050)	(1.1%)
Academic support	13,594,136	16,855,794	(3,261,658)	(19.4%)
Student services	16,462,853	25,267,149	(8,804,296)	(34.8%)
Operation & maintenance of plant	15,729,729	21,223,192	(5,493,463)	(25.9%)
Instructional support	27,836,213	22,567,669	5,268,544	23.4%
Community services & economic development	2,775,373	1,966,559	808,814	41.1%
Ancillary services, auxiliary services	26,968,479	27,549,944	(581,465)	(2.1%)
Physical property	373,369	171,792	201,577	117.3%
Depreciation expense	<u>4,728,951</u>	<u>6,257,956</u>	<u>(1,529,005)</u>	<u>(24.4%)</u>
Total	<u>\$183,683,843</u>	<u>\$197,906,845</u>	<u>\$ (14,223,002)</u>	<u>(7.2%)</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

As the previous Functional Expense comparative shows, expenses for instruction activities and auxiliary operations declined slightly during 2003-04. This was attributable to the 3% decrease in resident FTES experienced by the District (see resident FTES chart below). The reduction in total "academic support" was primarily due to a shift of expenditures into "instructional support services". The 2003-04 cutbacks, in specific state funding, directly contributed to the decrease in student services. Much of the early expenditure from the Measure "A" proceeds were for "repair and maintenance", which accounts for the higher level of expenditure in 2002-03 than in 2003-04. Fiscal year 2002-03 was the last year of depreciation for several pieces of equipment that had been purchased with instructional equipment grant funding. It was also the last year of depreciation for equipment purchased in conjunction with the District's initial computer system conversion. As such, the 2003-04 reduction in depreciation expense was expected.

District Resident FTES
(1998-99 to 2003-04 Actuals, 2004/05 Projection at P-1*)



* P-1 is the first enrollment reporting period. The projection is based on Summer and Fall enrollments.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the "sources" and "uses" of cash during the year. The statement is divided into five parts:

- Cash flows from operating ("exchange") activities
- Cash flows from non-capital financing activities
- Cash flows from capital and related-financing activities.
- Cash flows from investing activities
- Reconciliation between beginning and ending cash

The ending cash balance matches the total of the District's current and non-current, cash and cash equivalents. The principal reason for the District's cash-decrease was the expenditure of proceeds from the Measure "A" bond.

Economic Factors that will affect the Future

The District is dependent on the State of California for a majority of its revenue. State law and regulation further specifies the allowed uses of state revenue. The most important element of state funding is in the General Apportionment calculation which accounts for 82% of the District's primary operating fund, the "Unrestricted General Fund".

Over the past few years, the State's economic downturn, which began in 2001-02, has resulted in a significant reduction in State funding for some community college categorical programs and an under-funding of general fund programs (as compared to the prior level of state financial support).

At the same time the District was experiencing reductions in state revenue, on-going costs associated with health premiums, and other employer-paid benefits were on the rise. This "double-hit" on finances created a situation where the District's ongoing expenditures were exceeding ongoing revenues. In response, the District has made sizable cuts in its operating expenditures. These cuts have included layoffs of some classified personnel. For 2003-04, along with the cuts, the District used some one-time financing to help bridge the gap, which resulted in a small net-revenue in the Unrestricted General Fund.

However, in looking forward to 2004-05, and beyond, the District must significantly reduce its expenditures if it is to operate within available funding and maintain the required minimum reserves-level.

For 2004-05, having already cut non-personnel costs in prior years, the District is seeking a 7% reduction in employee-costs to balance its budget. This level of reduction was agreed to by the District's managers and confidential employees in July, 2004. Through furloughs, the District has obtained the necessary level of savings from its classified employees. Negotiations with faculty are still ongoing.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

Part of the challenge that the District faces in balancing its budget is the increasing cost of employee health care premiums. Currently, the District pays 100% of the premium costs to provide health and dental benefits for its current and retired employees. Over the past four years, the District's premiums have increased by 55%. In projecting future expenditures, the average increase in employee health care costs is over \$2 million each year.

In the Unrestricted General Fund, the District's apportionment revenues are directly tied to reported enrollment. In 2003-04, the District experienced a decrease in the number of resident, full-time equivalent students (FTES) it served during the fiscal year. Part of this decrease was in response to the 2003-04 state-wide reduction of funding for concurrently enrolled high school students in physical education courses. Because the District would not receive state-funding for these FTES, the courses for these students were eliminated, which resulted in an FTES-decrease.

In going into 2004-05, the District's FTES-decrease is projected to continue. Fortunately, the State's "stability program" gives the District a one-year grace period; and for 2004-05, the District will not lose any of its base apportionment revenues. However, in looking forward to 2005-06, the District's FTES would have to grow by 5% (over currently projected 2004-05 FTES totals) in order for the District not to lose any of its base-funding. For 2005-06, it is projected that the District will lose \$1.8 million in apportionment funding due to the decrease in reported enrollments.

Given the potential loss in apportionment revenues, coupled with ever-increasing costs for employee benefits, the District faces tough challenges in maintaining a balanced budget. The District is closely watching economic forecasts and announcements from Sacramento regarding its future funding from the State. Despite significant financial constraints, the District remains committed to maintaining community access to higher education, and as such, will develop the fiscal-strategies necessary to achieve the District's goals.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Statement of Net Assets

June 30, 2004

ASSETS

	<u>District</u>	<u>College Foundations</u>
Current assets		
Cash and cash equivalents	\$ 15,275,607	\$ 2,788,553
Investments, short-term	14,086,131	-
Accounts receivable	15,325,958	259,026
Taxes receivable	1,346,838	-
Interest receivable	557,843	-
Inventories	1,768,286	-
Prepaid items	1,579,136	-
Other assets	75,633	16,332
Notes receivable	71,404	-
Total current assets	<u>50,086,836</u>	<u>3,063,911</u>
Noncurrent assets		
Restricted cash	14,163,743	-
Long-term investments	19,654,287	1,628,583
Capital assets, net	<u>107,362,994</u>	<u>15,781</u>
Total noncurrent assets	<u>141,181,024</u>	<u>1,644,364</u>
Total assets	<u>\$ 191,267,860</u>	<u>\$ 4,708,275</u>

LIABILITIES

Current liabilities		
Accounts payable	\$ 7,478,130	\$ 70,262
Accrued liabilities	3,645,829	-
Deferred tuition and fees revenue	5,802,024	-
Deferred grants and contracts	3,234,463	-
Other deferred revenue	528,102	-
Amounts held in trust for others	736,114	-
Claims payable	197,650	-
Interest payable	1,982,312	-
Capitalized lease obligations, current portion	418,125	-
Certificates of participation, current portion	45,000	-
Bonds payable, current portion	<u>1,900,000</u>	<u>-</u>
Total current liabilities	<u>25,967,749</u>	<u>70,262</u>
Noncurrent liabilities		
Capitalized lease obligations, net of current portion	703,243	-
Compensated absences	6,649,018	-
Certificates of participation, net of current portion	1,265,000	-
Bonds payable, net of current portion	<u>46,961,963</u>	<u>-</u>
Total noncurrent liabilities	<u>55,579,224</u>	<u>-</u>
Total liabilities	<u>81,546,973</u>	<u>70,262</u>

NET ASSETS

Net assets		
Investment in capital assets, net of related debt	80,084,537	15,781
Restricted, expendable	2,167,115	2,053,887
Restricted, nonexpendable	-	1,156,945
Unrestricted	<u>27,469,235</u>	<u>1,411,400</u>
Total net assets	<u>109,720,887</u>	<u>4,638,013</u>
Total liabilities and net assets	<u>\$ 191,267,860</u>	<u>\$ 4,708,275</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2004

	District	College Foundations
Operating revenues		
Tuition and fees	\$ 15,236,034	\$ -
Less: Scholarship discounts and allowances	(10,678,339)	-
Net tuition and fees	4,557,695	-
Grants and contracts, noncapital		
Federal	14,627,967	-
State	11,031,157	-
Local	3,069,409	-
Auxiliary enterprises	14,456,854	-
Total operating revenues	47,743,082	-
Operating expenses		
Salaries	107,142,426	-
Employee benefits	29,015,620	-
Payments to students	1,545,138	525,777
Supplies, materials, and other expenses	37,549,362	503,165
Utilities	3,702,345	-
Depreciation	4,728,951	-
Total operating expenses	183,683,842	1,028,942
Operating loss	(135,940,760)	(1,028,942)
Nonoperating revenues (expenses)		
State apportionments, noncapital	42,514,640	-
Local property taxes	75,071,424	-
State taxes and other revenue	7,545,317	-
Investment income, noncapital	206,266	109,688
Investment income, capital	421,333	-
Interest expense - capital asset-related debt	(3,139,073)	-
Other non-operating revenues (expenses)	(107,559)	1,289,449
Total nonoperating revenues, net	122,512,348	1,399,137
Income (loss) before other revenues, expenses, gains, or losses	(13,428,412)	370,195
Local property taxes and revenues, capital	634,056	-
State apportionments, capital	7,030,610	-
Grants and gifts	115,726	-
State and local revenue, grants and gifts	7,780,392	-
Increase (decrease) in net assets	(5,648,020)	370,195
Net assets		
Beginning of year	115,368,907	4,267,818
End of year	\$ 109,720,887	\$ 4,638,013

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows
For the Year Ended June 30, 2004

	District	College Foundations
Cash flows from operating activities		
Tuition and fees	\$ 15,991,062	\$ -
Federal grants and contracts	13,403,147	-
State grants and contracts	13,368,822	-
Local grants and contracts	2,959,247	-
Payments to suppliers	(36,849,936)	(550,797)
Payments to utilities	(3,702,345)	-
Payment to/on behalf of employees	(107,701,484)	-
Payments for benefits	(28,797,167)	-
Student loans/grants	(12,188,177)	(525,777)
Auxiliary enterprise sales and charges	14,343,386	-
Net cash used in operating activities	<u>(129,173,445)</u>	<u>(1,076,574)</u>
Cash flows from non-capital financing activities		
State apportionments and receipts	38,910,202	-
Property taxes	74,303,785	-
State taxes and other revenues	7,577,817	-
Grants and gifts for other than capital projects	115,726	1,336,640
Short-term debt and other receipts (payments), net	<u>(14,557,619)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>106,349,911</u>	<u>1,336,640</u>
Cash flows from capital and related financing activities		
State apportionments for capital purposes	7,032,131	-
Purchases of capital assets	(13,816,021)	-
Interest paid on capital debt	(2,616,891)	-
Principal paid on capital debt	(434,317)	-
Interest on capital investments	(181,930)	-
Local property taxes and other revenues for capital purposes	634,056	-
Issuance of capital debt, net	<u>(1,514,891)</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>(10,897,863)</u>	<u>-</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	63,184,999	57,025
Interest on investments	242,154	109,688
Purchase of investments	<u>(45,515,989)</u>	<u>-</u>
Net cash used in investing activities	<u>17,911,164</u>	<u>166,713</u>
Net increase in cash and cash equivalents	(15,810,233)	426,779
Cash and cash equivalents		
Beginning of year	<u>45,249,583</u>	<u>2,361,774</u>
End of year	<u>\$ 29,439,350</u>	<u>\$ 2,788,553</u>
Cash is presented as follows		
Cash and cash equivalents	\$ 15,275,607	\$ 2,788,553
Restricted cash	<u>14,163,743</u>	<u>-</u>
Total	<u>\$ 29,439,350</u>	<u>\$ 2,788,553</u>

(continued)

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2004

(continued)	<u>District</u>	<u>College Foundations</u>
Reconciliation of operating loss to cash used in operating activities		
Cash flows from operating activities		
Operating loss	\$ (135,940,760)	\$ (1,028,942)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	4,728,951	-
Changes in assets and liabilities		
Accounts receivable	(182,080)	-
Inventories	(9,221)	-
Prepaid expenses	532,368	(14,808)
Accounts payable	212,804	(32,824)
Student refunds	(323,418)	-
Accrued liabilities	194,376	-
Deferred tuition and fees	1,445,476	-
Deferred grants and contracts	270,539	-
Other deferred revenue	427,008	-
Claims payable	80,600	-
Compensated absences	(610,088)	-
Net cash used in operating activities	<u>\$ (129,173,445)</u>	<u>\$ (1,076,574)</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

1. Organization and Nature of Activities

Reporting entity

The Contra Costa Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Government Accounting Standards Board ("GASB") Statement No. 14, *"The Financial Reporting Entity."* The District operates three colleges in Contra Costa County, California. The colleges are Diablo Valley College in Pleasant Hill, Los Medanos College in Pittsburg, and Contra Costa College in San Pablo. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of GASB Statement No. 14 as amended by GASB Statement No. 39. The District is classified as a state instrumentality under Section 115 of the Internal Revenue Code, and is also classified as a charitable organization under Section 501(c)(3) of the Internal Revenue Code, and is therefore exempt from federal taxes. All funds which are controlled by the District are included as part of the reporting entity.

In May 2002, the GASB released GASB Statement No 39, *"Determining Whether Concern Organizations are Component Units,"* which amends GASB Statement No. 14, to provide guidance for determining and reporting whether concern organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required. The three criteria for requiring a legally separate, tax-exempt organization to be discretely presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the Contra Costa College, Diablo Valley College and Los Medanos College Foundations as component units of the District.

The District will report the Foundations as a component unit. The College Foundations are established as legally separate, not-for-profit corporations to support the District and its students. The funds contributed directly by the Foundations to the District are significant to the college's financial statements. Therefore, the District has classified the Foundations as a component unit that will be discretely presented in the District's financial statements. The College Foundations also issues stand-alone audited, financial reports, which can be obtained from the District or the College Foundations.

Also included in the reporting entity is 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.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

1. Organization and Nature of Activities (continued)

Reporting entity (continued)

The Financing Corporation was established as a legally separate, not-for-profit to support the District through the issuance of Certificates of Participation ("COPs") and entering into lease arrangements with the District. The Financing Corporation's Board of Directors was appointed by the District's Board of Trustees. The District is able to impose its will upon the Financing Corporation and has assumed a "moral obligation and potential legal obligation for any debt incurred by the Financing Corporation. The Financing Corporation is presented as a blended component unit of the District and therefore is included as a part of the primary government.

Financial presentation

For financial presentation purposes, the Financing Corporation's financial activity has been blended with the financial data of the District.

2. Summary of Significant Accounting Policies

Basis of presentation

In June 1999, the GASB issued Statement No. 34, *"Basic Financial Statements and Management Discussions, and Analysis for State and Local Governments"* followed in November 1999 by GASB 35, *"Basic Financial Statements and Managements Discussion and Analysis for Public Colleges and Universities."* GASB Statement No. 35 is effective in three phases based on the public institution's total annual revenues in the first fiscal year ending after June 15, 1999. The District adopted the provisions of these statements along with GASB Statement No. 37, *"Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus (an amendment to GASB Statements No. 21 and No. 34),"* as of July 1, 2001. In June 2001, GASB issued Statement No. 38, *"Certain Financial Statement Note Disclosures,"* to reevaluate certain existing disclosure requirements in the context of the reporting model in Statement No. 34. The District adopted the provisions of Statement No. 38 as of July 1, 2002.

The financial statement presentation, required by GASB Statements No. 34, 35, 37, 38 and No. 39 provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required. The District now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the District's financial activities.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

2. Summary of Significant Accounting Policies (continued)

Measurement focus and basis of accounting

The California Community College Chancellor's Office has recommended that all State community college districts follow the new standards under the Business Type Activity ("BTA") model. Therefore, for financial statement purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's basic financial statements are reported using the total economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District has elected to apply all Financial Accounting Standards Board pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and accounting manual.

Cash and cash equivalents

Cash and cash equivalents include short-term highly liquid investments with original maturity dates of three months or less. Funds invested in the county treasurer's investment pool are considered cash equivalents.

Investments

In accordance with GASB Statement No 31, *"Accounting and Financial Reporting for Concern Investments and for External Investment Pools,"* investments are reported at fair market value. However, cash in county treasury and some investments are recorded at cost, which approximates fair value.

Restricted cash and cash equivalents

Restricted cash and cash equivalents are those amounts externally restricted by law or by contract, such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other non-current assets.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

2. Summary of Significant Accounting Policies (continued)

Receivables

Receivables represent consists of amounts due from the federal, state and local governments, as well as other sources such as tuition and fees. Accounts receivable have been reduced to their net realizable value by recording an allowance for uncollectible amounts.

Inventories

Inventories are recorded at cost and consist primarily of expendable supplies held for consumption, cafeteria food, textbooks, and educational supplies. The cafeteria fund uses the first-in, first-out method and the bookstore uses the retail method. The cost is recorded as expense as the inventory is consumed.

Capital assets

The District defines capital assets as assets with an initial unit cost of \$1,000 (except for land and construction in process, the threshold for which is \$25,000) or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight-line method over the estimated useful lives of the assets (3 to 50 years).

The District's net assets are classified as follows:

- Invested in capital assets, net of related debt - This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- Restricted net assets - Restricted net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

2. Summary of Significant Accounting Policies (continued)

Net assets

- Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted funds, the District's policy is to utilize available restricted resources.

On-behalf payments

GASB Statement No. 24, *"Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,"* requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenses by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System and Public Employees Retirement System on behalf of all community colleges in California. However, the California Department of Education issued a fiscal advisory instructing the districts not to record revenue and expenses for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,492,000 for STRS and less than \$10,000 for PERS.

State apportionments

Concern current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February 2005 will be recorded in the year computed by the State.

Compensated absences

Compensated absence costs are accrued when earned by employees. The District records a liability for unpaid employee vacation benefits. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. Employees are allowed to carry over a limited number of vacation days and load banking from year to year. At June 30, 2004, the liability was \$6,649,018.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

2. Summary of Significant Accounting Policies (continued)

Compensated absences

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

Deferred revenues

Deferred revenues include amounts received for tuition and fees prior to the end of June 30, 2004 but related to the subsequent accounting period. These amounts include summer session tuition and fees related to sessions that begin in the current fiscal year and conclude in the following fiscal year. Deferred revenue also includes amounts received from grant and contracts that have not yet been earned by the District.

Property taxes

Secured property taxes attach as an enforceable lien on property annually as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the District. Property taxes are recognized as revenues in the years for which they are levied.

Federal financial assistance programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Family Education Loans, and PLUS loans. Federal Programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 Audit of States, Local Governments, and Non-Profit Organizations, and the Compliance Supplement.

Estimates

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

2. Summary of Significant Accounting Policies (continued)

Fair Value of Pooled Investments

The District records its investments in the 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, expenses, and changes in net assets.

3. Cash and Cash Equivalents and Investments

District cash and cash equivalents and investments at June 30, 2004 consisted of the following:

Pooled Funds	
Cash in County Treasury	\$18,393,737
Local Agency Investment Fund	7,074,839
Deposits	
Cash on hand and in banks	3,805,004
Revolving fund	<u>165,770</u>
Total cash and cash equivalents	<u>\$29,439,350</u>
Investments	
Municipal bonds	\$ 774,150
Corporate notes	4,059,084
U.S. Treasury bonds	3,907,105
U.S. government agencies' securities	<u>25,000,079</u>
Total investments	<u>\$33,740,418</u>

Discretely presented component units (College Foundations) cash and cash equivalents and investments at June 30, 2004 were as follows:

Cash and cash equivalents	<u>\$2,788,553</u>
Total investments	<u>\$1,628,583</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

3. Cash and Cash Equivalents and Investments (continued)

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances are deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is distributed to the participating funds based upon each fund's average cash balance during the distribution period. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits, in excess of federal depository insurance, by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. Alternatively, California law also allows financial institutions to secure an agency's deposits by pledging first deed of trust 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 agency.

The cash in Local Agency Investment Fund ("LAIF") 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. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool. The District's investments with LAIF at June 30, 2004, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2004, the District had \$7,074,839 invested in LAIF, which had invested 1.603% of the pool investment funds in Structured Notes and Asset-Backed Securities.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

3. Cash and Cash Equivalents and Investments (continued)

Under provision of the District's investment 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, 2004, the District's investments, with a fair value of \$33,740,418, consist of municipal bonds, corporate notes, U.S Treasury Bonds, and securities of U.S. government agencies. Deposits, and specifically identifiable investments, are classified as to credit risk by three categories and summarized below as follows:

- Category 1 - includes securities that are insured or registered or which are held by the District, or by its agent in the District's name, and deposits insured or collateralized with securities held by the District;
- Category 2 - includes uninsured and unregistered securities which 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 securities held by the broker or dealer, or by its trust department or agent, but not in the District's name.

The District's investments are all considered to be Category 2 investments.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

4. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2004:

Student tuition and fees	\$ 3,188,794
Auxiliary enterprises and other operating activities	576,886
Federal, state, and local	<u>12,695,864</u>
	16,461,544
Less allowance for doubtful accounts	<u>(1,135,586)</u>
Net accounts receivable	<u>\$15,325,958</u>

5. Capital Assets

Property, plant, and equipment consisted of the following at June 30:

	Balance 2003	Additions and Reclassifications	Deletions	Balance 2004
Land	\$13,651,216	\$ -	\$ -	\$ 13,651,216
Improvements	13,925,859	988,508	-	14,914,367
Buildings	111,643,263	935,247	-	112,578,510
Construction in progress	5,915,149	10,147,309	2,433,098	13,629,360
Equipment	<u>31,883,277</u>	<u>4,542,386</u>	<u>105,200</u>	<u>36,320,463</u>
	177,018,764	16,613,450	2,538,298	191,093,916
Less accumulated depreciation	<u>(79,107,174)</u>	<u>(4,728,873)</u>	<u>(105,125)</u>	<u>(83,730,922)</u>
Property, plant, and equipment, net	<u>\$97,911,590</u>	<u>\$11,884,577</u>	<u>\$2,433,173</u>	<u>\$107,362,994</u>

Reclassifications occurred for proper categorization of capital assets. Depreciation expense was \$4,728,951 for the year ended June 30, 2004.

6. Deferred Revenue

Deferred revenue consisted primarily of enrollment and other fees collected for the 2004-05 fiscal year, and categorical monies received during the 2003-04 fiscal year, and unspent at June 30, 2004. At June 30, 2004, the deferred revenue balance amounted to \$9,564,589

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

7. Debt

Debt obligations for the year ended June 30, 2004, is summarized as follows:

	Balance 2003	Additions	Deletions	Balance 2004
Leases and bonds				
Capital lease obligations	\$ 1,146,351	\$ 364,334	\$ 389,317	\$ 1,121,368
Bonds payable, net of premium and issuance costs	<u>50,376,854</u>	<u>-</u>	<u>1,514,891</u>	<u>48,861,963</u>
Total lease and bond obligations	<u>51,523,205</u>	<u>364,334</u>	<u>1,904,208</u>	<u>49,983,331</u>
Other liabilities				
Compensated absences	7,259,106	-	610,088	6,649,018
TRANS	14,695,000	-	14,695,000	-
Certificates of Participation	<u>1,355,000</u>	<u>-</u>	<u>45,000</u>	<u>1,310,000</u>
Total other liabilities	<u>23,309,106</u>	<u>-</u>	<u>15,350,088</u>	<u>7,959,018</u>
Total debt obligations	<u>\$74,832,311</u>	<u>\$ 364,334</u>	<u>\$17,254,296</u>	<u>\$57,942,349</u>

8. Capitalized Lease Obligations

The District leases equipment under various capital leases. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2005	\$ 479,141
2006	427,751
2007	186,530
2008	80,300
2009 - 2013	<u>68,600</u>
Total	1,242,322
Less amounts representing interest	<u>(120,954)</u>
Net minimum lease payments	1,121,368
Less current portion	<u>(418,125)</u>
Long term portion	<u>\$ 703,243</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

9. General Obligation Bonds Payable

On March 5, 2002, \$120,000,000 in general obligation bonds were authorized by voters under Proposition 39/Measure A in an election held within the Contra Costa Community College District. In July 2002, the District issued its first series \$50,000,000 of Measure A General Obligation Bonds. The bonds require semi-annual principal payments beginning in August 2003 until August 2026 plus interest. Interest on the Bonds is payable semiannually on each February 1 and August 1 commencing February 2003. Annual interest rates for the principal payments range from 3.5% to 6.0%. The remaining bond debt matures as follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,900,000	\$ 2,340,775	\$ 4,240,775
2006	950,000	2,286,150	3,236,150
2007	1,000,000	2,252,025	3,252,025
2008	550,000	2,224,900	2,774,900
2009-2013	2,750,000	10,849,688	13,599,688
2014-2018	11,150,000	9,049,750	20,199,750
2019-2023	15,000,000	5,734,850	20,734,850
2024-2028	<u>15,200,000</u>	<u>1,570,000</u>	<u>16,770,000</u>
Totals	<u>\$48,500,000</u>	<u>\$36,308,138</u>	<u>\$84,808,138</u>

Unamortized premium and issuance costs are \$361,963 at June 30, 2004.

10. Note Payable

On July 1, 2002, the District issued \$14,695,000 of Tax and Revenue Anticipation Notes (TRANs) maturing on July 28, 2003, with interest at 3.00%, to provide for anticipated cash flow deficits from operations. The TRANs are a general obligation of the District, and are payable from cash receipts to be generated by the District during the year ending June 30, 2003. The revenues from the TRANs are deposited with the Contra Costa County Treasurer in a special trust fund established by the County.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

11. Certificates of Participation

In June 1996, the Financing Corporation issued \$1,605,000 of Certificates of Participation ("COPs") with effective interest rates of 4.5% to 5.35% maturing through 2021. The COPs proceeds were used to fund various construction projects. At June 30, 2004, \$1,310,000 remained outstanding on these Certificates of Participation.

The annual debt service requirements for the Certificates of Participation, as of June 30, 2004 are as follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 45,000	\$ 78,413	\$ 123,413
2006	50,000	75,825	125,825
2007	50,000	72,900	122,900
2008	55,000	69,900	124,900
2009-2013	330,000	295,800	625,800
2014-2018	450,000	183,000	633,000
2019-2021	<u>330,000</u>	<u>40,200</u>	<u>370,200</u>
	<u>\$1,310,000</u>	<u>\$ 816,038</u>	<u>\$2,126,038</u>

12. Operating Leases

The District leases certain facilities and land with lease terms in excess of one year. The annual lease payments for these leases are as follows:

<u>Year(s) Ending June 30,</u>	
2005	\$1,324,806
2006	\$ 580,903
2007	\$ 513,072
2008	\$ 513,072
2009	\$ 513,072
2010 - 2014	\$1,124,790

Total rental expense in fiscal year 2003-04 under operating leases was \$1,265,231.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

13. 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's union contracts. 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 recognizes the cost of providing those benefits and related administrative costs when paid. Active plan participants at June 30, 2004 totaled 638. Such payments for these retired employees totaled \$4,290,867 for the fiscal year ended June 30, 2004 and were recorded as expenses.

The District partially 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 June 30, 2002 was \$186,654,400. Investments set aside for funding purposes were \$24,414,443 at June 30, 2004.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* Statement No. 45 is effective for the District for the 2007-2008 fiscal year. This statement establishes standards for the actuarial measurement, recognition, presentation, disclosure, and required supplementary information of postemployment benefits and related liabilities. Management has not determined what effect the application of GASB Statement No. 45 will have on the District's financial statements.

14. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material to the District's basic financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

15. 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, 2004, the most recent period available:

Total assets	\$5,917,492
Total liabilities	\$1,667,281
Total net assets	\$4,250,211
Total revenues	\$3,711,059
Total expenses	\$2,681,128

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, 2004, the most recent period available is as follows:

Total assets	\$54,207,577
Total liabilities	\$53,560,874
Total net assets	\$ 676,703
Total revenues	\$22,192,294
Total expenses	\$28,158,212

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, 2004, the most recent period available:

Total assets	\$ 8,896,554
Total liabilities	\$ 7,553,202
Total net assets	\$ 1,343,352
Total revenues	\$25,089,019
Total expenses	\$24,721,436

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

15. Joint Powers Authorities (continued)

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.

16. Employee Retirement Plans

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teacher's Retirement System, and classified employees are members of the Public Employees' Retirement System.

CalPERS

Plan description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2003-04 was 10.42%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$3,318,929, \$1,005,586, and \$0, respectively, and equaled 100% of the required contributions for each year.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

16. Employee Retirement Plans (continued)

STRS

Plan description

The District contributes to the State Teachers' Retirement System ("STRS"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS offices, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-04 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$4,924,335, \$4,482,319, and \$3,659,425, respectively, and equaled 100% of the required contributions for each year.

Cash Balance Plan

The Cash Balance Plan (the "CB Plan") is an alternative STRS contribution plan for instructors. Instructors who chose not to sign up for STRS or FICA may participate in the CB Plan. The District contribution rate for the CB Plan for the fiscal year 2003-04 was 4% of annual payroll. Contributions for the 2003-04 year were \$216,488.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

17. Functional Expenses

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies Materials and Other Expenses and Services</u>	<u>Depreciation</u>	<u>Total</u>
Instructional activities	\$ 58,095,406	\$13,658,238	\$ 3,461,096	\$ -	\$ 75,214,740
Academic support	9,495,896	2,410,928	1,687,312	-	13,594,136
Student services	11,288,707	2,843,335	2,330,811	-	16,462,853
Plant operations and maintenance	5,248,416	1,808,223	8,673,090	-	15,729,729
Instructional support services	12,325,485	5,817,726	9,693,002	-	27,836,213
Community services and economic development	1,347,086	336,472	1,091,815	-	2,775,373
Ancillary services and auxiliary operations	9,341,429	2,140,679	15,486,371	-	26,968,479
Physical property and related acquisitions	-	19	373,350	-	373,369
Depreciation expense	-	-	-	<u>4,728,951</u>	<u>4,728,951</u>
Total	<u>\$107,142,425</u>	<u>\$29,015,620</u>	<u>\$42,796,847</u>	<u>\$4,728,951</u>	<u>\$183,683,843</u>

18. Net Asset Designation

The District has designated \$24,413,637 of its unrestricted net assets toward retiree health benefits for its employees.

19. Labor Negotiations

The District is currently in 2004-05 negotiations with the unions representing both the faculty and the classified employees. Both negotiation groups' contracts expired June 30, 2004. At the time of this report, it is uncertain what the ultimate outcome of the negotiations will be. For fiscal year 2004-05, the District reached agreement with its unrepresented employees on July 1, 2004.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2004

20. Subsequent Event

On August 1, 2004, the District issued \$45,000,000 of General Obligation Bonds (the G.O. Bonds) maturing on August 1, 2029, with interest at 4-5.00%, to provide for anticipated construction cost from various construction projects. The G.O. Bonds are a general obligation of the District, and are payable from cash receipts to be generated by the District starting February 1, 2005 to August 1, 2029. The Bonds due on or before August 1, 2014, are not subject to optional redemption; the Bonds due on and after August 1, 2015 are subject to optional redemption.

On July 1, 2004, the District issued \$15,830,000 of Tax and Revenue Anticipation Notes (TRANs) maturing on July 26, 2005, with interest at 3.50%, to provide for anticipated cash flow deficits from operations. The TRANs are a general obligation of the District, and are payable from cash receipts to be generated by the District during the year ending June 30, 2005. The revenues from the TRANs are deposited with the Contra Costa County Treasurer in a special trust fund established by the County.

SUPPLEMENTARY INFORMATION
FUND FINANCIALS
JUNE 30, 2004

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Balance Sheet - All Funds
June 30, 2004

	Current Funds		Plant Funds	Total District (Memorandum Only)	Auxiliary Organizations	Total Reporting Entity (Memorandum Only)
	Unrestricted	Restricted				
<u>ASSETS</u>						
Cash and cash equivalents	\$ 20,113,197	\$ 1,761,037	\$ 12,402,706	\$ 34,276,940	\$ 197,650	\$ 34,474,590
Investments	19,654,287	272,572	13,813,559	33,740,418	-	33,740,418
Accounts receivable	5,479,650	5,065,743	3,238,633	13,784,026	1,541,932	15,325,958
Taxes receivable	1,273,368	-	73,470	1,346,838	-	1,346,838
Interest receivable	230,517	7,887	319,439	557,843	-	557,843
Notes receivable	71,404	-	-	71,404	-	71,404
Due from (to) other funds	(50,430)	75,143	(144,024)	(119,311)	119,311	-
Inventories	-	-	-	-	1,768,286	1,768,286
Prepaid items	1,579,136	-	-	1,579,136	-	1,579,136
Other assets	1,215	-	74,418	75,633	-	75,633
Capital assets, net	-	-	106,047,690	106,047,690	1,315,304	107,362,994
Total assets	\$ 48,352,344	\$ 7,182,382	\$ 135,825,891	\$ 191,360,617	\$ 4,942,483	\$ 196,303,100
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Deposits payable	\$ -	\$ 887,374	\$ -	\$ 887,374	\$ 4,147,866	\$ 5,035,240
Accounts payable	3,578,453	1,974,534	1,827,484	7,380,471	97,659	7,478,130
Accrued liabilities	3,496,686	33,116	-	3,529,802	116,027	3,645,829
Deferred tuition and fees revenue	5,802,161	(137)	-	5,802,024	-	5,802,024
Deferred grants and contracts	-	3,234,463	-	3,234,463	-	3,234,463
Other deferred revenue	394,768	-	103,334	498,102	30,000	528,102
Amounts held in trust for others	-	736,114	-	736,114	-	736,114
Claims payable	-	-	-	-	197,650	197,650
Interest payable	-	-	1,982,312	1,982,312	-	1,982,312
Capital leases payable	-	-	808,409	808,409	312,959	1,121,368
Certificates of participation	-	-	1,310,000	1,310,000	-	1,310,000
Bonds payable	-	-	48,500,000	48,500,000	-	48,500,000
Total liabilities	13,272,068	6,865,464	54,531,539	74,669,071	4,902,161	79,571,232
Fund balances and net assets						
Fund balances						
Net investment in plant	-	-	55,429,281	55,429,281	-	55,429,281
Restricted	1,579,136	316,918	25,865,071	27,761,125	-	27,761,125
Unrestricted	33,501,140	-	-	33,501,140	-	33,501,140
Total fund balances	35,080,276	316,918	81,294,352	116,691,546	-	116,691,546
Net assets (deficit)						
Unrestricted	-	-	-	-	40,322	40,322
Total fund balances and net assets	35,080,276	316,918	81,294,352	116,691,546	40,322	116,731,868
Total liabilities and fund equity	\$ 48,352,344	\$ 7,182,382	\$ 135,825,891	\$ 191,360,617	\$ 4,942,483	\$ 196,303,100

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Changes in Fund Balances and Net Assets - All Funds
For the Year Ended June 30, 2004

	Current Funds		Plant Funds	Total District (Memorandum Only)	Auxiliary Organizations	Total Reporting Entity (Memorandum Only)
	Unrestricted	Restricted				
Revenues and other additions						
Local property taxes	\$ 70,659,703	\$ -	\$ 5,045,777	\$ 75,705,480	\$ -	\$ 75,705,480
State taxes and other revenue	4,641,716	2,903,601	-	7,545,317	-	7,545,317
State apportionments	42,363,371	151,269	7,030,610	49,545,250	-	49,545,250
Federal grants and contracts	56,275	14,338,530	-	14,394,805	233,162	14,627,967
State grants and contracts	48,962	10,982,195	-	11,031,157	-	11,031,157
Local grants and contracts	2,773,701	1,066,952	131,409	3,972,062	364,786	4,336,848
Other nonoperating revenues	-	-	-	-	17,900	17,900
Tuitions and fees	13,271,526	1,483,855	-	14,755,381	480,653	15,236,034
Sales and services of education departments	142,352	-	-	142,352	-	142,352
Auxiliary enterprises	-	-	-	-	14,314,502	14,314,502
Investment income	195,304	7,254	425,041	627,599	-	627,599
Private gifts, grants, and contracts	79,376	-	6,350	85,726	30,000	115,726
Retirement of debt	-	-	1,913,208	1,913,208	-	1,913,208
Expended for capital assets	-	-	13,924,596	13,924,596	-	13,924,596
Total revenues	<u>134,232,286</u>	<u>30,933,656</u>	<u>28,476,991</u>	<u>193,642,933</u>	<u>15,441,003</u>	<u>209,083,936</u>
Expenditures						
Academic salaries	65,604,771	2,853,054	-	68,457,825	-	68,457,825
Classified salaries	29,511,628	5,831,131	-	35,342,759	3,951,930	39,294,689
Employee benefits	26,134,444	1,751,003	-	27,885,447	1,130,173	29,015,620
Books and supplies	2,963,358	1,462,811	-	4,426,169	146,447	4,572,616
Contract services and operating expenditures	8,791,459	5,860,827	-	14,652,286	9,431,883	24,084,169
Financial aid	-	12,223,477	-	12,223,477	-	12,223,477
Retirement of indebtedness	35,878	-	5,001,512	5,037,390	-	5,037,390
Expended for plant facilities	2,038,546	999,069	20,861,507	23,899,122	185,490	24,084,612
Utilities	3,587,323	58,095	-	3,645,418	56,927	3,702,345
Depreciation	-	-	4,358,012	4,358,012	370,939	4,728,951
Increase in debt	-	-	30,266	30,266	-	30,266
Other	1,669	118,736	-	120,405	4,570	124,975
Total expenditures	<u>138,669,076</u>	<u>31,158,203</u>	<u>30,251,297</u>	<u>200,078,576</u>	<u>15,278,359</u>	<u>215,356,935</u>
Mandatory transfers	(273,915)	273,915	-	-	-	-
Non-mandatory transfers	2,019,812	(457,664)	(1,605,522)	(43,374)	43,374	-
Total transfers among funds	<u>1,745,897</u>	<u>(183,749)</u>	<u>(1,605,522)</u>	<u>(43,374)</u>	<u>43,374</u>	<u>-</u>
Net increase (decrease) in fund balance	(2,690,893)	(408,296)	(3,379,828)	(6,479,017)	206,018	(6,272,999)
Net assets						
Beginning of year	<u>37,771,169</u>	<u>725,214</u>	<u>84,674,180</u>	<u>123,170,563</u>	<u>(165,696)</u>	<u>123,004,867</u>
End of year	<u>\$ 35,080,276</u>	<u>\$ 316,918</u>	<u>\$ 81,294,352</u>	<u>\$ 116,691,546</u>	<u>\$ 40,322</u>	<u>\$ 116,731,868</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
Current Funds - Unrestricted
June 30, 2004

	General Fund Unrestricted	General Fund Unrestricted - TRANS	Debt Service for Accrued Compensated Absences	Post- Retirement Health Benefits	Total Current Unrestricted Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 13,724,358	\$ (185,430)	\$ 2,024,047	\$ 4,550,222	\$ 20,113,197
Investments	-	-	-	19,654,287	19,654,287
Accounts receivable	5,479,650	-	-	-	5,479,650
Taxes receivable	1,273,368	-	-	-	1,273,368
Interest receivable	20,147	215	-	210,155	230,517
Notes receivable	71,404	-	-	-	71,404
Due from (to) other funds	(240,229)	185,533	-	4,266	(50,430)
Prepaid items	1,579,136	-	-	-	1,579,136
Other assets	1,215	-	-	-	1,215
Total assets	\$ 21,909,049	\$ 318	\$ 2,024,047	\$ 24,418,930	\$ 48,352,344
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 3,572,842	\$ 318	\$ -	\$ 5,293	\$ 3,578,453
Accrued liabilities	3,496,686	-	-	-	3,496,686
Deferred tuition and fees revenue	5,802,161	-	-	-	5,802,161
Other deferred revenue	394,768	-	-	-	394,768
Total liabilities	13,266,457	318	-	5,293	13,272,068
Fund balances (deficits)					
Fund balances					
Restricted	1,579,136	-	-	-	1,579,136
Unrestricted	7,063,456	-	2,024,047	24,413,637	33,501,140
Total fund balance	8,642,592	-	2,024,047	24,413,637	35,080,276
Total liabilities and fund balances	\$ 21,909,049	\$ 318	\$ 2,024,047	\$ 24,418,930	\$ 48,352,344

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Fund Balance
Current Funds - Unrestricted
For the Year Ended June 30, 2004

	General Fund Unrestricted	General Fund Unrestricted - TRANS	Debt Service for Accrued Compensated Absences	Post- Retirement Health Benefits	Total Current Unrestricted Funds
Revenues					
Local property taxes	\$ 70,659,703	\$ -	\$ -	\$ -	\$ 70,659,703
State taxes and other revenue	4,641,716	-	-	-	4,641,716
State apportionments	42,363,371	-	-	-	42,363,371
Federal grants and contracts	56,275	-	-	-	56,275
State grants and contracts	48,962	-	-	-	48,962
Local grants and contracts	2,771,377	-	-	2,324	2,773,701
Tuitions and fees	13,271,526	-	-	-	13,271,526
Auxiliary enterprise sales and charges	142,352	-	-	-	142,352
Investment income	68,769	38,340	-	88,195	195,304
Private gifts, grants, and contracts	79,376	-	-	-	79,376
Total revenues	<u>134,103,427</u>	<u>38,340</u>	<u>-</u>	<u>90,519</u>	<u>134,232,286</u>
Expenditures					
Academic salaries	65,604,771	-	-	-	65,604,771
Classified salaries	29,291,590	-	220,038	-	29,511,628
Employee benefits	26,134,444	-	-	-	26,134,444
Books and supplies	2,963,358	-	-	-	2,963,358
Contract services and operating expenditures	8,758,219	4	-	33,236	8,791,459
Retirement of indebtedness	-	35,878	-	-	35,878
Expended for plant facilities	2,038,546	-	-	-	2,038,546
Utilities	3,587,323	-	-	-	3,587,323
Other	1,669	-	-	-	1,669
Total expenditures	<u>138,379,920</u>	<u>35,882</u>	<u>220,038</u>	<u>33,236</u>	<u>138,669,076</u>
Mandatory transfers	(273,915)	-	-	-	(273,915)
Non-mandatory transfers	<u>5,322,270</u>	<u>(2,458)</u>	<u>(3,300,000)</u>	<u>-</u>	<u>2,019,812</u>
Total transfers among funds	<u>5,048,355</u>	<u>(2,458)</u>	<u>(3,300,000)</u>	<u>-</u>	<u>1,745,897</u>
Change in fund balance	<u>771,862</u>	<u>-</u>	<u>(3,520,038)</u>	<u>57,283</u>	<u>(2,690,893)</u>
Fund balance					
Beginning of year	<u>7,870,730</u>	<u>-</u>	<u>5,544,085</u>	<u>24,356,354</u>	<u>37,771,169</u>
End of year	<u>\$ 8,642,592</u>	<u>\$ -</u>	<u>\$ 2,024,047</u>	<u>\$ 24,413,637</u>	<u>\$ 35,080,276</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Combining Balance Sheet

Current Funds - Restricted

June 30, 2004

	<u>General Fund Restricted</u>	<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 Current Restricted Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 826,228	\$ -	\$ 252,293	\$ 493,996	\$ 188,520	\$ 1,761,037
Investments	-	-	272,572	-	-	272,572
Accounts receivable	4,283,571	782,172	-	-	-	5,065,743
Interest receivable	-	-	7,887	-	-	7,887
Due from (to) other funds	<u>48,977</u>	<u>(23,217)</u>	<u>(4,215)</u>	<u>58,061</u>	<u>(4,463)</u>	<u>75,143</u>
 Total assets	 <u>\$ 5,158,776</u>	 <u>\$ 758,955</u>	 <u>\$ 528,537</u>	 <u>\$ 552,057</u>	 <u>\$ 184,057</u>	 <u>\$ 7,182,382</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Deficit cash	\$ -	\$ 887,374	\$ -	\$ -	-	\$ 887,374
Accounts payable	1,862,341	111,747	446	-	-	1,974,534
Accrued liabilities	33,116	-	-	-	-	33,116
Deferred tuition and fees revenue	(137)	-	-	-	-	(137)
Deferred grants and contracts	3,238,240	(3,777)	-	-	-	3,234,463
Amounts held in trust for others	-	-	-	552,057	184,057	736,114
Total liabilities	<u>5,133,560</u>	<u>995,344</u>	<u>446</u>	<u>552,057</u>	<u>184,057</u>	<u>6,865,464</u>
 Fund balances (deficits)	 <u>25,216</u>	 <u>(236,389)</u>	 <u>528,091</u>	 <u>-</u>	 <u>-</u>	 <u>316,918</u>
Restricted	<u>25,216</u>	<u>(236,389)</u>	<u>528,091</u>	<u>-</u>	<u>-</u>	<u>316,918</u>
 Total liabilities and fund balances	 <u>\$ 5,158,776</u>	 <u>\$ 758,955</u>	 <u>\$ 528,537</u>	 <u>\$ 552,057</u>	 <u>\$ 184,057</u>	 <u>\$ 7,182,382</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Fund Balance
Current Funds - Restricted
For the Year Ended June 30, 2004

	General Fund Restricted	Student Financial Aid	Student Scholarship and Loan	Total Restricted Funds
Revenues				
State taxes and other revenue	\$ 2,903,601	\$ -	\$ -	\$ 2,903,601
State apportionments	151,269	-	-	151,269
Federal grants and contracts	4,621,904	9,716,626	-	14,338,530
State grants and contracts	10,078,527	903,668	-	10,982,195
Local grants and contracts	966,801	-	100,151	1,066,952
Tuitions and fees	1,483,855	-	-	1,483,855
Investment income (loss)	-	-	7,254	7,254
Total revenues	<u>20,205,957</u>	<u>10,620,294</u>	<u>107,405</u>	<u>30,933,656</u>
Expenditures				
Academic salaries	2,853,054	-	-	2,853,054
Classified salaries	5,831,131	-	-	5,831,131
Employee benefits	1,751,003	-	-	1,751,003
Books and supplies	1,462,811	-	-	1,462,811
Contract services and operating expenditures	5,636,966	223,786	75	5,860,827
Financial aid	1,545,138	10,678,339	-	12,223,477
Expended for plant facilities	999,069	-	-	999,069
Utilities	58,095	-	-	58,095
Other	-	-	118,736	118,736
Total expenditures	<u>20,137,267</u>	<u>10,902,125</u>	<u>118,811</u>	<u>31,158,203</u>
Mandatory transfers	230,165	43,750	-	273,915
Non-mandatory transfers	(459,974)	2,310	-	(457,664)
Total transfers among funds	<u>(229,809)</u>	<u>46,060</u>	<u>-</u>	<u>(183,749)</u>
Revenues over (under) expenditures	(161,119)	(235,771)	(11,406)	(408,296)
Fund balance				
Beginning of year	<u>186,335</u>	<u>(618)</u>	<u>539,497</u>	<u>725,214</u>
End of year	<u>\$ 25,216</u>	<u>\$ (236,389)</u>	<u>\$ 528,091</u>	<u>\$ 316,918</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
Plant Funds
June 30, 2004

	Unexpended Plant	Retirement of Indebtedness	Investment in Plant	Total Plant Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 8,841,625	\$ 3,561,081	\$ -	\$ 12,402,706
Investments	13,813,559	-	-	13,813,559
Accounts receivable	3,238,633	73,470	-	3,312,103
Interest receivable	319,439	-	-	319,439
Due from (to) other funds	(65,370)	(78,654)	-	(144,024)
Other assets	-	74,418	-	74,418
Capital assets, net	-	-	106,047,690	106,047,690
Total assets	<u>\$ 26,147,886</u>	<u>\$ 3,630,315</u>	<u>\$ 106,047,690</u>	<u>\$ 135,825,891</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 1,827,484	\$ -	\$ -	\$ 1,827,484
Interest payable	-	1,982,312	-	1,982,312
Deferred revenue	103,334	-	-	103,334
Capital lease obligation	-	-	808,409	808,409
Certificates of participation	-	-	1,310,000	1,310,000
Bonds payable	-	-	48,500,000	48,500,000
Total liabilities	<u>1,930,818</u>	<u>1,982,312</u>	<u>50,618,409</u>	<u>54,531,539</u>
Fund balances				
Net investment in plant	-	-	55,429,281	55,429,281
Restricted	24,217,068	1,648,003	-	25,865,071
Total fund balance (deficit)	<u>24,217,068</u>	<u>1,648,003</u>	<u>55,429,281</u>	<u>81,294,352</u>
Total liabilities and fund balances	<u>\$ 26,147,886</u>	<u>\$ 3,630,315</u>	<u>\$ 106,047,690</u>	<u>\$ 135,825,891</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Fund Balance
Plant Funds
For the Year Ended June 30, 2004

	Unexpended Plant	Retirement of Indebtedness	Investment In Plant	Total Plant Funds
Revenues and other additions				
Local property taxes	\$ 634,056	\$ 4,411,721	\$ -	\$ 5,045,777
State apportionments	7,030,610	-	-	7,030,610
Local grants and contracts	5,453	125,956	-	131,409
Investment income	421,333	3,708	-	425,041
Private gifts, grants, and contracts	6,350	-	-	6,350
Retirement of debt	-	-	1,913,208	1,913,208
Expended for capital assets	-	-	13,924,596	13,924,596
Total revenues	<u>8,097,802</u>	<u>4,541,385</u>	<u>15,837,804</u>	<u>28,476,991</u>
Expenditures				
Retirement of indebtedness	-	5,001,512	-	5,001,512
Expended for plant facilities	20,861,507	-	-	20,861,507
Depreciation expense	-	-	4,358,012	4,358,012
Increase in debt	-	-	30,266	30,266
Total expenditures	<u>20,861,507</u>	<u>5,001,512</u>	<u>4,388,278</u>	<u>30,251,297</u>
Non-mandatory transfers	<u>(1,599,995)</u>	<u>(5,527)</u>	<u>-</u>	<u>(1,605,522)</u>
Revenue over (under) expenditures	(14,363,700)	(465,654)	11,449,526	(3,379,828)
Fund balance				
Beginning of year	<u>38,580,768</u>	<u>2,113,657</u>	<u>43,979,755</u>	<u>84,674,180</u>
End of year	<u>\$ 24,217,068</u>	<u>\$ 1,648,003</u>	<u>\$ 55,429,281</u>	<u>\$ 81,294,352</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
Auxiliary Organizations
June 30, 2004

	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Regional Training Institute</u>	<u>Information Technology</u>	<u>Self- Insurance</u>	<u>Total Auxiliary Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 197,650	\$ 197,650
Accounts receivable	1,407,478	6,551	109,749	18,154	-	1,541,932
Due from (to) other funds	20,873	5,002	-	93,436	-	119,311
Inventory	1,750,975	17,311	-	-	-	1,768,286
Capital assets, net	<u>181,942</u>	<u>4,308</u>	<u>132,656</u>	<u>996,398</u>	<u>-</u>	<u>1,315,304</u>
Total assets	<u>\$ 3,361,268</u>	<u>\$ 33,172</u>	<u>\$ 242,405</u>	<u>\$ 1,107,988</u>	<u>\$ 197,650</u>	<u>\$ 4,942,483</u>
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities						
Deposits payable	\$ 1,662,569	\$ 42,784	\$ 691,965	\$ 1,750,548	\$ -	\$ 4,147,866
Accounts payable	-	14,695	59,657	23,307	-	97,659
Accrued liabilities	106,723	8,923	-	381	-	116,027
Capital lease obligations	185,000	-	51,959	76,000	-	312,959
Deferred revenue	-	-	30,000	-	-	30,000
Claims payable	-	-	-	-	197,650	197,650
Total liabilities	<u>1,954,292</u>	<u>66,402</u>	<u>833,581</u>	<u>1,850,236</u>	<u>197,650</u>	<u>4,902,161</u>
Net assets (deficit)						
Unrestricted	<u>1,406,976</u>	<u>(33,230)</u>	<u>(591,176)</u>	<u>(742,248)</u>	<u>-</u>	<u>40,322</u>
Total liabilities and net assets	<u>\$ 3,361,268</u>	<u>\$ 33,172</u>	<u>\$ 242,405</u>	<u>\$ 1,107,988</u>	<u>\$ 197,650</u>	<u>\$ 4,942,483</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Net Assets
Auxiliary Organizations
For the Year Ended June 30, 2004

	Bookstore	Cafeteria	Regional Training Institute	Information Technology	Total Auxiliary Funds
Revenues					
Local grants and contracts	\$ -	\$ 85,620	\$ 279,166	\$ -	\$ 364,786
Federal grants and contracts, operating	-	-	233,162	-	233,162
Private contributions	-	-	30,000	-	30,000
Tuitions and fees	480,653	-	-	-	480,653
Other	-	-	-	17,900	17,900
Auxiliary enterprises sales and charges	10,685,574	1,227,121	-	2,401,807	14,314,502
Total revenues	<u>11,166,227</u>	<u>1,312,741</u>	<u>542,328</u>	<u>2,419,707</u>	<u>15,441,003</u>
Expenditures					
Classified salaries	1,775,074	455,685	282,611	1,438,560	3,951,930
Employee benefits	510,367	113,173	81,480	425,153	1,130,173
Books and supplies	40,961	36,338	21,162	47,986	146,447
Contract services and operating expenditures	7,945,374	662,468	548,079	275,962	9,431,883
Expended for plant facilities	1,926	22,917	54,029	106,618	185,490
Utilities	19,949	-	22,116	14,862	56,927
Depreciation	31,885	645	36,826	301,583	370,939
Other	4,570	-	-	-	4,570
Total expenditures	<u>10,330,106</u>	<u>1,291,226</u>	<u>1,046,303</u>	<u>2,610,724</u>	<u>15,278,359</u>
Non-mandatory transfers	<u>(251,400)</u>	<u>-</u>	<u>370,774</u>	<u>(76,000)</u>	<u>43,374</u>
Revenues over (under) expenditures	<u>584,721</u>	<u>21,515</u>	<u>(133,201)</u>	<u>(267,017)</u>	<u>206,018</u>
Net assets (deficit)					
Beginning of year	<u>822,255</u>	<u>(54,745)</u>	<u>(457,975)</u>	<u>(475,231)</u>	<u>(165,696)</u>
End of year	<u>\$ 1,406,976</u>	<u>\$ (33,230)</u>	<u>\$ (591,176)</u>	<u>\$ (742,248)</u>	<u>\$ 40,322</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
College Foundations
June 30, 2004

	CCC Foundation	Los Medanos College Foundation	Diablo Valley College Foundation	Total College Foundations
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,315,001	\$ 336,575	\$ 1,136,977	\$ 2,788,553
Investments-long-term	105,521		1,523,062	1,628,583
Accounts receivable		9,400	249,626	259,026
Other assets		14,808	1,524	16,332
Capital assets, net	-	12,098	3,683	15,781
Total assets	<u>\$ 1,420,522</u>	<u>\$ 372,881</u>	<u>\$ 2,914,872</u>	<u>\$ 4,708,275</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ -	\$ 70,262	\$ -	\$ 70,262
Fund balances (deficits)				
Fund balances				
Restricted				
Temporarily restricted		214,613	1,839,274	2,053,887
Permanently restricted		40,282	1,116,663	1,156,945
Unrestricted	1,420,522	47,724	(41,065)	1,427,181
Total fund balance	<u>1,420,522</u>	<u>302,619</u>	<u>2,914,872</u>	<u>4,638,013</u>
Total liabilities and fund balances	<u>\$ 1,420,522</u>	<u>\$ 372,881</u>	<u>\$ 2,914,872</u>	<u>\$ 4,708,275</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Net Assets
College Foundations
For the Year Ended June 30, 2004

	CCC Foundation	Los Medanos College Foundation	Diablo Valley College Foundation	Total College Foundations
Revenues				
Investment income	\$ 14,002		\$ 95,686	\$ 109,688
Private gifts, grants, and contracts	460,830	248,285	551,678	1,260,793
Other operating revenues	-	-	43,477	43,477
Total revenues	<u>474,832</u>	<u>248,285</u>	<u>690,841</u>	<u>1,413,958</u>
Expenditures				
Contract services and operating expenditures	220,658	157,496	125,011	503,165
Financial aid	179,251	65,728	280,798	525,777
Other	1,015	13,806	-	14,821
Total expenditures	<u>400,924</u>	<u>237,030</u>	<u>405,809</u>	<u>1,043,763</u>
Change in fund balance	73,908	11,255	285,032	370,195
Fund balance				
Beginning of year	<u>1,346,614</u>	<u>291,364</u>	<u>2,629,840</u>	<u>4,267,818</u>
End of year	<u>\$ 1,420,522</u>	<u>\$ 302,619</u>	<u>\$ 2,914,872</u>	<u>\$ 4,638,013</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Fund Financials
For the Year Ended June 30, 2004

1. Basis of Presentation

The accompanying fund financials are not a required part of the basic financial statements of the District, but are provided for additional information. The fund financials differ from the basic financial statements in that they do not include the full liability for compensated absences and do not reflect debt issuance premiums and debt issuance costs as adjustments to bonds payable and interest expense.

SUPPLEMENTARY INFORMATION
FEDERAL AND STATE REQUIRED
JUNE 30, 2004

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Federal Expenditures</u>
National Science Foundation			
Computer and Information Science and NSF Math Socialization	47.070		\$ 96,027
Education and Human Resources	47.076		<u>217,084</u>
Subtotal Direct Programs			313,111
Pass-Through Programs From:			
Pass through The Research Corporation of the University of Hawaii			
Education and Human Resources	47.076	5865/0202452	<u>72,396</u>
<i>Total National Science Foundation</i>			<u>385,507</u>
U.S. Department of Energy			
Office of Science Financial Assistance Program	81.049		<u>216,796</u>
<i>Total U.S. Department of Energy</i>			<u>216,796</u>
U.S. Department of Labor			
Employment and Training Administration	17.261		<u>316,313</u>
<i>Total U.S. Department of Labor</i>			<u>316,313</u>
Department of Housing and Urban Development			
Community Development Block Grant	14.246		457
Pass-Through Programs From:			
Pass through City of Walnut Creek			
Community Development Block Grant	14.219	n/a	<u>19,999</u>
<i>Total Department of Housing and Urban Development</i>			<u>20,456</u>
U.S. Department of Education			
<i>Student Financial Aid Cluster</i>			
Federal Supplemental Educational Opportunity			
Grant Program (FSEOG)	84.007		525,512
Federal Family Education Loans (FFEL)	84.032		901,408
Federal College Work-Study Program (FWS)	84.033		562,266
Federal Pell Grant Program (PELL)	84.063		9,010,250
Scholarships for Health Professions Students from			
Disadvantaged Backgrounds	93.925		<u>131,922</u>
<i>Total Student Financial Aid Cluster</i>			<u>11,131,358</u>

(continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education (continued)			
Higher Education-Institutional Aid	84.031		1,304,526
TRIO - Talent Search	84.044		329,217
Fund for the Improvement of Postsecondary Education	84.116		584,545
Fund for the Improvement of Postsecondary Education	84.120		96,134
Child Care Means Parents in School	84.335		26,235
Subtotal Direct Programs			<u>13,472,015</u>
Pass-Through Programs From:			
Pass through California Community Colleges Chancellor's Office			
Vocational Education-Basic Grants to States	84.048	03-C01-012	665,895
Tech-Prep Education	84.243	02-139-018/019/020	249,019
Pass through California Department of Education			
Even Start	84.213	14331	279,759
Tech-Prep Education	84.243	0362	45,532
Pass through California Department of Rehabilitation			
Special Education - Grants to States	84.027	24192/4053.4	53,803
Pass through California Department of Social Services			
Independent Living - State Grants	84.169	2582.6/21-119-11/CDSS/ILPDS04	25,210
Subtotal Pass-Through Programs			<u>1,319,218</u>
Total U.S. Department of Education			<u>14,791,233</u>
U.S. Department of Health and Human Services			
Pass-Through Programs From:			
San Francisco Community College District			
Child Care and Development Block Grant	93.575	93:575	5,677
California Community Colleges Chancellor's Office			
Foster Parent Training	93.600	n/a	232,038
Foster Care - Title IV-E	93.658	n/a	151,269
Contra Costa County			
Foster Care - Title IV-E	93.658	21-261-12	48,288
Foster Care - Title IV-E	93.658	21-114-9	22,500
Subtotal Pass-Through Programs			<u>459,772</u>
Total U.S. Department of Health and Human Services			<u>459,772</u>
Total Expenditures of Federal Awards			<u>\$ 16,190,077</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Federal Pell Grant Program ("PELL") Expenditure Reimbursements

Total District PELL expenditures for the year ended June 30, 2004 were \$9,010,250; of that amount, the United States Department of Education had reimbursed \$8,949,033. Therefore, the amount of unreimbursed PELL expenditures for the year ended June 30, 2004 was \$61,217.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of State Financial Awards
For the Year Ended June 30, 2004

PROGRAM NAME	PROGRAM REVENUES				PROGRAM EXPENDITURES
	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total
State Awards					
AB602 Board Fin Aid Staffing	\$ 901,479	\$ -	\$ 169,891	\$ 731,589	\$ 731,589
ADN Enrollment - CCC	49,882	9,812	-	59,694	59,694
ADN Enrollment - LMC	15,174	-	-	15,174	15,174
ADN Enrollment - LMC	57,860	-	14,105	43,756	43,756
CalWORKS	681,844	-	1,095	680,749	680,749
CAN/Assist - CCC	5,000	-	-	5,000	5,000
CAN/Assist - DVC	5,000	-	-	5,000	5,000
CAN/Assist - LMC	5,000	-	-	5,000	5,000
CARE	493,494	-	65,681	427,813	427,813
CENTRAM II	17,575	-	331	17,245	17,245
CENTRAM II & Administration	53,001	-	53,001	-	-
Child Dev Careers & overhead - LMC	1,120	-	-	1,120	1,120
CNET (Telecomm Infrastructure) TTIP	628,958	-	359,004	269,954	269,954
Convergent Technologies	1,763	-	1,763	-	-
DSPS	2,137,878	-	118,755	2,019,123	2,019,123
Environmental Tec State Ldrshp	156,062	25,310	-	181,372	181,372
Environmental Tec State Ldrshp	22,040	29,168	-	51,208	51,208
EOPS	2,425,304	-	57,248	2,368,056	2,368,056
Faculty and Staff Diversity	57,977	-	48,574	9,403	9,403
Foster Parent Training	106,014	108,175	-	214,188	214,188
Foster Relative Training - CCC	-	7,500	-	7,500	7,500
Heritage Project - LMC	16,244	21,156	-	37,400	37,400
Instructional Equipment	1,694,261	-	1,144,946	549,315	549,315
Job Development Incentive Training	44,178	-	-	44,178	44,178
Lottery	488,867	-	-	488,867	488,867
Matriculation	1,239,918	-	72,243	1,167,675	1,167,675
PAESMEM	1,973	-	-	1,973	1,973
PUENTE Project	974,761	981,327	10,262	1,945,826	1,945,826
Staff Development	135,969	-	116,824	19,145	19,145
State Pre-School Grant (1)	866,211	375,866	-	1,242,077	1,242,077
Teacher & Reading Development Partnership	100,250	2,652	-	102,902	102,902
Techn'al Suppt to Wkforce Devl	250,000	-	157,255	92,745	92,745
Transfer & Articulation	64,606	-	56,944	7,662	7,662
Web-based Data Collection	100,000	-	100,000	-	-
Total state programs	\$ 13,799,663	\$ 1,560,966	\$ 2,547,922	\$ 12,812,708	\$ 12,812,708

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Reconciliation of Annual Financial and Budget Report
(Form CCFS-311) with Audited Basic Financial Statements
For the Year Ended June 30, 2004

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund
June 30, 2004 Annual Financial and Budget Report Fund balance per CCFS-311	<u>\$ 10,059,368</u>	<u>\$ 210,736</u>	<u>\$ 24,217,069</u>	<u>\$ 4,064,973</u>
Adjustments and reclassifications increasing (decreasing) fund balance:				
Recognition of interest expense	-	-	-	(1,026,525)
Recognition of secured tax roll revenue	-	-	-	422,866
Concurrent enrollment disallowance accrual	(565,171)	-	-	-
Allowance for uncollectible receivables	(462,535)	-	-	-
Categorical program allowance	(230,611)	-	-	-
Other post-closing adjustments and rounding	<u>(120,052)</u>	<u>1</u>	<u>(1)</u>	<u>-</u>
Fund balance per audit (not individually presented), June 30, 2004	<u>\$ 8,680,999</u>	<u>\$ 210,737</u>	<u>\$ 24,217,068</u>	<u>\$ 3,461,314</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Workload Measures for State General Apportionment
Annualized Attendance
June 30, 2004

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
Credit Full-time equivalent student (FTES)			
Weekly census	22,436	-	22,436
Daily census	1,836	-	1,836
Actual hours of attendance	1,665	-	1,665
Independent study/work experience	122	-	122
Summer intersession	<u>4,215</u>	<u>-</u>	<u>4,215</u>
Total	<u>30,274</u>	<u>-</u>	<u>30,274</u>
Noncredit FTES			
Actual hours of attendance	681	-	681
Summer intersession	<u>56</u>	<u>-</u>	<u>56</u>
Total	<u>737</u>	<u>-</u>	<u>737</u>
Gross square footage	<u>1,340,985</u>	<u>-</u>	<u>1,340,985</u>
FTES in leased facilities	<u>760</u>	<u>-</u>	<u>760</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Annual Apprenticeship Hours of Instruction
Annualized Attendance
June 30, 2004

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
Reporting periods			
July 1 - December 31, 2003	37,926	-	37,926
January 1 - April 15, 2004	-	-	-
April 16 - June 30, 2004	<u>28,022</u>	<u>-</u>	<u>28,022</u>
Total	<u><u>65,948</u></u>	<u><u>-</u></u>	<u><u>65,948</u></u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
OTHER INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2004

ARMANINO MCKENNA LLP

Certified Public Accountants & Consultants
12667 Alcosta Blvd., Suite 500
San Ramon, CA 94583-4427
ph: 925.790.2600
fx: 925.790.2601
www.amlp.com

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Contra Costa Community College District (the "District") for the fiscal year ended June 30, 2004, and have issued our report thereon dated March 9, 2005.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400, State Compliance Requirements of the *Contracted District Audit Manual* issued by the California Community Colleges Chancellor's Office (July 2004):

Salaries of Classroom Instructors (50 Percent Law)

Requirement

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the *Education Code*.

Apportionment for Instructional Service Agreements/Contracts

Requirement

This compliance requirement applies to instructional service agreements/contracts in which:

1. instruction is conducted at the contractor's facility, and
2. the contractor's employees are used to instruct classes, and
3. the district is paying the contractor on a per unit basis for use of facilities and/or reimbursement for employees' salaries, and
4. the contractor is paying the college/district enrollment fees for the students, and
5. the district is reporting the FTES from these classes.



Community colleges may claim FTES for classes given at a contractor's site and use the contractor's employees as instructors for the classes. In order for these FTES to be eligible for State funding the following regulatory requirements must be met:

1. Programs must be approved by the State Chancellor's Office and courses must be part of those approved programs or the college must have received delegated authority to separately approve those courses,
2. Courses must be open to the general public,
3. Students must be under the immediate supervision of a district employee,
4. The district employee must possess valid credentials or meet the minimum qualifications required for the assignment, and
5. The district and public or private agency, individual, or group of individuals with whom the district has a contract and/or instructional agreement does not receive full compensation for the direct education costs for the conduct of the class from any other source.

Required Data Elements

Requirement

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

1. Credit Full-Time Equivalent Student ("FTES") in weekly census, daily census, actual hour of attendance, and Apprenticeship courses.
2. Noncredit FTES in actual hour of attendance and distance education courses.
3. Credit Student Headcount Data.
4. Gross Square Footage and FTES in less than 100% leased space.

Required Determination for Credit Courses

Requirement

Each district must act to ensure that only the attendance of California residents is claimed for State support of credit classes.

Students Actively Enrolled

Requirement

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

Concurrent Enrollment of K-12 Students in Community College Credit Courses

Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with all the following:

1. District must have parental consent and school principal's recommendation to attend community college, subject to a maximum percentage of students per school.
2. Courses must be open to the general public and may not be limited to specialized clientele, nor may any group of individuals receive notice of the course offering prior to the general public.
3. Courses are not eligible for apportionment if they have not been properly approved by the district and, where applicable, by the Chancellor's Office, or are not taught in accordance with a locally established course outline.
4. Educational activities of students used in computing FTES must be under the immediate supervision and control of an academic employee of the district who is authorized to render service in that capacity.
5. Courses taught under a contract with a public or private agency must be under contract with both the agency and with the individual who will provide the instruction, and the individual must be qualified under the minimum qualifications for community college instructors.
6. Courses fully funded through another source are not permitted to receive apportionment, nor may the district receive apportionment if the K-12 school district is claiming apportionment for the attendance of its pupils in the community college courses.
7. Courses may not be restricted to K-12 pupils either directly on the basis of age or indirectly on the basis of specific grade levels that impact persons on the basis of age.
8. Summer courses may admit K-12 pupils who have demonstrated adequate preparation in the discipline to be studied and have availed themselves of all opportunities to enroll in an equivalent course at the school of attendance.

Uses of Matriculation Funds

Requirement

Districts are required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and local funded portions, must be consistent with the district's State-approved matriculation plan and identifiable within the activities claimable against state matriculation funds. This 25-percent-State-funds, 75-percent-local-funds ratio applies district-wide, not per college or within individual activity groups.

Districts must use the annual State matriculation allocation to expand levels of services that were in place in 1986-87, or to add entirely new services. The State allocation may not be used to supplant district funded services, including personnel costs, that existed in 1986-87 or before.

Allocation of Costs (DSP&S and EOP&S)

Requirement

Salaries of instructors teaching FTES generating classes, school counselors providing advisement, Student Services at the Dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against either Extended Opportunity Programs and Services (EOP&S) or Disabled Student Program and Services (DSP&S) accounts unless their activities require them to perform additional functions for the EOP&S or DSP&S programs that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S and DSP&S.

EOP&S Administrator/Director Requirements

Requirement

Districts accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S director/administrator at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over-and-above general supervision of EOP&S activities.

Gann Limit Calculation

Requirement

Each district shall calculate and adopt an appropriation limit annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of annual financial audits.

Enrollment Fee

Requirement

Community college districts are required to report the total amount the students should have paid for enrollment fees for purposes of determining each district's share of apportionments annually.

Scheduled Maintenance Program

Requirement

Funds provided by the State must be to supplement, not supplant, district deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and the District's match for the Scheduled Maintenance Program for the year being audited.

Open Enrollment

Requirement

Community college districts shall comply with the Cal. Code Regs., title 5, provisions related to open enrollment by the general public for all the courses being submitted for state apportionment funding.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for item 04-3 described in the accompanying schedule of state compliance findings and recommendations, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2004.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.


ARMANINO McKENNA LLP

March 9, 2005

ARMANINO McKENNA LLP

Certified Public Accountants & Consultants
12667 Alcosta Blvd., Suite 500
San Ramon, CA 94583-4427
ph: 925.790.2600
fx: 925.790.2601
www.amlp.com

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

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the basic financial statements of the Contra Costa Community College District (the "District") as of and for the year ended June 30, 2004, and have issued our report thereon dated March 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations 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 the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 04-1.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 04-1 to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 04-2.

We also noted certain additional matters that we reported to management of the District in a separate letter dated March 9, 2005.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management and others within the District, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



ARMANINO McKENNA LLP

March 9, 2005

Certified Public Accountants & Consultants
12667 Alcosta Blvd., Suite 500
San Ramon, CA 94583-4427
ph: 925.790.2600
fx: 925.790.2601
www.amllp.com

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 Costa Community College District (the "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, 2004. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the 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 of the District's compliance with those requirements.

As described in item 04-2 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Special Tests and Provisions that are applicable to its Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2004.



Internal Control Over Compliance

The management of the 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 the 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management and others within the District, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


ARMANINO McKENNA LLP

March 9, 2005

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Identification of major programs:	

1. U.S. Department of Education (Student Financial Aid Cluster)
Federal Supplemental Educational Opportunity
Grant Program (SEOG) (CFDA #84.007)
Federal Family Education Loans (CFDA #84.032)
Federal College Work-Study Program (CFDA #84.033)
Federal Pell Grant Program (CFDA #84.063)
Scholarships for Health Professions Students from
Disadvantaged Backgrounds (CFDA #93.925)

2. Even Start (CFDA #84.213)

Dollar threshold used to distinguish between type A and type B programs:	\$485,702
Auditee qualified as low-risk auditee?	Yes

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section II - Financial Statement Findings

Item 04-1 Account Reconciliations

Criteria - For accurate financial reporting, as well as for useful information for management, general ledger accounts must be reconciled on a timely basis.

Condition - Certain balance sheet accounts (including cash, accounts receivable and deferred revenue) were not reconciled during the fiscal year and prior to the beginning of the audit fieldwork. Prior to completion of the audit fieldwork, these accounts were ultimately reconciled. However, this was completed several months after the fiscal year-end.

Questioned Cost - Not applicable.

Context - Instance represents a significant portion of the District's activity in respect to balance sheet accounts.

Effect - The possible effect is that management may not have had a true representation of financial position during the year and for many months thereafter. All accounts, however, were subsequently reconciled. Management must have *timely* and accurate information on which to base decisions.

Cause - Reductions in accounting staff as well as significant requirements of remaining staff's time in respect to participation in and preparation of documentation for ongoing labor negotiations.

Recommendations - In order to make the financial reports generated by the accounting system as meaningful as possible, the District should reconcile, for example, the general ledger accounts for cash, accounts receivable, and deferred revenue to supporting documentation on a monthly basis. A benefit of monthly reconciliations is to discover bank errors as well as to check that the recording of transactions is accurate and proper and that any adjustments to or write-offs of accounts receivable have been approved. A further benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. Replacing departed accounting staff with well qualified staff will be a key factor in correcting this situation.

Management's Response - All accounts were reconciled for the year prior to completion of the audit. Management acknowledges the need for such reconciliations and performs procedures as timely as possible based on current staffing as well as priorities of other duties.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section III - Federal Findings and Questioned Costs
--

Federal Agency:	U.S. Department of Education
Federal Award Title:	Student Financial Aid Cluster
CFDA Number:	Various

Item 04-2 Special Tests and Provisions

Criteria - OMB Circular A-133 Compliance Supplement, Part 3 - Compliance Requirements, Requirement "N - Special Tests and Provisions" states that the specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Essentially, Special Tests and Provisions are requirements deemed necessary by the funding agency, yet do not "fall neatly" into the other 13 compliance requirements. Special Tests and Provisions for the Student Financial Aid Cluster encompass a number of tests; however, for this compliance finding, the specific test is "Verification." Per OMB Circular A-133 Compliance Supplement, Part 5 - Clusters of Programs:

"An institution may participate under an ED-approved Quality Assurance Program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. An institution not participating under an ED-approved QAP is required to establish written policies and procedures that incorporate the provisions of 34 CFR sections 668.51 through 668.61 for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the information specified in 34 CFR section 668.56. However, certain applicants are excluded from the verification process as listed in 34 CFR section 668.54(b). The institution is not required to verify the applications of more than 30 percent of its total number of applicants. The institution shall also require applicants to verify any information used to calculate an applicant's EFC that the institution has reason to believe is inaccurate."

NOTE: Diablo Valley College does not currently participate in the QAP.

Condition - Regarding Diablo Valley College, within a sample of 20 financial aid recipients, ten were required by the Department of Education central processor to have their income verified (as indicated by an asterisk on the ISIR); of that ten, one financial aid recipient files did not contain evidence of such income verification.

Questioned Cost - Not applicable

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Context - There was one occurrence out of a sample of 10 (total sample of 20, yet only 10 of the 20 had such income verification requirements) and potentially could indicate additional errors in the entire population. Total dollar amount awarded in respect to the occurrence was \$2,945.

Effect - One financial aid recipient may not have been eligible to receive financial aid and accordingly, could potentially indicate other such occurrences.

Cause - Although procedures are in place to detect and follow through with income verification requirements, staff processing this particular financial aid package missed the requirement.

Recommendations - Diablo Valley College has consistently maintained adequate control procedures over financial aid eligibility, yet has had some changes in staffing. The College should examine its procedures for performing and documenting its income verifications, and consider performing its own regular random or systematic testing to ensure that procedures and controls are in place. Since income verification is not required for all financial aid recipients (by law it cannot exceed 30% of all financial aid recipients in an academic year; ~2,000 such recipients during current year, thus maximum would be ~600), the number of additional items to examine. In addition, the College could consider participating in the QAP program as referenced above; this program could potentially assist the College in its verification processes; information on the QAP is at <http://www.ifap.ed.gov/IFAPWebApp/qualityassurance/Default.htm>.

Management's Response - Verification documents sent to student July 15, 2004. Verification documents received July 27, 2004; there was no change to students Expected Family Income and the student remained PELL eligible.

Section IV - Status of Prior Year Audit Findings

No prior year audit findings.

Section V - Corrective Action Plan

The District is in the process of preparing a corrective action plan and will forward the corrective action plan to the appropriate agencies.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
State Compliance Findings and Recommendations
June 30, 2004

Current Year Findings

State Award Title: Required Data Elements

Item 04-3 Receipt of Census Rosters

Finding - In order to appropriately report workload measures that are used in the calculation of the State General Apportionment, the District shall have the ability to support timely, accurate and complete information. One such workload measure is the workload measure is recording Full-Time Equivalent Students in census reports. During the course of our audit procedures, we were unable to locate, from our sample of fifteen classes per college, one census roster at both Los Medanos College and Diablo Valley College. In addition, it came to our attention that 37 census rosters were not received at Diablo Valley College.

Recommendation - Failure to retain the appropriate documentation to support the total FTES claimed for attendance could result in a potential loss of funding for the District. Although there are a significant number of classes in any given semester and the number of non-compliance items found are small in comparison to all classes, the error rate can still manifest a potential larger degree of noncompliance; therefore, the District should consider implementing additional procedures to ensure that it has complied with State requirements for receipt of census rosters.

Management's Response - Both Colleges noted procedures in place to achieve a 100% census return rate, including continued meetings with, and reminders to, instructors as well as assistance from Instructional Deans to procure census rosters.

Prior Year Findings

There were none.