

**CONTRA COSTA COMMUNITY  
COLLEGE DISTRICT**

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

**YEAR ENDED JUNE 30, 2005**

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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YEAR ENDED JUNE 30, 2005

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**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

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# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## ORGANIZATION

YEAR ENDED JUNE 30, 2005

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### DESCRIPTION OF DISTRICT

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 subjects, including vocational and technical education.

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

### BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Sheila A. Grilli	President	December 2006
John T. Nejedly	Vice President	December 2006
David N. MacDiarmid	Secretary	December 2006
Tomi Van de Brooke	Member	December 2006
Jo Ann Cookman	Member	December 2008
Gigi Green	Student Member	(June 2004 – May 2005)

### ADMINISTRATION

Ms. Lois Callahan.....Acting Chancellor  
Mr. Douglas Roberts.....Acting Vice-Chancellor, Finance and Administration

# **CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

## **OBJECTIVES OF THE AUDIT**

**YEAR ENDED JUNE 30, 2005**

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

- To evaluate the adequacy of the systems and procedures affecting compliance with applicable federal and California laws and regulations, noncompliance with which could have a material effect on the District's financial statements and the allowable program expenditures for federal and California financial assistance programs.
- To evaluate the adequacy of the system of internal control sufficient to meet the requirements of generally accepted auditing standards, for the purpose of formulating an opinion on the financial statements taken as a whole.
- To determine the accountability for revenues and the propriety of expenditures, and the extent to which funds have been expended in accordance with prescribed federal and California laws and regulations.
- To determine whether financial and related reports to state and federal agencies fairly present the information set forth in relation to the financial statements taken as a whole.
- To determine the fairness of the financial statement presentation in accordance with generally accepted accounting principles.
- To recommend appropriate actions in any areas where internal control or compliance with applicable federal and California laws and regulations could be improved.

# **CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

## **HIGHLIGHTS OF THE AUDIT**

**YEAR ENDED JUNE 30, 2005**

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This section highlights findings that were identified during the audit. These findings are discussed in the independent auditor's reports and the findings and recommendations section (see pages 63-70).

- The independent auditor's report on the financial statements for the year ended June 30, 2005 is unqualified.
- Three compliance exceptions with state laws and regulations were noted.
- One compliance exception related to the federal financial assistance programs was noted.

## **FINANCIAL SECTION**



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

**INDEPENDENT AUDITOR'S 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 remaining fund information of the Contra Costa Community College District (the District), as of and for the year ended June 30, 2005, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Contracted District Audit Manual*, 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 net assets of the business-type activities and remaining fund information of the District, as of June 30, 2005, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

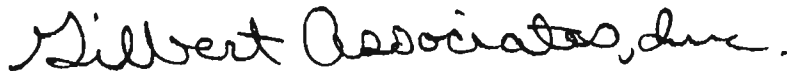
In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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.

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<http://www.gilbertcpa.com>



The Management's Discussion and Analysis (MD&A) on pages 6 through 18 is not a required part of the financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. 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.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc." followed by a period.

**GILBERT ASSOCIATES, INC.**

**February 15, 2006**

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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### **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.

Since the new reporting model is such a departure from that used in prior years, the District has asked its auditors to also present (in supplemental schedules) the District's financial statements using the fund statement 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 net capital assets and debt. 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.

### **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, which is the difference between assets and liabilities, are one way to measure the financial health of the District.

Overall, the net assets of the District increased \$13.3 million, or about 12.1%, over that of the previous year. This increase was primarily due to:

- 1) a \$9.5 million increase associated with the construction of State-funded, capital assets,
- 2) a \$2.1 million increase to the Unrestricted General Fund, fund balance, and,
- 3) a \$1.7 million increase to the Retiree Health Benefit Fund, fund balance.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

### Condensed Statement of Net Assets

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Current assets</b>				
Cash and short-term investments	\$ 58,023,946	\$ 29,361,738	\$ 28,662,208	97.6%
Receivables	21,827,314	17,231,587	4,595,727	26.7%
Inventory, prepaid expenses and other	<u>5,880,069</u>	<u>3,493,511</u>	<u>2,386,558</u>	<u>68.3%</u>
Total current assets	85,731,329	50,086,836	35,644,493	71.2%
<b>Non-current assets</b>				
Net capital assets and restricted funding	<u>187,097,567</u>	<u>141,181,024</u>	<u>45,916,543</u>	<u>32.5%</u>
Total assets	<u>\$ 272,828,896</u>	<u>\$ 191,267,860</u>	<u>\$ 81,561,036</u>	<u>42.6%</u>
<b>Current liabilities</b>				
Accounts payable, and accrued liabilities	\$ 15,907,016	\$ 11,123,959	\$ 4,783,057	43.0%
Deferred revenues	11,482,527	9,564,589	1,917,938	20.1%
Bonds and notes payable - current portion	19,913,904	3,927,312	15,986,592	407.1%
Other long-term liabilities - current portion	<u>689,848</u>	<u>1,351,889</u>	<u>(662,401)</u>	<u>(49.0%)</u>
Total current liabilities	47,993,295	25,967,749	22,025,546	84.8%
<b>Non-current liabilities</b>				
Long-term liabilities	<u>101,811,657</u>	<u>55,579,224</u>	<u>46,232,433</u>	<u>83.2%</u>
Total liabilities	149,804,952	81,546,973	68,257,979	83.7%
<b>Net assets</b>				
Investment in capital assets, net of debt	92,152,681	80,084,537	12,068,144	15.1%
Restricted	702,342	2,167,115	(1,464,773)	(67.6%)
Unrestricted	<u>30,168,921</u>	<u>27,469,235</u>	<u>2,699,686</u>	<u>9.8%</u>
Total net assets	<u>\$ 123,023,944</u>	<u>\$ 109,720,887</u>	<u>\$ 13,303,057</u>	<u>12.1%</u>

# **CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2005**

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The components of the \$58 million in cash and short-term investments are primarily: 1) \$27.8 million held as short-term investments of the yet-to-be-spent bond funds, 2) \$16.1 million held for the repayment of the District's Tax Revenue Anticipation Note, 3) \$15.4 million held in the Unrestricted General Fund (note: nearly \$5.5 million of this amount represents early receipt of next year, enrollment fees), 4) \$2.2 million held as the funded-portion of the District's liability for accrued compensated absences, and 5) (\$3.5) million in net purchased-inventory, and deposits-receivable, in the auxiliary organizations.

The primary components of the \$28.6 million fiscal year increase were: 1) the 2004-05 presence of \$16.1 million in funds from a tax revenue anticipation note (there was no TRAN-borrowing during 2003-04, and, 2) the net change in short-term investments held in the Retiree Health Benefits Fund and the Bond Fund. During 2004-05, short-term investments in the Bond Fund increased \$15.0 million due to the investment of proceeds from a bond-issuance in August of 2004. This increase was offset by the conversion of nearly \$5.0 million of Retiree Health Benefit Fund, short-term investments, into long-term investments.

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 \$13.0 million. Another \$7.1 million is due to: 1) student-receivables - \$2.4 million, 2) federal grants-receivable - \$1.9 million, 3) local property taxes - \$1.6 million, and, 4) receivables for investment-interest - \$1.2 million. The remaining accounts receivable are made up of book vendor credits, and miscellaneous items. The primary component of the 2004-05 increase in accounts receivable was the increase in outstanding claims for State-funded projects.

Inventories and prepaid items, \$1.8 and 2.4 million, respectively, represent bookstore merchandise-inventories, and the prepayments of: 1) July health insurance - \$1.2 million, and 2) first half of 2005-06 workers' compensation insurance - \$1.1 million. Over 2004-05, inventory-levels remained steady, and prepayments increased by \$800,000.

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, \$128.3 million, 2) the unspent cash from the proceeds from the issuances of 2002 Measure "A" bonds of \$31.2 million, 3) the funds accumulated at the County Treasury for the redemption of bonds, \$4.3 million, 4) the unspent cash held in categorical-program and trust funds, \$4.4 million, 5) the cash-deficit for yet-to-be-received State-funded, capital project claims (\$6.5) million, and 6) the long-term investments held for the funding of the District's liability for life-time, retiree health benefits, \$25.4 million. For 2004-05, the \$46 million increase in capital assets was principally due to the receipt of proceeds from the August 2004 issuance of \$45 million in 2002 Measure "A" bonds.

Accounts payable and accrued liabilities primarily represent year-end accruals for services and goods received by the District, during fiscal 2004-05, for which payment would not be made until 2005-06. 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 2004-05 payroll-expenditures and student refunds not paid until 2005-06. The 2004-05 increase is essentially due to an increase in the number and amount of unpaid invoices at year-end.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

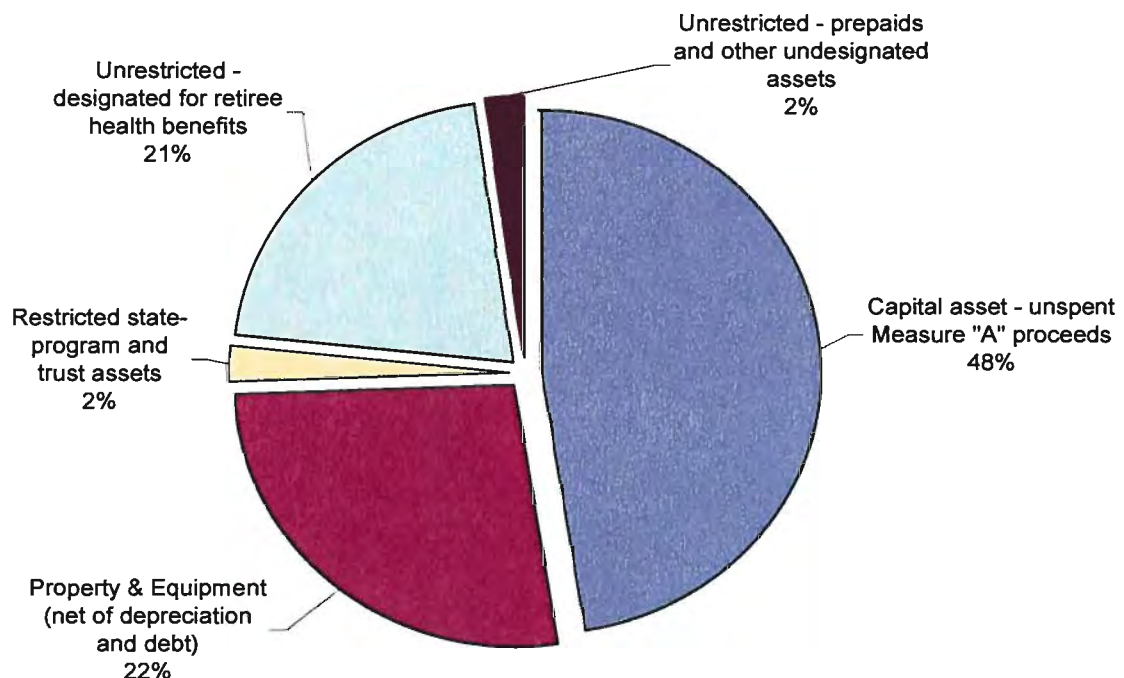
Deferred revenues represent prepayments, made to the District, for which services have yet to be rendered. \$7.6 million of this amount represents student tuition and registration fees, received during 2004-05, for the fiscal year 2005-06 summer and fall terms. The other \$3.9 million represents funding for grants and contracts, whose terms and conditions extend beyond 2004-05 fiscal year. The \$1.9 million increase from 2003-04 to 2004-05 is primarily due to an increase in the amount of prepaid enrollment fees received by the District by year-end.

The amount for bonds and notes payable primarily represents the principal and interest to be paid during 2005-06 on the TRAN and 2002 Measure "A" bonds. The \$16.0 million change in amount from 2003-04 primarily reflects the liability for TRAN-repayment, which was absent in the District the previous year.

Other current liabilities are principally composed of: 1) that portion of long-term capitalized leases to be paid during the 2005-06 fiscal year, \$532,498, and 2) \$157,350 for the year-end accrual of the District's "deductible" for all outstanding insurance claims.

The District's non-current liabilities primarily consist of: 1) the long-term debt remaining on the 2002 Measure "A" bonds, \$91.0 million, 2) the accumulated liability for accrued, employee compensated absences, \$8.7 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, \$1.2 million, and, 4) numerous capitalized lease obligations for the purchase of equipment throughout the District, \$0.9 million. The increase, from the 2003-04 totals, was primarily due to the August 2004 issuance of \$45 million in 2002 Measure "A" bonds.

**Net Assets - June 30, 2005**



# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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The largest component of the District's \$92.2 million in capital assets (net of related debt) is \$58.4 million in unspent cash and investments from the proceeds of the Measure "A" bond issuances. The District's capital assets, net of accumulated depreciation, are \$128.3. It is the "netting-effect" of \$95.3 million in related debt; primarily from the debt associated with the two issuances of in Measure "A" bonds (\$95 million in total), which result in this lessened 2004-05 amount.

The primary component of the District's "net assets" in restricted, expendable-assets, is \$2.5 million held at the County Treasury to service the District's Measure "A" bond liability

The last component, at \$28.7 million, is the District's unrestricted assets, of which \$26.1 million has been Board-designated as debt-funding for the District's liability for retiree health benefits. \$2.4 million represents the District's investments in prepaid expenses. The remaining \$0.2 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

JUNE 30, 2005

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### **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 \$26 per unit enrollment fee that is charged to all students registering for classes, and, the additional \$147 per unit fee that is charged to all non-resident students. The additional fee charged to non-resident students 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 \$10.6 and \$4.5 million. Another \$1.3 million is collected in the form of parking permits. The remainder is collected from an assortment of other student fees. For 2004-05, enrollment fees increased from \$18 per unit to \$26 per unit, which accounts for the revenue increase.

The amount listed for "scholarship discounts and allowances" represents Board of Governors (BOG) grants. For students who meet assistance-requirements, the State allows enrollment fees to be waived. 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, \$12.8 million, results from funding received from the state for categorical programs, such as DSP&S, EOP&S, Matriculation, etc.; Federal grants totaling \$14.7 million, include \$10.8 million in student financial aid, and another \$3.6 million in funding for vocational, teacher training and higher education programs. Included within local grants and contracts, \$4.3 million, are 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

**JUNE 30, 2005**

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

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating revenues</b>				
Tuition and fees	\$ 22,731,801	\$ 18,393,315	\$ 4,338,486	23.6%
Scholarship discounts	(4,927,115)	(3,157,281)	(1,769,834)	56.1%
Grants and contracts, noncapital	31,837,182	28,728,533	3,108,649	10.8%
Auxiliary enterprises	14,501,401	14,456,854	44,547	0.3%
Total operating revenues	<u>64,143,269</u>	<u>58,421,421</u>	<u>5,721,848</u>	<u>9.8%</u>
<b>Operating expenses</b>				
Salaries	104,008,566	107,142,426	(3,133,860)	(2.9%)
Benefits	32,881,205	29,015,620	3,865,585	13.3%
Supplies, materials, and other expenses	37,692,951	37,549,362	143,589	0.4%
Utilities	4,199,981	3,702,345	497,636	13.4%
Student Financial Aid & Scholarships	13,244,485	12,223,477	1,021,008	8.4%
Depreciation	4,346,158	4,728,951	(382,793)	(8.1%)
Total operating expenses	<u>196,373,346</u>	<u>194,362,181</u>	<u>2,011,165</u>	<u>(1.0%)</u>
Operating (expenses) net	<u>(132,230,077)</u>	<u>(135,940,760)</u>	<u>3,710,683</u>	<u>(2.7%)</u>
<b>Non-operating revenues (expenses)</b>				
State apportionments, noncapital	52,983,451	42,514,640	10,468,811	24.6%
Local property taxes	69,023,567	75,071,424	(6,047,857)	(8.1%)
State taxes and other revenue	7,288,281	7,545,317	(257,036)	(3.4%)
Investment income	2,931,321	627,599	2,303,722	367.1%
Other non-operating revenues and expenditures	(3,404,001)	(3,246,632)	(157,369)	4.8%
Total non-operating revenues	<u>128,822,619</u>	<u>122,512,348</u>	<u>6,310,271</u>	<u>5.2%</u>
Loss before other revenues, expenses, gains or losses	(3,407,458)	(13,428,412)	10,020,954	(74.6%)
State and local revenue, grants & gifts (capital)	<u>16,665,801</u>	<u>7,780,392</u>	<u>8,885,409</u>	<u>144.2%</u>
Increase in net assets	13,258,343	(5,648,020)	18,906,363	(334.7%)
Net assets - beginning of year	<u>109,765,601</u>	<u>115,368,907</u>	<u>(5,648,021)</u>	<u>(4.9%)</u>
Net assets - end of year	<u>\$123,023,944</u>	<u>\$109,720,887<sup>1</sup></u>	<u>\$ 13,303,057</u>	<u>12.1%</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 \$10.8, \$1.1, and \$2.5 million respectively, and total auxiliary revenue is roughly consistent with the prior year.

<sup>1</sup> Ending net assets for 2004 will not equal beginning net assets for 2005 due to changes in financial statement presentation.



# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

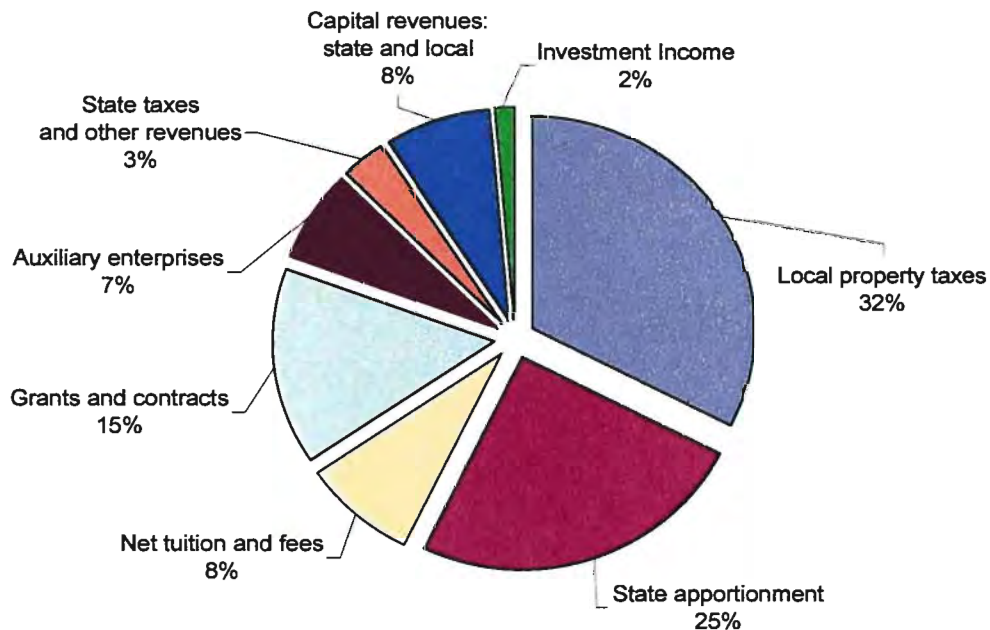
JUNE 30, 2005

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, the net decrease in these two revenue-categories led to a corresponding increase in apportionment.

The \$1.7 million in net investment income (non-capital) comes primarily from two sources: 1) interest earned on the investments designated for the funding of the District's liability for retiree health benefits, and 2) interest earned on the investment of proceeds from the issuance of a Tax Revenue Anticipation Note (TRAN). Each earned approximately \$0.7 million each. The rest of the interest was earned on funds held in the County Treasury during the fiscal year. The \$1.2 million investment income (capital) represents interest earned on the unspent cash and investments from the Measure "A" bonds.

The principal component of "capital revenues" is \$15.8 million in state apportionment funding utilized for capital projects and deferred maintenance programs. The increase in revenue (over 2003-04) reflects increased construction activity for which the District was able to submit reimbursement claims.

**Total Revenues - June 30, 2005**

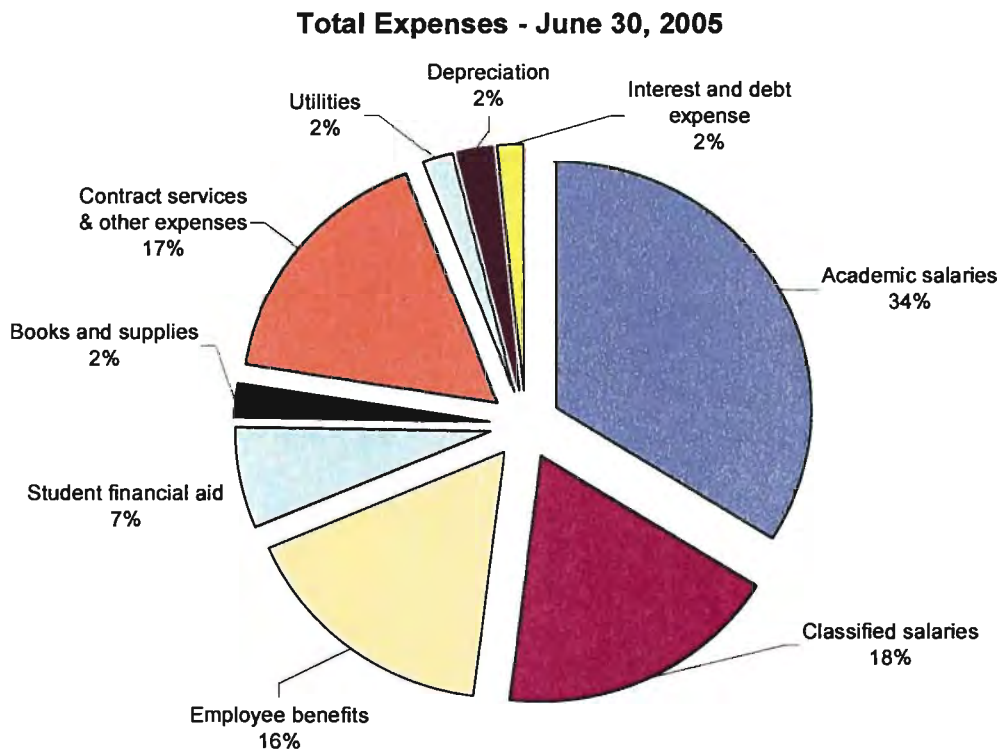


# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

The largest component, 68%, of the District's total expenses (operating and non-operating) are the costs associated with salaries and benefits. In the District's primary operating fund, the Unrestricted General Fund, salaries and benefits accounted for 86% of fund-expenditures. Payments to students which includes direct financial aid accounted for 7% of District expenses. "Supplies, materials, and other expenses" account for an additional 17% of the total. This latter category includes \$4.6 million for the cost of books and supplies, \$10.8 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 6% of total expenditures.



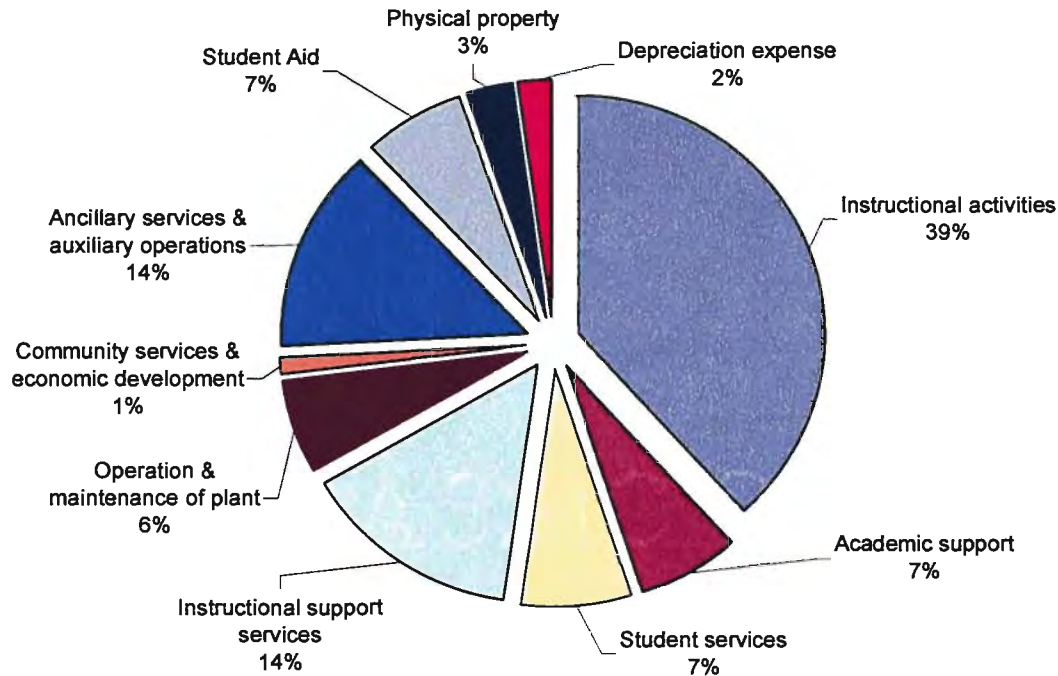
Total overall-expenditures increased by only 1% in 2004-05. The 13% benefits-increase was primarily due to increases in employee health insurance premiums. The 2004-05 increase in enrollment fees resulted in more students qualifying, and receiving, financial aid. The 8% increase in utilities-costs is a direct result of the energy-cost increases seen world-wide. These increases were offset (to a large degree) by a nearly 3% salary decrease which the District negotiated with its employee-groups during 2004-05.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

### 2004-05 Operating Expenses by Functional Classification



### Operating Expenses by Functional Classification

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Instructional activities	\$ 75,276,214	\$ 75,214,740	\$ 61,474	0.1%
Academic support	12,865,861	13,594,136	(728,275)	(5.4%)
Student services	14,585,313	16,462,853	(1,877,450)	(11.4%)
Instructional support	28,367,425	27,836,213	531,212	1.9%
Operation & maintenance of plant	12,494,952	15,729,729	(3,234,777)	(20.6%)
Community services & economic development	1,985,339	2,775,373	790,034	(28.5%)
Ancillary services, auxiliary services	27,212,001	26,968,479	243,522	0.9%
Student aid	13,244,485	10,678,338	52,566,147	24.0%
Physical property	5,995,598	373,369	5,622,229	1,505.8%
Depreciation expense	<u>4,346,158</u>	<u>4,728,951</u>	<u>(382,793)</u>	<u>(8.1%)</u>
Total	<u>\$196,373,346</u>	<u>\$194,362,191</u>	<u>\$ 2,011,165</u>	<u>1.0%</u>

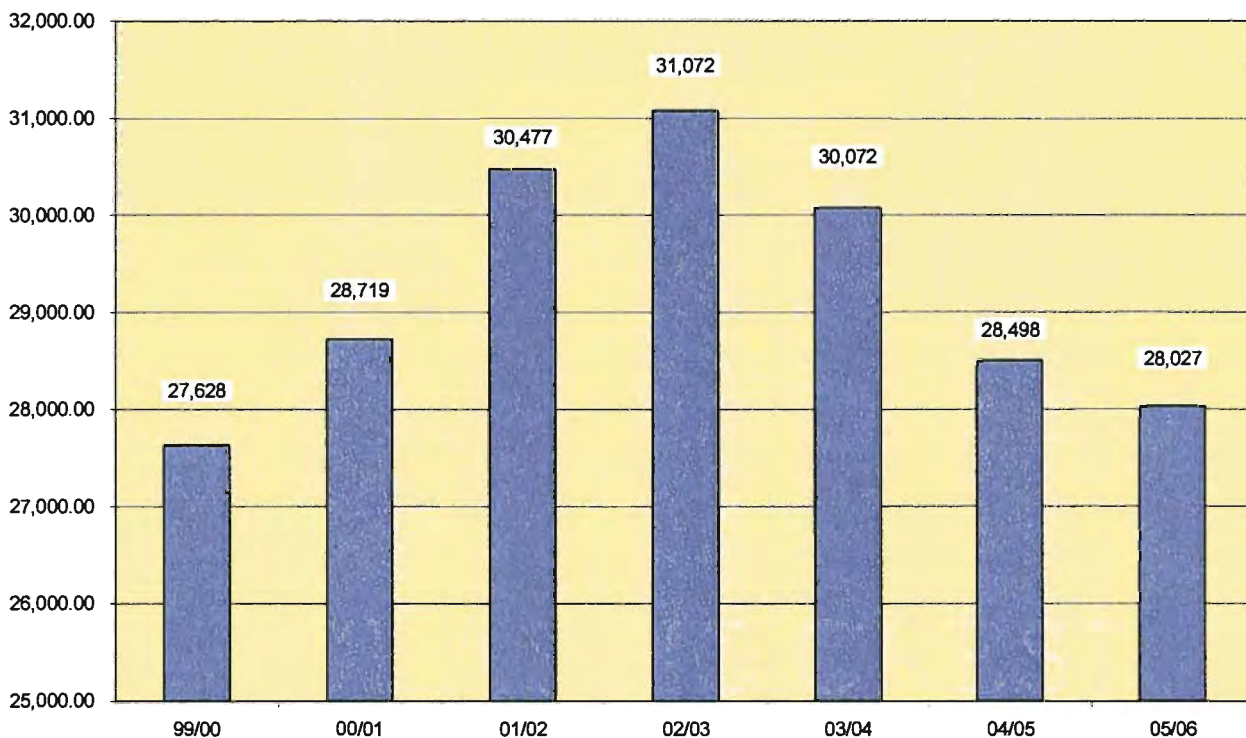
# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

As the previous page's two-year comparative shows, functional expenses during 2004-05 for "instructional activities" and "instructional support" rose slightly over 2003-04 expenditure levels despite the FTES decrease that occurred during 2004-05 (see resident FTES chart below). This was due to the District's continued commitment to fund instructional offerings at previous years' levels. Because the District did have fiscal concerns in 2004-05, several cost-cutting initiatives were implemented elsewhere in the District's operations. The reductions seen in "academic support", "student services", "operation and maintenance" and "community services" were due to the measures taken by the District. The increase in "auxiliary operations" was due to an increase in cost of goods sold. With the increase in enrollment fees (from \$18 to \$26 per unit), more students became eligible, and were granted, "Student aid" thereby causing the increase seen in that functional area. Some of the planned uses for the Measure "A" bond proceeds were for repair, maintenance, and equipment replacement. It is the increased level of activity in these pursuits that accounts for the higher level of expenditure in 2004-05. 2003-04 was the last year of depreciation for several pieces of equipment that had been purchased with instructional equipment grant funding. As such, the 2004-05 reduction in depreciation expense was expected.

**District Resident FTES**  
(1999-00 to 2004-05 Actuals, 2005-06 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**

**JUNE 30, 2005**

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### **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-increase was due to the receipt of proceeds from the August, 2004 issuance of \$45 million in 2002-Measure "A" bonds.

### **Economic Factors that will affect the Future**

The District is heavily 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 Total Apportionment calculation, which in 2004-05 accounted for 86% of the District's primary operating fund, the "Unrestricted General Fund". Total Apportionment revenue is directly tied to reported enrollment, and since 2002-03, attendance at the District has fallen-off.

The decrease seen in 2003-04 was primarily due to the District's response to the 2003-04, state-wide reduction of funding for concurrently enrolled high school students in physical education courses. Since the state would no longer fund these FTES, the District stopped offering such courses, and nearly 900 FTES were lost. Only by accelerating the "reporting" of some of the summer 2004 FTES (into 2003-04) did the District avoid a "reported loss" of FTES in 2003-04.

It should be noted that there is a strong correlation between state unemployment and community college attendance; as unemployment rises, so does attendance, and vice versa. During 2004-05 the state's unemployment figures continued to drop, approaching levels not seen since 2000. Additionally, beginning 2004-05, the state increased enrollment fees by 44% (from \$18 to \$26 per unit). Just how many students went back into the workforce, and how many stayed away because of the "sticker-shock" of the increased costs to attend, may never be known. But, these, as well as other factors, contributed to a nearly 1,600 FTES-drop during 2004-05. Although the District wound up reporting an FTES-reduction for 2004-05, the District did not experience a reduction in funding, thanks to the state's "stability program" which gives any district (experiencing a loss in FTES) a one-year, grace-period before funding starts to be reduced.

Whatever FTES are reported in 2005-06 will become the basis for that year's funding, and the "base apportionment" level upon which any growth and COLA funding will be calculated for 2006-07.



# **CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2005**

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Since 2003-04, the District has initiated several cost-cutting initiatives to offset the effects of reduced State funding, and the increases in on-going costs, especially those associated with health premiums, and other employer-paid benefits. Prior to 2004-05, the District had already made sizable cuts in its operating expenditures, including layoffs of several classified personnel. During 2004-05, the District froze college carry-over funds, and placed a "hiring freeze" on all unfilled permanent positions. The District also sought, and negotiated with its employee groups, on-going reductions in salaries, a 6% employee co-payment of health insurance premiums and, for new employees hired after July 31, 2005, a cut-off of retiree health benefits upon reaching Medicare eligibility. Thanks to these measures, and the sacrifices made by its employees, the District was able to maintain an adequate ending-reserve for 2004-05, and be in a better fiscal-position going forward into 2005-06.

At the beginning of 2005-06, the District's adopted budget for the Unrestricted General Fund (the District's primary operating fund) projected revenues exceeding expenditures by \$1.9 million. To date, that projection still holds. Although current projected 2005-06 FTES are less than originally projected, the associated revenue-reduction has been offset by revenue-increases associated with increased student headcounts, the absence of the "District-budgeted" state apportionment deficit funding, and nearly \$1 million in unexpected, one-time revenues.

Looking forward to 2006-07, the Governor's budget includes a 5.18 % COLA for which the District would definitely be in-line. Initial calculations do not show the District receiving any increases for "Equalization" in 2006-07, but discussions are ongoing, especially in light of the new community college funding model that the system would like the legislature to approve and implement for 2006-07. Due to the recent enrollment trend, the District's 2006-07 budgets will not include any growth revenue until such growth is confirmed. Along with any potential revenue increases that the District will receive in 2006-07, the District will need to afford the known increases that will occur for such things as scheduled step and column salary increases, planned increases in personnel, and the anticipated increases in health benefit and utility costs. During 2005-06, the District will start negotiations with its employee groups for 2006-07, and salary and benefits will be among the negotiated items. Any budget-effects resulting from negotiations will need to be factored into the District's long-range planning.

In 2007-08, the District must implement GASB-45 which will require the District to begin accruing its liability for unfunded retiree health benefits. To date, the District has set aside a little over \$26 million for this obligation, which was last-valued at \$186.5 million. The District is currently investigating the fiscal-implications of implementing GASB-45 in 2007-08, and, researching possible funding-mechanisms to reduce the impact.

With so many things yet to unfold, the District is closely watching economic forecasts, enrollment trends and announcements from Sacramento, regarding its future state-funding. Given the significant financial constraints under which the District must operate, 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, 2005****ASSETS****Current Assets:**

Cash and Cash Equivalents	\$ 29,903,218
Investments, Short-Term	28,120,728
Accounts Receivable, Net	19,099,976
Taxes Receivable	1,563,839
Interest Receivable	1,163,499
Inventories	1,827,303
Prepaid Items	2,437,354
Other Assets	1,565,983
Notes Receivable	49,429
Total Current Assets	<u>85,731,329</u>

**Noncurrent Assets:**

Restricted Cash and Cash Equivalents	33,327,852
Long-Term Investments	25,423,993
Capital Assets, Net	<u>128,345,722</u>
Total Noncurrent Assets	<u>187,097,567</u>

**TOTAL ASSETS****\$ 272,828,896****LIABILITIES****Current Liabilities:**

Accounts Payable	11,560,038
Accrued Liabilities	4,346,978
Deferred Tuition and Fees Revenue	7,621,234
Deferred Grants and Contracts	3,644,994
Other Deferred Revenue	216,299
Claims Payable	157,350
TRANS Payable	15,830,000
Interest Payable	2,433,904
Capitalized Lease Obligations, Current Portion	532,498
Certificates of Participation, Current Portion	50,000
Bonds payable, Current Portion	<u>1,600,000</u>
Total Current Liabilities	<u>47,993,295</u>

**Noncurrent Liabilities:**

Capital Leases Payable	870,293
Compensated absences	8,690,656
Bonds, Certificates of Participation, and Loans Payable	<u>92,250,708</u>
Total Noncurrent Liabilities	<u>101,811,657</u>

**TOTAL LIABILITIES****149,804,952****NET ASSETS**

Invested in Capital Assets, Net of Related Debt	92,152,681
Restricted For:	
Plant	202,607
Debt Services	499,735
Unrestricted	<u>30,168,921</u>
Total Net Assets	<u>123,023,944</u>

**TOTAL LIABILITIES AND NET ASSETS****\$ 272,828,896**

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  
YEAR ENDED JUNE 30, 2005**

**OPERATING REVENUES**

Tuition and Fees (Gross)	\$ 22,731,801
Less: Scholarship Discounts and Allowances	<u>(4,927,115)</u>
Net Tuition and Fees	17,804,686
Grants, Contracts, and Donations, Noncapital:	
Federal	14,668,985
State	12,840,513
Local	4,327,684
Auxiliary Enterprise Sales and Charges	<u>14,501,401</u>

<b>TOTAL OPERATING REVENUES</b>	<u><b>64,143,269</b></u>
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**OPERATING EXPENSES**

Academic and Classified Salaries	104,008,566
Employee Benefits	32,881,205
Other Operating Expenses and Services	37,692,951
Utilities	4,199,981
Student Financial Aid and Scholarships	13,244,485
Depreciation	<u>4,346,158</u>

<b>TOTAL OPERATING EXPENSES</b>	<u><b>196,373,346</b></u>
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<b>OPERATING LOSS</b>	<u><b>(132,230,077)</b></u>
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**NON-OPERATING REVENUES (EXPENSES)**

State Apportionments, Noncapital	52,983,451
Local Property Taxes	69,023,567
State Taxes and Other Revenues	7,288,281
Investment Income - Noncapital	1,704,419
Investment Income - Capital	1,226,902
Interest Expense on Capital Asset-Related Debt	(3,273,909)
Other Non-Operating Revenues (Expenses)	<u>(130,092)</u>

<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u><b>128,822,619</b></u>
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<b>LOSS BEFORE CAPITAL REVENUES</b>	<u><b>(3,407,458)</b></u>
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State Apportionments, Capital	15,848,915
Local Property Taxes and Revenues, Capital	776,579
Grants and Gifts, Capital	<u>40,307</u>

<b>INCREASE IN NET ASSETS</b>	<u><b>13,258,343</b></u>
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<b>NET ASSETS -- BEGINNING OF YEAR</b>	<u><b>109,765,601</b></u>
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<b>NET ASSETS -- END OF YEAR</b>	<u><u><b>\$ 123,023,944</b></u></u>
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**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 16,422,631
Federal Grants and Contracts	15,130,753
State Grants and Contracts	11,273,545
Local Grants and Contracts	5,421,714
Payments to Suppliers	(37,393,776)
Payments for Utilities	(4,199,980)
Payments to or on Behalf of Employees	(101,965,244)
Payments for Benefits	(32,889,515)
Student Loans/Grants	(13,343,156)
Auxiliary Enterprise Sales and Charges	14,917,529
Net Cash Used by Operating Activities	<u>(126,625,499)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Apportionments and Receipts	56,527,354
Property Taxes	68,821,688
State Taxes and Other Revenues	7,288,280
Grants and Gifts for Other than Capital Projects	40,307
Short-Term Debt and Other Receipts (Payments), Net	13,709,166
Net Cash Provided by Noncapital Financing Activities	<u>146,386,795</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Apportionments for Capital Purposes	11,218,830
Purchases of Capital Assets	(22,524,752)
Interest Paid on Capital Debt	(3,813,473)
Principal Paid on Capital Debt	(2,987,275)
Interest on Capital Investments	1,104,300
Local Property Taxes and Other Revenues for Capital Purposes	761,457
Issuance of Capital Debt, Net	45,673,115
Net Cash Provided by Capital and Related Financing Activities	<u>29,432,202</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	
Interest on Investments	1,141,452
Purchase of Investments	<u>(16,054,638)</u>
Net Cash Used by Investing Activities	<u>(14,913,186)</u>

Net Increase in Cash and Cash Equivalents	<u>34,280,312</u>
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**CHANGE IN CASH AND CASH EQUIVALENTS**

34,280,312

**CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR**

28,949,758

**CASH AND CASH EQUIVALENTS – END OF YEAR**

\$ 63,230,070

**Cash is Presented as Follows:**

Cash and Cash Equivalents	\$ 29,903,218
Restricted Cash	33,327,852
Total	<u>\$ 63,231,070</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2005

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RECONCILIATION OF NET OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:

Cash Flows from Operating Activities	
Operating Loss	\$ (132,230,077)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	4,346,158
Changes in Assets and Liabilities	
Accounts Receivable	547,153
Inventories	(59,018)
Other Assets	(1,491,525)
Prepaid Expenses	(858,218)
Accounts Payable	3,539,236
Accrued Liabilities	(793,581)
Deferred Tuition and Fees	121,495
Deferred Grants and Contracts	(1,717,460)
Other Deferred Revenue	(30,000)
Claims Payable	(40,300)
Compensated Absences	2,041,638
Net Cash Used by Operating Activities	<u>\$ (126,624,499)</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005**

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	<u>Agency Funds Associated Students</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 564,900
Accounts Receivable	<u>179,126</u>
<b>TOTAL ASSETS</b>	<u>\$ 744,026</u>
<b>LIABILITIES</b>	
Amounts Held in Trust for Others	<u>\$ 744,026</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 744,026</u>

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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### 1. ORGANIZATION AND NATURE OF ACTIVITIES

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 District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The District, based on its evaluation of this criteria, has identified the following as a component unit:

**Blended component unit** - The District and the Contra Costa Community College Educational Financing Corporation (the Corporation) have a financial and operational relationship, which meets the reporting entity definition criteria for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

Based upon the application of the criteria listed above, the following reporting entities have been excluded from the District's financial statements:

**Contra Costa Foundations** – The Foundations (Diablo Valley, Contra Costa and Los Medanos) are separate not-for-profit organizations. A majority of their Boards of Directors are elected independent of any District Board of Trustees appointments. The Foundation Boards are responsible for approving their own budgets and accounting and finance related activities. The District provides in-kind contributions to the Foundations in the form of salaries, facility use, equipment, supplies, and utilities. The value of these in-kind contributions for the year ended June 30, 2005, was estimated to be \$240,000.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units*, issued by the American Institute of Certified Public Accountants (AICPA) and, where applicable, Financial Accounting Standards Board (FASB) Statements issued through 1989.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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**Change in accounting principle** – The District has determined that the Foundations do not meet the significance criteria under the Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and has elected not to include them as a discretely presented component unit, which is a change from the 2003-04 financial statement presentation.

**Basis of accounting** – For financial reporting purposes, the District is considered a special-purpose government engaged only in business type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. All significant interfund transactions have been eliminated.

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, which is consistent with generally accepted accounting principles.

In addition to the District's business type activities, the District maintains fiduciary funds. These funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are accounted for using the economic resources measurement focus. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

**Agency Funds** – This fund includes the Associated Student Trust Funds. The amounts reported for student body funds represent the combined totals of all accounts for the various student body clubs and activities within the District. Individual totals, by club, are maintained within the Associated Student's accounting system.

**Budgets and budgetary accounting** – By state law, the District's governing board must approve a tentative budget no later than July 1st and adopt a final budget no later than September 15th of each year. A hearing must be conducted for public comments prior to adoption.

The budget is revised during the year to incorporate categorical funds, which are awarded during the year, and miscellaneous changes to the spending plans. Revisions to the budget are approved by the District's governing board.

**Estimates used in financial reporting** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** – The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**Investments** – Investments are reported at fair value on the balance sheet based on open market quotes for debt and equity securities. Unrealized gains and losses are recorded on the statement of revenues, expenses and changes in fund balances.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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**Restricted cash and investments** – Cash and investments that are restricted by contractual obligation are classified as non-current assets in the Statement of Net Assets.

**Receivables** – Receivables consist 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 and supplies, textbooks, and educational materials. For inventory valuation, 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** – Capital assets are those assets purchased or acquired with an original cost of \$1,000 or more, with the exception of land and construction in progress for which the threshold is \$25,000. These assets are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlay that significantly extends the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvement of Sites	20
Buildings	25-50
Machinery and Equipment	5-15
Vehicles	8

**Deferred revenue** – Deferred revenue includes amounts received for tuition and fees and certain categorical program revenues received prior to the end of the fiscal year, but related to the subsequent accounting period. Deferred revenue also includes amounts received from grants and contracts that have not yet been earned. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources.

**Compensated absences** – Employee vacation pay is accrued at year-end for financial statement purposes, based on vacation time accrued and current pay rate. The liability and expense incurred are recorded at year-end as accrued vacation payable in the Statement of Net Assets as a component of employee benefits. It is the District's policy to record sick leave in the period taken, since the employee's right to sick leave payment does not vest upon termination.

**Pension costs** – Pension costs are funded currently (see Note 12).

**Non-current liabilities** – Non-current liabilities include estimated amounts for accrued compensated absences and long-term liabilities that will not be paid within the next fiscal year (see Note 7).

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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**Net assets** – 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 – expendable – Restricted expendable net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- 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, or for any other purpose.

**Classification of revenues** – The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

- Operating revenues: operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) Federal, State and local grants, contracts, and appropriations.
- Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as State apportionments, local property taxes and investment income.

**Scholarship discounts and allowances, and financial aid** – Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of activities. The District offers Board of Governor's Grants (BOGG) to qualified students and these tuition waivers are reported as scholarship discounts and allowances. Grants, such as Federal, State or non-governmental programs, are recorded as operating or non-operating revenues based on the purpose in the District's financial statements.

**Property taxes** – Secured property taxes attach as an enforceable lien on property as of March 1, and 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 of Contra Costa bills and collects the taxes for the District. Tax revenues are recognized by the District when earned.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

**Reclassifications** – Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

**Implementation of new accounting policies** – For the year ended June 30, 2005, the District implemented the new accounting standard, GASB Statement Number 40 (GASB 40), *Deposit and Investment Risk Disclosures*. GASB 40 amends GASB Statement Number 3 (GASB 3), *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB 40 revises the existing requirements regarding disclosure of custodial credit, as required by GASB 3 and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

**Future GASB statement implementation** - In July of 2004, the GASB issued GASB Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, which is required to be implemented by the District during the fiscal year ending June 30, 2008. The new statement will significantly change the way state and local governments report their “other post-employment benefits” to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past service and to what extent those benefits have been funded, and (3) provide information useful in assessing potential demands on the employer’s cash flow (see Note 8).

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statements of net assets:	
Cash and cash equivalents	\$ 29,903,218
Restricted cash and cash equivalents	33,327,852
Investments:	
Short Term	28,120,728
Long Term	25,423,993
Fiduciary funds:	
Cash and cash equivalents	<u>564,900</u>
Total cash, cash equivalents, and investments	<u>\$ 117,340,691</u>



# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

Cash and cash equivalents as of June 30, 2005 consist of the following:

Cash on hand	\$ 40,770
Deposits with financial institutions	18,574,717
Cash on hand and in banks	<u>18,615,487</u>
Investments with County Treasurer:	
Pooled Investments	16,080,464
District Managed Investments	82,644,740
Investments	<u>98,725,204</u>
Total cash, cash equivalents, and investments	\$ <u>117,340,691</u>

### Investments Authorized by the District's Investment Policy

In accordance with Education Code Section 84000, the District maintains substantially all its cash in the Contra Costa County Treasury (County) as part of the common investment pool, and District managed investments. County pools these funds with those of other governmental entities in the County and invests the cash. These investments are carried at fair value. Any realized investment losses are proportionately shared by all funds in the pool, except for investments directly managed by the District. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income.

The table below identifies the investment types authorized by the District's investment policy in accordance with the California Government Code. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	10%	None
U.S. Treasury Obligations	5 years	10%	None
U.S. Agency Securities	5 years	50%	None
Commercial Paper	270 days	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	10%	None

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

### Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
Contra Costa County Investment Pool	Five Years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Total Market Value	Remaining Maturity (in Years)	
		Less than 1	1 to 5
Pooled Investments	\$ 16,080,464	\$ 16,080,464	
District Managed Investments:			
US Treasury Notes	6,250,611	687,567	\$ 5,563,044
Federal Agency Bonds, Notes, and Mortgage-Backed Securities	43,505,603	27,843,586	15,662,017
Corporate Notes	2,004,537		2,004,537
Municipal Bonds and Notes	1,783,970		1,783,970
LAIF	29,100,019	29,100,019	
	<u>\$ 98,725,204</u>	<u>\$ 73,711,636</u>	<u>\$ 25,013,568</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total Market Value</u>	<u>Ratings</u>
Pooled Investments	\$ 16,080,464	Not rated
District Managed Investments:		
US Treasury Notes	6,250,611	Not rated
Federal Agency Bonds, Notes, and Mortgage-Backed Securities	43,505,603	AAA
Corporate Notes	2,004,537	AAA
Municipal Bonds and Notes	1,783,970	AAA
LAIF	29,100,019	Not rated
	<u>\$ 98,725,204</u>	

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Education Code. The District has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Cash on Hand, in Banks, and in Revolving Fund

As of June 30, 2005, the carrying amount of the District's bank deposits was \$18,274,541 and the bank balance was \$29,525,743. Of the bank balance, \$561,643 was insured by the Federal Depository Insurance Corporation. The remainder, \$28,964,100, was covered by collateral held in the pledging financial institutions' trust departments in the District's name. Cash on hand of \$40,770 was not insured. Of the total bank balance, \$29,045,282 is held by the primary institution and \$480,461 is held by fiduciary funds.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2005:

Federal, state and local grants and contracts, net of allowance of \$462,535	\$ 16,558,166
Auxiliary enterprises	789,672
Student tuition and fees, net of allowance of \$673,050	<u>1,752,138</u>
Totals	<u>\$ 19,099,976</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**5. FUNCTIONAL EXPENSES**

For the year ended June 30, 2005, operating expenses are charged by function as follows:

Function	Salaries	Employee Benefits	Supplies, Materials & Other Operating Expenses & Services	Other Outgo	Depreciation	Total
Instructional Activities	\$ 56,561,414	\$ 14,980,860	\$ 3,733,940			\$ 75,276,214
Instructional Support	8,501,478	2,380,196	1,984,187			12,865,861
Student Services	10,669,709	2,848,881	1,066,723			14,585,313
Plant Operations & Maintenance	4,890,912	1,845,798	5,758,242			12,494,952
Institutional Support	14,024,893	8,439,412	5,903,120			28,367,425
Community Services & Economic Development	1,276,081	332,838	376,420			1,985,339
Ancillary & Auxiliary Services	8,084,079	2,053,220	17,074,702			27,212,001
Student Aid				\$ 13,244,485		13,244,485
Physical Property & Related Acquisitions			5,995,598			5,995,598
Depreciation expense					\$ 4,346,158	4,346,158
Total	<u>\$ 104,008,566</u>	<u>\$ 32,881,205</u>	<u>\$ 41,892,932</u>	<u>\$ 13,244,485</u>	<u>\$ 4,346,158</u>	<u>\$ 196,373,346</u>

**6. CAPITAL ASSETS**

Property, plant, and equipment consisted of the following at June 30, 2005:

	Balance 2004	Additions	Deletions	Balance 2005
Land	\$ 13,651,216			\$ 13,651,216
Improvements	14,914,367			14,914,367
Buildings	112,578,510	\$ 9,784,011		122,362,521
Construction in progress	13,629,360	20,703,328	\$ (6,285,152)	28,047,536
Equipment	36,320,463	1,285,096	(1,073,060)	36,532,499
	191,093,916	31,772,435	(7,358,212)	215,508,139
Less accumulated depreciation	(83,730,922)	(4,168,809)	737,314	(87,162,417)
Property, plant, and equipment, net	<u>\$ 107,362,994</u>	<u>\$ 27,603,626</u>	<u>\$ (6,620,898)</u>	<u>\$ 128,345,722</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

7. LONG-TERM LIABILITIES

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, 2005, \$1,265,000 remained outstanding on these Certificates of Participation.

The annual debt service requirements for the Certificates of Participation, as of June 30, 2005 are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 50,000	\$ 75,825	\$ 125,825
2007	50,000	72,900	122,900
2008	55,000	69,900	124,900
2009	60,000	66,600	126,600
2010	60,000	63,000	123,000
2011-2015	375,000	255,000	630,000
2016-2020	500,000	127,500	627,500
2021-2025	115,000	6,900	121,900
Totals	\$ 1,265,000	\$ 737,625	\$ 2,002,625

General Obligation Bond 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 G.O. Bonds). The bonds require semi-annual principal payments beginning in August 2003 through August 2026; interest on the Bonds is payable semiannually on each February 1 and August 1, commencing in February of 2003. Annual interest rates for the principal payments range from 3.5% to 6.0%.

On August 1, 2004, the District issued its second series, \$45,000,000, of Measure A Bonds maturing on August 1, 2029, with interest at 4-5.00%, to provide for anticipated construction costs from various construction projects. The bonds require semi-annual principal and interest payments February 1, 2005 through August 1, 2029. The Bonds due on or before August 1, 2014, are not subject to optional redemption; the Bonds due on and after August 1, 2015 are subject to optional redemption.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

The general obligation bonded debt at June 30, 2005, for both series matures as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,600,000	\$ 4,478,775	\$ 6,078,775
2007	2,100,000	4,398,150	6,498,150
2008	675,000	4,337,338	5,012,338
2009	925,000	4,304,088	5,229,088
2010	1,100,000	4,253,275	5,353,275
2011-2015	8,650,000	20,090,374	28,740,374
2016-2020	15,550,000	17,039,425	32,589,425
2021-2025	24,550,000	12,300,375	36,850,375
2026-2030	36,450,000	4,823,750	41,273,750
Totals	91,600,000	76,025,550	167,625,550
Plus bond premium	1,035,708		1,035,708
	<u>\$ 92,635,708</u>	<u>\$ 76,025,550</u>	<u>\$ 168,661,258</u>

**Capital Lease Obligations**

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

<u>Year Ending June 30,</u>	
2006	\$ 589,854
2007	348,634
2008	242,403
2009	241,503
2010	102,219
Total	1,524,613
Less amounts representing interest	(121,822)
Present value of Net minimum lease payments	<u>\$ 1,402,791</u>

**Changes In Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 1,121,368	\$ 769,647	\$ 488,224	\$ 1,402,791	\$ 532,498
Bonds payable	48,861,963	45,718,185	1,944,440	92,635,708	1,600,000
Compensated absences	6,649,018	8,690,656	6,649,018	8,690,656	
Certificates of Participation	1,310,000		45,000	1,265,000	50,000
Total	<u>\$ 57,942,349</u>	<u>\$ 55,178,488</u>	<u>\$ 9,126,682</u>	<u>\$ 103,994,155</u>	<u>\$ 2,182,498</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**8. 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, 2005 totaled 698. Such payments for these retired employees totaled \$6,414,910 for the fiscal year ended June 30, 2005 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 project benefits that have already been earned. The actuarially determined APBO at June 30, 2002 was \$186,654,400. Net assets set aside for funding purposes were \$26,117,617 at June 30, 2005.

**9. 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 Ending June 30,</u>	
2006	\$ 584,701
2007	578,136
2008	518,136
2009	518,136
2010	578,136
2011-2015	624,420
	<u>\$ 3,401,665</u>

Total rental expense in fiscal year 2004-05 under operating leases was \$1,324,806.

**10. JOINT POWERS AUTHORITIES**

The District participates in Bay Area Community College District Joint Power Authority ("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 purchases by BACCDJPA. The following is condensed financial information for BACCDJPA, as of June 30, 2005:

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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Total assets	\$ 7,305,665
Total liabilities	1,435,316
Total net assets	<u>5,870,349</u>
 Total revenues	 4,232,949
Total expenses	2,612,811
Increase in net assets	<u>\$ 1,620,138</u>

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. The following is condensed financial information for CCCSIG, as of June 30, 2005:

Total assets	\$ 60,013,517
Total liabilities	70,038,347
Total net assets (deficit)	<u>\$ (10,024,830)</u>
 Total revenues	 \$ 27,840,213
Total expenses	38,511,746
Increase in net deficit	<u>\$ (10,671,533)</u>

In order to fully fund the CCCSIG, the District may be assessed for its pro rata share of the deficit through future anticipated rate increases.

The relationship between the District and BACCDJPA, and CCCSIG is such that these Joint Power Authorities (JPAs) are not considered to be component units of the District for financial reporting purposes. Complete separate financial statements for the JPAs may be obtained from the individual Authorities.

### 11. 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 expenditures disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

#### Litigation

The District is involved with various claims and litigation arising in the ordinary course of its operations. District management believes that reserves and adequate to cover any liability that may arise from such claims and litigation.

#### Construction Commitments

The District has construction contracts and property acquisition commitments relating to the general obligation bonds authorized by voters in March 2002. The information regarding the amount of said construction commitments at June 30, 2005, is not available.



CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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**12. 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 year 2004-05 was 9.952%. 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, 2005, 2004, and 2003 were \$3,098,812, \$3,318,929, and \$1,005,586, respectively, and equaled 100% of the required contributions for each year.

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.

# CONTRA COSTA COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

### 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 2004-05 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, 2005, 2004, and 2003 were \$5,503,286, \$4,924,335, and \$4,482,319, respectively, and equaled 100% of the required contributions for each year.

### Cash Balance

The Cash Balance Plan (the "CB Plan") is an alternative to the 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 2004-05 was 4% of annual payroll. Contributions for the 2004-05 year were \$210,848.

### **13. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was an indirect recipient of on-behalf payments made by the State of California to STRS. These payments consisted of state general fund contributions to STRS in the amount of \$2,980,177 (4.517% of salaries subject to STRS).

### **14. TAX REVENUE ANTICIPATION NOTES (TRANS)**

Tax revenue anticipating notes are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditures disbursements. A summary of the District's TRANS activity for the year ended June 30, 2005 is as follows:

	Outstanding 2004	Additions	Deletions	Outstanding 2005
Series 2003A 2.25% Tax and Revenue Anticipation Bond, due 7/31/06	\$ _____	\$ 15,830,000	\$ _____	\$ 15,830,000

Subsequent to June 30, 2005, the District entered into a new TRANS agreement for \$13,000,000, which matures on June 30, 2006, and carries an interest rate of 4.0%.

## **SUPPLEMENTARY INFORMATION SECTION**



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

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

**Board of Trustees  
Contra Costa Community College District  
Martinez, California**

We have audited the financial statements of the Contra Costa Community College District (the District), its discretely presented component units, fiduciary net assets and changes in net assets as of and for the year ended June 30, 2005, and have issued our opinion there on dated February 15, 2006. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Contracted District Audit Manual*, 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 included 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is not a required part of the financial statements and is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Schedule of State Financial Assistance and other supplemental financial and statistical information is not a required part of the financial statements and is presented for purposes of additional analysis as required by the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The additional Combining Balance Sheets by Fund and Combining Statements of Changes in Fund Balance by Fund have been presented for purpose of additional analysis and are not a required part of the basic financial statements. Accordingly they have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and we express no opinion on them.

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

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**February 15, 2006**

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**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**BALANCE SHEET - ALL FUNDS**  
**JUNE 30, 2005**

	Current Funds		Plant Funds	Total District (Memorandum Only)	Auxiliary Organizations	Total Reporting Entity (Memorandum Only)
	Unrestricted	Restricted				
ASSETS						
Cash and Cash Equivalents	\$ 34,169,529	\$ 3,891,700	\$ 29,724,663	\$ 67,785,892	\$ 176,664	\$ 67,962,556
Investments	25,423,993	480,000	27,640,728	53,544,721		53,544,721
Accounts Receivable	5,921,692	4,519,895	7,868,717	18,310,304	789,672	19,099,976
Taxes Receivable	1,475,246		88,593	1,563,839		1,563,839
Interest Receivable	659,972	7,436	496,091	1,163,499		1,163,499
Notes Receivable	49,429			49,429		49,429
Due from (to) Other Funds	(472,625)	(6,580)	750,515	271,310	(281,079)	(9,769)
Inventories					1,827,307	1,827,307
Prepaid Items	2,433,054	3,300		2,436,354	1,000	2,437,354
Other Assets	1,215		70,040	71,255		71,255
Capital Assets, Net			127,396,366	127,396,366	949,357	128,345,723
TOTAL ASSETS	\$ 69,661,505	\$ 8,895,751	\$ 194,035,713	\$ 272,592,969	\$ 3,462,921	\$ 276,055,890
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deposits Payable		\$ 658,860		\$ 658,860	\$ 3,700,723	\$ 4,359,583
Accounts Payable	\$ 3,851,889	3,506,104	\$ 3,716,952	11,074,945	147,980	11,222,925
Accrued Liabilities	2,685,995	53,755		2,739,750	112,500	2,852,250
Deferred Tuition and Fees Revenue	7,621,324	(90)		7,621,234		7,621,234
Deferred Grants and Contracts		3,644,994		3,644,994		3,644,994
Other Deferred Revenue	112,965		103,334	216,299		216,299
Amounts Held in Trust for Others		744,026		744,026		744,026
Claims Payable					157,350	157,350
Interest Payable	554,050		1,879,856	2,433,906		2,433,906
Capital Leases Payable			1,216,132	1,216,132	186,659	1,402,791
Notes Payable	15,830,000			15,830,000		15,830,000
Certificates of Participation			1,265,000	1,265,000		1,265,000
Bonds Payable			91,600,000	91,600,000		91,600,000
Total Liabilities	30,656,223	8,607,649	99,781,274	139,045,146	4,305,212	143,350,358
Fund Balances (Deficit)						
Net Investment in Plant			94,051,838	94,051,838		94,051,838
Restricted		288,102	202,601	490,703	1,000	491,703
Unrestricted	39,005,282			39,005,282	(843,291)	38,161,991
Total Fund Balances	39,005,282	288,102	94,254,439	133,547,823	(842,291)	132,705,532
TOTAL LIABILITIES AND FUND EQUITY	\$ 69,661,505	\$ 8,895,751	\$ 194,035,713	\$ 272,592,969	\$ 3,462,921	\$ 276,055,890

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGES IN FUND BALANCES - ALL FUNDS**  
**JUNE 30, 2005**

	<b>Current Funds</b>		<b>Plant Funds</b>	<b>Total District (Memorandum Only)</b>	<b>Auxiliary Organizations</b>	<b>Total Reporting Entity (Memorandum Only)</b>
	<b>Unrestricted</b>	<b>Restricted</b>				
<b>REVENUES AND OTHER ADDITIONS</b>						
Local Property Taxes	\$ 63,751,828		\$ 6,048,318	\$ 69,800,146		\$ 69,800,146
State Taxes and Other Revenue	4,394,412	\$ 2,893,869		7,288,281		7,288,281
State Apportionments	52,837,728	145,723	15,848,915	68,832,366		68,832,366
Federal Grants and Contracts	36,925	14,472,216		14,509,141	\$ 159,844	14,668,985
State Grants and Contracts	48,713	12,791,800		12,963,925		12,963,925
Local Grants and Contracts	4,457,692	684,539	123,412	5,265,643	424,766	5,690,409
Tuition and Fees	15,965,347	1,344,808		17,310,155	494,531	17,804,686
Auxiliary Enterprises	146,834			146,834	14,354,568	14,501,402
Investment Income	1,650,452	7,479	1,272,831	2,930,762		2,930,762
Private Gifts, Grants, and Contracts	1,500	31,960	6,847	40,307		40,307
Issuance of Debt			45,717,555	45,717,555		45,717,555
Retirement of Debt			2,363,126	2,363,126		
Expended for Capital Assets			24,343,816	24,343,816		
<b>Total Revenues</b>	<b>143,291,431</b>	<b>32,372,394</b>	<b>95,724,820</b>	<b>271,388,645</b>	<b>15,433,709</b>	<b>286,822,354</b>
<b>EXPENDITURES</b>						
Academic Salaries	63,594,777	2,382,133		65,976,910		65,976,910
Classified Salaries	26,888,947	5,525,402		32,414,349	3,575,672	35,990,021
Employee Benefits	29,991,279	1,786,389		31,777,668	1,103,535	32,881,203
Books and Supplies	2,895,250	1,598,280		4,493,530	118,323	4,611,853
Contract Services and Operating Expenditures	9,003,188	5,928,398		14,931,586	10,858,899	25,790,485
Financial Aid		13,244,485		13,244,485		13,244,485
Retirement of Indebtedness	554,050		5,218,909	5,772,959		5,772,959
Expended for Plant Facilities	2,196,325	1,744,307	28,613,694	32,554,326	271,565	32,825,891
Utilities	4,146,393	20,738		4,167,131	32,850	4,199,981
Depreciation			3,908,435	3,908,435	437,723	4,346,158
Increase in debt			45,078,653	45,078,653		
Other	100,406	22,000		122,406	7,686	130,092
<b>Total Expenditures</b>	<b>139,370,615</b>	<b>32,252,132</b>	<b>82,819,691</b>	<b>254,442,438</b>	<b>16,406,253</b>	<b>270,848,691</b>
<b>MANDATORY TRANSFERS</b>	<b>(474,948)</b>	<b>474,948</b>				
<b>NON-MANDATORY TRANSFERS</b>	<b>479,138</b>	<b>(624,026)</b>	<b>54,957</b>	<b>(89,931)</b>	<b>89,931</b>	
<b>Total Transfers</b>	<b>4,190</b>	<b>(149,078)</b>	<b>54,957</b>	<b>(89,931)</b>	<b>89,931</b>	
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<b>3,925,006</b>	<b>(28,816)</b>	<b>12,960,086</b>	<b>16,856,276</b>	<b>(882,613)</b>	<b>15,973,663</b>
<b>FUND BALANCES (DEFICIT)</b>						
Beginning of Year	35,080,276	316,918	81,294,352	116,691,546	40,322	116,731,868
End of Year	\$ 39,005,282	\$ 288,102	\$ 94,254,439	\$ 133,547,823	\$ (842,291)	\$ 132,705,532

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING BALANCE SHEET  
CURRENT FUNDS - UNRESTRICTED  
JUNE 30, 2005**

	<b>General Fund Unrestricted</b>	<b>General Fund Unrestricted- TRANS</b>	<b>Debt Service for Accrued Compensated Absences</b>	<b>Post- Retirement Health Benefits</b>	<b>Total Current Unrestricted Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$15,366,560	\$ 16,092,909	\$ 2,233,126	\$ 476,934	\$34,169,529
Investments				25,423,993	25,423,993
Accounts Receivable	5,921,692				5,921,692
Taxes Receivable	1,475,246				1,475,246
Interest Receivable	82,578	394,153		183,241	659,972
Notes Receivable	49,429				49,429
Due From (To) Other Funds	(289,273)	(2,140)	(220,038)	38,826	(472,625)
Prepaid Items	2,433,054				2,433,054
Other Assets	1,215				1,215
<b>TOTAL ASSETS</b>	<b>\$25,040,501</b>	<b>\$ 16,484,922</b>	<b>\$ 2,013,088</b>	<b>\$ 26,122,994</b>	<b>\$69,661,505</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 3,846,472	\$ 40		\$ 5,377	\$ 3,851,889
Accrued Liabilities	2,685,995				2,685,995
Deferred Tuition and Fees Revenue	7,621,324				7,621,324
Other Deferred Revenue	112,965				112,965
Interest Payable		554,050			554,050
Notes Payable		15,830,000			15,830,000
<b>Total Liabilities</b>	<b>14,266,756</b>	<b>16,384,090</b>		<b>5,377</b>	<b>30,656,223</b>
<b>FUND BALANCES</b>					
Fund Balances (Deficit)					
Restricted					
Unrestricted	10,773,745	100,832	\$ 2,013,088	26,117,617	39,005,282
<b>Total Fund Balances</b>	<b>10,773,745</b>	<b>100,832</b>	<b>2,013,088</b>	<b>26,117,617</b>	<b>39,005,282</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$25,040,501</b>	<b>\$ 16,484,922</b>	<b>\$ 2,013,088</b>	<b>\$ 26,122,994</b>	<b>\$69,661,505</b>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN FUND BALANCES**  
**CURRENT FUNDS - UNRESTRICTED**  
**JUNE 30, 2005**

	General Fund Unrestricted	General Fund Unrestricted- TRANS	Debt Service for Accrued Compensated Absences	Post- Retirement Health Benefits	Total Current Unrestricted Funds
<b>REVENUES</b>					
Local Property Taxes	\$ 63,751,828				\$ 63,751,828
State Taxes and Other Revenue	4,394,412				4,394,412
State Apportionments	52,837,728				52,837,728
Federal Grants and Contracts	36,925				36,925
State Grants and Contracts	48,713				48,713
Local Grants and Contracts	3,457,692			\$ 1,000,000	4,457,692
Tuitions and Fees	15,965,347				15,965,347
Auxiliary Enterprises	146,834				146,834
Investment Income	215,643	\$ 698,852		735,957	1,650,452
Private Gifts, Grants, and Contracts	1,500				1,500
Total Revenues	140,856,622	698,852		1,735,957	143,291,431
<b>EXPENDITURES</b>					
Academic Salaries	63,594,777				63,594,777
Classified Salaries	26,877,989		\$ 10,958		26,888,947
Employee Benefits	29,991,279				29,991,279
Books and Supplies	2,895,250				2,895,250
Contract Services and Operating Expenditures	8,927,242	43,970		31,976	9,003,188
Retirement of Indebtedness		554,050			554,050
Expended for Plant Facilities	2,196,325				2,196,325
Utilities	4,146,393				4,146,393
Other	100,406				100,406
Total Expenditures	138,729,661	598,020	10,958	31,976	139,370,615
<b>MANDATORY TRANSFERS</b>	(474,948)				(474,948)
<b>NON-MANDATORY TRANSFERS</b>	479,138				479,138
Total Transfers	4,190				4,190
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	2,131,151	100,832	(10,958)	1,703,981	3,925,006
<b>FUND BALANCES</b>					
Beginning of Year	8,642,594		2,024,046	24,413,636	35,080,276
End of Year	\$ 10,773,745	\$ 100,832	\$ 2,013,088	\$ 26,117,617	\$ 39,005,282



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING BALANCE SHEET  
CURRENT FUNDS - RESTRICTED  
JUNE 30, 2005**

	<b>General Fund Restricted</b>	<b>Student Financial Aid</b>	<b>Student Scholarship and Loan</b>	<b>Associated Students</b>	<b>Student Body Center Building and Operating</b>	<b>Total Current Restricted Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 3,296,331		\$ 30,469	\$ 276,162	\$ 288,738	\$ 3,891,700
Investments			480,000			480,000
Accounts Receivable	4,167,147	\$ 352,748				4,519,895
Interest Receivable			7,436			7,436
Due From (To) Other Funds	(342,013)	160,274	(3,967)	(2,442)	181,568	(6,580)
Prepaid Items	3,300					3,300
<b>TOTAL ASSETS</b>	<b>\$ 7,124,765</b>	<b>\$ 513,022</b>	<b>\$ 513,938</b>	<b>\$ 273,720</b>	<b>\$ 470,306</b>	<b>\$ 8,895,751</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Cash Overdraft		\$ 658,860				\$ 658,860
Accounts Payable	\$ 3,393,648	112,003	\$ 453			3,506,104
Accrued Liabilities	53,755					53,755
Deferred Tuition and Fees Revenue	(90)					(90)
Deferred Grants and Contracts	3,644,994					3,644,994
Amounts Held in Trust for Others				\$ 273,720	\$ 470,306	744,026
<b>Total Liabilities</b>	<b>7,092,307</b>	<b>770,863</b>	<b>453</b>	<b>273,720</b>	<b>470,306</b>	<b>8,607,649</b>
Fund Balances (Deficit)						
Restricted	32,458	(257,841)	513,485			288,102
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,124,765</b>	<b>\$ 513,022</b>	<b>\$ 513,938</b>	<b>\$ 273,720</b>	<b>\$ 470,306</b>	<b>\$ 8,895,751</b>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING STATEMENT OF CHANGES IN FUND BALANCES  
CURRENT FUNDS - RESTRICTED  
JUNE 30, 2005**

	<b>General Fund Restricted</b>	<b>Student Financial Aid</b>	<b>Student Scholarship and Loan</b>	<b>Total Restricted Funds</b>
<b>REVENUES</b>				
State Taxes and Other Revenue	\$ 2,893,869			\$2,893,869
State Apportionments	145,723			145,723
Federal Grants and Contracts	3,623,860	\$ 10,848,356		14,472,216
State Grants and Contracts	11,699,663	1,092,137		12,791,800
Local Grants and Contracts	684,470		\$ 69	684,539
Tuitions and Fees	1,344,808			1,344,808
Investment Income (Loss)			7,479	7,479
Private Gifts, Grants, and Contracts	31,960			31,960
Total Revenues	20,424,353	11,940,493	7,548	32,372,394
<b>EXPENDITURES</b>				
Academic Salaries	2,382,133			2,382,133
Classified Salaries	5,525,402			5,525,402
Employee Benefits	1,786,389			1,786,389
Books and Supplies	1,598,280			1,598,280
Contract Services and Operating Expenditures	5,923,468	4,775	155	5,928,398
Financial Aid	1,227,402	12,017,083		13,244,485
Expended for Plant Facilities	1,744,307			1,744,307
Utilities	20,738			20,738
Other			22,000	22,000
Total Expenditures	20,208,119	12,021,858	22,155	32,252,132
<b>MANDATORY TRANSFERS</b>	474,948			474,948
<b>NON-MANDATORY TRANSFERS</b>	(683,940)	59,914		(624,026)
Total Transfers	(208,992)	59,914		(149,078)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	7,242	(21,451)	(14,607)	(28,816)
<b>FUND BALANCES (DEFICIT)</b>				
Beginning of Year	25,216	(236,390)	528,092	316,918
End of Year	\$ 32,458	\$ (257,841)	\$ 513,485	\$ 288,102

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING BALANCE SHEET  
PLANT FUNDS  
JUNE 30, 2005**

	<b>Unexpended Plant</b>	<b>Retirement of Indebtedness</b>	<b>Investment of Plant</b>	<b>Total Plant Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 25,433,578	\$ 4,291,085		\$ 29,724,663
Investments	27,640,728			27,640,728
Accounts Receivable	7,868,717			7,868,717
Taxes Receivable		88,593		88,593
Interest Receivable	483,758	12,333		496,091
Due From (To) Other Funds	750,515			750,515
Other Assets		70,040		70,040
Capital Assets, Net			\$ 127,396,366	127,396,366
<b>TOTAL ASSETS</b>	<b>\$ 62,177,296</b>	<b>\$ 4,462,051</b>	<b>\$ 127,396,366</b>	<b>\$194,035,713</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 3,716,952			\$ 3,716,952
Deferred Revenue	103,334			103,334
Interest Payable		\$ 1,879,856		1,879,856
Capital Lease Obligations			\$ 1,216,132	1,216,132
Certificates of Participation			1,265,000	1,265,000
Bonds Payable			91,600,000	91,600,000
Total Liabilities	3,820,286	1,879,856	94,081,132	99,781,274
<b>Fund Balances:</b>				
Net Investment in Plant	58,357,010	2,379,594	33,315,234	94,051,838
Restricted		202,601		202,601
Total Fund Balances (Deficit)	58,357,010	2,582,195	33,315,234	94,254,439
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 62,177,296</b>	<b>\$ 4,462,051</b>	<b>\$ 127,396,366</b>	<b>\$194,035,713</b>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN FUND BALANCES**  
**PLANT FUNDS**  
**JUNE 30, 2005**

	<b>Unexpended Plant</b>	<b>Retirement of Indebtedness</b>	<b>Investment In Plant</b>	<b>Total Plant Funds</b>
<b>REVENUES AND OTHER ADDITIONS</b>				
Local Property Taxes	\$ 776,579	\$ 5,271,739		\$ 6,048,318
State Apportionments	15,848,915			15,848,915
Local Grants and Contracts		123,412		123,412
Investment Income	1,226,902	45,929		1,272,831
Issuance of Debt	45,000,000	717,555		45,717,555
Private Gifts, Grants, and Contracts	6,847			6,847
Retirement of Debt			\$ 2,363,126	2,363,126
Expended for Capital Assets			24,343,816	24,343,816
Total Revenues	<u>62,859,243</u>	<u>6,158,635</u>	<u>26,706,942</u>	<u>95,724,820</u>
<b>EXPENDITURES</b>				
Retirement of Indebtedness		5,218,909		5,218,909
Expended for Plant Facilities	28,719,303		(105,609)	28,613,694
Depreciation Expense			3,908,435	3,908,435
Increase in Debt			45,078,653	45,078,653
Total Expenditures	<u>28,719,303</u>	<u>5,218,909</u>	<u>48,881,479</u>	<u>82,819,691</u>
<b>NON-MANDATORY TRANSFERS</b>		<u>(5,533)</u>	<u>60,490</u>	<u>54,957</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>34,139,940</u>	<u>934,193</u>	<u>(22,114,047)</u>	<u>12,960,086</u>
<b>FUND BALANCES</b>				
Beginning of Year	24,217,070	1,648,002	55,429,281	81,294,352
End of Year	<u>\$ 58,357,010</u>	<u>\$ 2,582,195</u>	<u>\$33,315,234</u>	<u>\$94,254,439</u>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**COMBINING BALANCE SHEET  
AUXILIARY ORGANIZATIONS  
JUNE 30, 2005**

	<b>Bookstore</b>	<b>Cafeteria</b>	<b>Regional Training Institute</b>	<b>Information Technology</b>	<b>Self- Insurance</b>	<b>Total Auxiliary Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents		\$ 19,314			\$ 157,350	\$ 176,664
Accounts Receivable	\$ 666,385	2,622	\$ 98,994	\$ 21,671		789,672
Due From (To) Other Funds	(288,130)	1,867	3,179	2,005		(281,079)
Inventory	1,815,548	11,759				1,827,307
Capital Assets, Net	170,905	2,347	120,173	655,932		949,357
Prepaid items			1,000			1,000
<b>TOTAL ASSETS</b>	<b>\$ 2,364,708</b>	<b>\$ 37,909</b>	<b>\$ 223,346</b>	<b>\$ 679,608</b>	<b>\$ 157,350</b>	<b>\$ 3,462,921</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Deposits Payable	\$ 1,489,583		\$ 846,997	\$ 1,364,143		\$ 3,700,723
Accounts Payable		\$ 21,102	121,147	5,731		147,980
Accrued Liabilities	86,978	23,516		2,006		112,500
Capital Lease Obligations	126,169		8,659	51,831		186,659
Claims Payable					\$ 157,350	157,350
<b>Total Liabilities</b>	<b>1,702,730</b>	<b>44,618</b>	<b>976,803</b>	<b>1,423,711</b>	<b>157,350</b>	<b>4,305,212</b>
Fund Balances (Deficit):						
Unrestricted			1,000			1,000
Restricted	661,978	(6,709)	(754,457)	(744,103)		(843,291)
<b>Total Fund Balances</b>	<b>661,978</b>	<b>(6,709)</b>	<b>(753,457)</b>	<b>(744,103)</b>		<b>(842,291)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,364,708</b>	<b>\$ 37,909</b>	<b>\$ 223,346</b>	<b>\$ 679,608</b>	<b>\$ 157,350</b>	<b>\$ 3,462,921</b>

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN FUND BALANCES**  
**AUXILIARY ORGANIZATIONS**  
**JUNE 30, 2005**

	<b>Bookstore</b>	<b>Cafeteria</b>	<b>Regional Training Institute</b>	<b>Information Technology</b>	<b>Total Auxiliary Funds</b>
<b>REVENUES</b>					
Local Grants and Contracts		\$ 102,328	\$ 322,438		\$ 424,766
Federal Grants and Contracts, Operating			159,844		159,844
Tuition and Fees	\$ 494,531				494,531
Auxiliary Enterprises Sales and Charges	10,822,318	1,072,743		\$ 2,459,507	14,354,568
Total Revenues	11,316,849	1,175,071	482,282	2,459,507	15,433,709
<b>EXPENDITURES</b>					
Classified Salaries	1,589,298	340,572	265,001	1,380,801	3,575,672
Employee Benefits	479,447	89,382	84,907	449,799	1,103,535
Books and Supplies	52,132	27,720	14,564	23,907	118,323
Contract Services and Operating Expenditures	9,609,672	662,841	466,225	120,161	10,858,899
Expended for Plant Facilities	10,758	26,075	157,606	77,126	271,565
Utilities	6,097		16,070	10,683	32,850
Depreciation	49,178	1,960	39,531	347,054	437,723
Other	7,686				7,686
Total Expenditures	11,804,268	1,148,550	1,043,904	2,409,531	16,406,253
<b>NON-MANDATORY TRANSFERS</b>	(257,579)		399,341	(51,831)	89,931
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	(744,998)	26,521	(162,281)	(1,855)	(882,613)
<b>FUND BALANCES (DEFICIT)</b>					
Beginning of Year	1,406,976	(33,230)	(591,176)	(742,248)	40,322
End of Year	\$ 661,978	\$ (6,709)	\$ (753,457)	\$ (744,103)	\$ (842,291)

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CDFA Number	Pass-Through Identification Number	Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Programs Cluster:			
Pell Grant Program	84.063	N/A	\$ 9,935,865
Supplemental Educational Opportunity Grant Program	84.007	N/A	636,949
College Work-Study Program	84.033	N/A	478,611
Federal Family Education Loans	84.032	N/A	302,332
Scholarships for Health Professions - Students from Disadvantaged Backgrounds	93.925	N/A	20,525
Subtotal Student Financial Assistance Programs Cluster			<u>11,374,282</u>
Higher Education-Institutional Aid	84.031	N/A	784,462
TRIO - Talent Search	84.044	N/A	178,541
Fund for the Improvement of Postsecondary Education	84.116	N/A	254,566
Fund for the Improvement of Postsecondary Education	84.120	N/A	26,505
Child Care Means Parents School	84.335	N/A	28,533
Subtotal Direct Programs			<u>12,646,889</u>
Passed through California Community Colleges Chancellors' Office (CCCCO):			
Title I-C - Basic Grant	84.048	03-C01-012	620,320
Tech-Prep Education	84.243	02-139-018/019/020	1,457
Subtotal Vocational Education Programs			<u>621,777</u>
Passed through California Department of Education:			
Even Start	84.213	14331	335,539
Passed through California Department of Social Services:			
Independent Living-State Grants	84.169	2582.6 / 21-119-11 / CDSS / ILPDS04	39,740
Total U.S. Department of Education			<u>13,643,945</u>
U.S. Department of Health and Human Services:			
Passed through California Community Colleges Chancellors' Office (CCCCO):			
Foster Parent Training	93.600	N/A	255,674
Foster Care - Title IV-E	93.658	N/A	70,500
Total U.S. Department of Health and Human Services			<u>326,174</u>
National Science Foundation			
Education and Human Resources	47.070	N/A	208,537
Passed through The Research Corporation of the University of Hawaii:			
Education and Human Resources	47.076	5865/0202452	73,757
Total National Science Foundation			<u>282,294</u>
U.S. Department of Energy			
Office of Science Financial Assistance Program	81.049	N/A	47,178
Total U.S. Department of Energy			<u>47,178</u>
U.S. Department of Labor			
Employment and Training Administration	17.261	N/A	277,002
Total U.S. Department of Labor			<u>277,002</u>
Department of Housing and Urban Development			
Community Development Block Grant	14.246	N/A	88,958
Passed through City of Walnut Creek :			
Community Development Block Grant	14.219	N/A	10,379
Total Department of Housing and Urban Development			<u>99,337</u>
Total Expenditures of Federal Awards			<u>\$ 14,675,930</u>

See the accompanying notes to supplemental information.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2005**

Program Title	ENTITLEMENTS	PROGRAM REVENUES				Program Expenditures
	Current Year	Cash Received	Accounts Receivable	Deferred Revenue	Total	
AB602 Board Fin Aid Staffing	\$ 871,783	\$ 1,107,601		\$ 72,659	\$ 1,034,942	\$ 1,034,942
ADN Enrollment - CCC	58,823	49,411	\$ 471		49,882	49,882
ADN Enrollment - LMC	61,380	51,559	491		52,050	52,050
ADN Enrollment - LMC	17,340	17,340			17,340	17,340
Americorp Foster Youth	83,709	17,121			17,121	17,121
CalWORKS	628,752	658,751		10,062	648,689	648,689
CAN/Assist - CCC	5,000	5,000			5,000	5,000
CAN/Assist - DVC	5,000	5,000			5,000	5,000
CAN/Assist - LMC	5,000	5,000		402	4,598	4,598
CARE	380,223	380,220	1		380,221	380,221
Child Dev Trng Constrm LMC	18,932	10,913	7,485		18,398	18,398
CNET (Telecom Infrastructure) TTIP	534,719	175,715	31,209		206,924	206,924
DSPS	2,209,977	2,220,834		77,353	2,143,481	2,143,481
EL Civics: WIA Title I	32,500	16,250	14,225		30,475	30,475
Environmental Tec State Ldrshp	252,500	212,100		108,272	103,828	103,828
Environmental Tec State Ldrshp	56,128	56,128			56,128	56,128
EOPS	2,331,903	2,331,902		1,799	2,330,103	2,330,103
EOPS	1,630,892	7,386			7,386	7,386
Faculty and Staff Diversity	29,489	29,489		18,950	10,539	10,539
Foster Parent Training	483,135	115,952	118,210		234,162	234,162
Foster Parent Training	3,844	923			923	923
Foster Relative Training - CCC	30,000	30,000			30,000	30,000
Heritage Project - LMC	37,400	16,062	21,338		37,400	37,400
Independent Living	37,240	5,467	23,873		29,340	29,340
Instructional Equipment	3,044,738	1,424,844		507,580	917,264	917,264
International Trade	13,416	11,269	2,147		13,416	13,416
Lottery	724,144	649,947			649,947	649,947
Matriculation	1,248,863	1,248,863		117	1,248,746	1,248,746
Matriculation	70,317	70,317			70,317	70,317
PUENTE Project	1,921,000	1,200,076	720,924		1,921,000	1,921,000
Staff Development	116,824		15,474		15,474	15,474
State Pre-School Grant (1)	1,217,860	803,151	400,232		1,203,383	1,203,383
Teacher & Reading Development Partnership	7,108		7,108		7,108	7,108
Techn'al Suppt to Wkforce Devl	760,000	638,400		293,055	345,345	345,345
Techn'al Suppt to Wkforce Devl	157,255	157,255			157,255	157,255
Transfer & Articulation	2,081		2,081		2,081	2,081
Web-Based Data Collection	247,000	200,000			200,000	200,000
Workability III	74,009	43,788	7,685		51,473	51,473
Total state programs	\$ 19,410,283	\$ 13,974,034	\$ 1,372,953	\$ 1,090,249	\$ 14,256,739	\$ 14,256,739



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF STATE GENERAL APPORTIONMENT**  
**AND APPRENTICESHIP HOURS OF INSTRUCTION**

**YEAR ENDED JUNE 30, 2005**

**STATE GENERAL APPORTIONMENT**

Categories	<u>Full-Time Equivalent Students</u>
Summer Intersession:	
Noncredit	33.76
Credit	378.19
Census Procedure Courses:	
Weekly Census Contact Hours	21,880.41
Daily Census Contact Hours	1,718.30
Actual Hours of Attendance Courses:	
Noncredit	327.02
Credit	<u>1,487.49</u>
Independent Study/Work Experience:	
Weekly Census Procedure Courses	126.94
Daily Census Procedure Courses	<u>.13</u>
Total Full-Time Equivalent Students	<u>25,952.24</u>
Gross Square Footage:	
Existing Facilities	
New Facilities	
FTES in Leased Facilities	1,084.41

**APPRENTICESHIP HOURS OF INSTRUCTION**

Reporting Period	<u>Hours of Instruction</u>
July 1, 2004 – December 31, 2004	42,769
January 1, 2005 – April 15, 2005	-
April 16, 2005 – June 30, 2005	<u>33,163</u>
Annual Total	<u>75,932</u>

Note: There were no adjustments between the reported FTES on Form CCFS-320 and the audited FTES.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

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

**YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>
June 30, 2005 Annual financial and Budget Report fund balances per CCFS-311	<u>\$ 10,834,823</u>	<u>\$ 58,359,342</u>	<u>\$ 3,502,355</u>
Adjustment and reclassifications increasing (decreasing) fund balance:			
Record deferred parking revenue	(70,725)		
Record deferred EOPS revenue	(21,822)		
Prior year audit adjustments	87,182		991,156
Adjust interest receivable and payables		116,298	
Adjust accounts receivable		(118,630)	
Other post-closing adjustment and rounding	<u>(23,255)</u>		<u>(1)</u>
Fund balance per audit (not individually presented), June 30, 2005	<u><u>\$ 10,806,203</u></u>	<u><u>\$ 58,357,010</u></u>	<u><u>\$ 4,493,510</u></u>
	<u>Auxiliary Enterprise Funds</u>	<u>Fiduciary Funds</u>	
June 30, 2005 Annual financial and Budget Report fund balances per CCFS-311	<u>\$ 211,773</u>	<u>\$ 1,041,481</u>	
Adjustment and reclassifications increasing (decreasing) fund balance:			
Prior year audit adjustments	117,205	(998)	
Adjust accounts receivable	(1,005,259)		
Adjust deferred grants and contracts	30,000		
Reclassify capital lease obligations	(60,490)		
Enterprise fund inventory adjustment	(135,404)		
Other post-closing adjustment and rounding	<u>(116)</u>	<u>3,750</u>	
Fund balance per audit (not individually presented), June 30, 2005	<u><u>\$ (842,291)</u></u>	<u><u>\$ 1,044,233</u></u>	

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

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2005**

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**1. PURPOSE OF SCHEDULES**

The audit of the District for the year ended June 30, 2005 was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133, the Schedule of Expenditures of Federal Awards is presented.

The California Community Colleges Chancellor's Office requires disclosure of the financial activities of all state funded programs. To comply with this requirement, the Schedule of State Financial Assistance is presented.

The Schedules of State General Apportionment and Apprenticeship Hours of Instruction present the basis of apportionment for the District's annual source of funding.

The Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements.

**OTHER INDEPENDENT AUDITOR'S REPORTS**



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

**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, 2005, and have issued our report thereon dated February 15, 2006. 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 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. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or 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 05-1 through 05-4.

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**Board of Trustees  
Contra Costa Community College District  
Page 2**

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

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**February 15, 2006**



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

**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, 2005. The District's major federal programs are identified in the Summary of Auditor's Results included in the accompanying Findings and Recommendations Section. 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 audits 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.

In our opinion, 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, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and is described in the accompanying findings and recommendations section as item 05-4.

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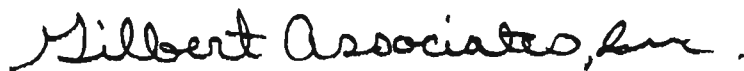
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**Internal Control Over Compliance**

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, Finance Committee, management, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**GILBERT ASSOCIATES, INC.**

**February 15, 2006**





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

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

**Board of Trustees  
Contra Costa Community College District  
Martinez, California**

We have audited the financial statements of the Contra Costa Community College District (the District) as of and for the year ended June 30, 2005, and have issued our opinion thereon dated February 15, 2006, which was unqualified. Our audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance for those programs identified in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. The objective of the compliance audit was to determine with reasonable assurance that the following requirements had been met:

**Salaries of Classroom Instructors**

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

**Apportionment for Instructional Service Agreements/Contracts**

The District shall fulfill the requirements of Title 5 of the California Code of Regulations in order to claim FTES and obtain state funding for classes given through instructional service agreements/contracts.

**Required Data Elements**

The 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:

- Credit Full-Time Equivalent Students (FTES) in weekly census, daily census, actual hour of attendance, and apprenticeship courses.
- Noncredit FTES in actual hour of attendance and distant education courses.
- Credit Student Headcount Data.
- Gross Square Footage and FTES in less than 100% leased space.

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Residency Determination for Credit Courses

The District shall ensure that state apportionment for credit courses is only claimed for student attendance allowed by statute and registration. Student residence is a major factor for allowing districts to claim state apportionment for credit courses.

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

Community college districts are authorized to claim full-time equivalent students (FTES) for concurrent enrollment of K-12 pupils meeting certain requirements.

Uses of Matriculation Funds

The District is required to use local funds to support at least 75% of the matriculation activities, with the remaining expenditures claimable against the state matriculation allocation. In addition, 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 ten allowable activities. Also, 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)

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 Programs 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 their 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

The District is required to contribute, from non-EOP&S sources, the salary of the EOP&S administrator/director at the rate of 100% 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

The District shall calculate an appropriation limit annually and adopt it in a public meeting.

Enrollment Fees

The District is required to report the total amount charged to students, including paid and receivable, for purposes of calculating the District's annual apportionment.

**Scheduled Maintenance Program**

The District is required to use funds provided by the state 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**

The District must comply with the Title 5 provisions of the California Code of Regulations related to open enrollment by the general public for all courses being submitted for state apportionment funding.

**Minimum Condition – Standards of Scholarship**

The District must adopt and comply with regulations consistent with the "Standards of Scholarship" contained in the California Code of Regulations. These regulations must be published in a statement under appropriate headings in the District's catalogs.

**Student Fees – Instructional Materials Fees and Health Fees**

The District, in accordance with Education Code Section 76365, is permitted to require students to provide various types of instructional materials. The District's governing board, when a student is required to provide instructional materials or other materials for a course, must have adopted policies or regulations that specify the conditions under which such materials will be required. In addition, Districts are permitted to sell instructional materials to students who wish to buy the required materials from the District. If the materials are offered for purchase through the District but students are not required to purchase from the District, the materials costs or fees are optional in nature. Any fees that are considered optional must be made clear to the students that they are optional and not required. Furthermore, Districts are permitted to require students to purchase instructional materials from them only under limited circumstances: the District is the only source of the materials or there is a health or safety reason for requiring students to purchase the materials from the District.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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 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, the District complied, in all material respects, with the compliance requirements for the state programs listed and tested above, except as described in the Findings and Recommendations Section of this report. Further, nothing came to our attention as a result of the aforementioned procedures to indicate that the District had not complied with the terms and conditions of state-assisted educational programs not selected for testing, except as described in the Findings and Recommendations Section of this report.

**Board of Trustees  
Contra Costa Community College District  
Page 4**

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

A handwritten signature in cursive script that reads "Gilbert Associates, Inc." followed by a period.

**GILBERT ASSOCIATES, INC.**

**February 15, 2006**

## **FINDINGS AND RECOMMENDATIONS SECTION**

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Reportable conditions identified not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Reportable conditions identified not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?   X   Yes \_\_\_\_\_ No

Identification of major programs

CFDA Numbers

84.063, 84.007, 84.033, 84.032, 93.925

84.048, 84.243

84.031

Name of Federal Program or Cluster

Student Financial Assistance Program Cluster

Vocational Cluster

Higher Education Institution Aid

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

\$ 440,278

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**SECTION III – STATE COMPLIANCE**

**05-1. CONCURRENT ENROLLMENT OF K-12 STUDENTS**

**Finding:**

The Contra Costa College was unable to locate a high school student's registration/recommendation form indicating the high school principal's and parent/guardian consent.

**Recommendation:**

We recommend that the Contra Costa College ensure that all forms that all forms are signed by the high school principal and the parent/guardian, and retained in the student file.

**District Response:**

The District concurs with the recommendation and will take the necessary steps to ensure forms are signed by the specified parties.

**05-2. REQUIRED DATA ELEMENTS**

**Finding:**

The Contra Costa College was unable to locate three census rosters with instructor's signatures.

**Recommendation:**

We recommend that the Contra Costa College compare all census rosters against the schedule of courses to ensure that all census rosters are received from instructors.

**District Response:**

The District concurs with the recommendation and will continue monitoring to ensure that all census rosters are received from instructors.

**05-3. STUDENT FEES – INSTRUCTIONAL MATERIALS FEES**

**Finding:**

The Los Medanos College did not include all instructional materials fees, subject to required disclosure, to students in the class schedule or course catalog.

**Recommendation:**

We recommend that the Los Medanos College disclose all instructional materials fees in the class schedule or course catalog, as required under Education Code Section 76365.

**District Response:**

The District concurs with the finding, and will ensure that the instructional materials fee is included in the class schedule or course catalog as required.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**SECTION IV - FEDERAL COMPLIANCE**

**05-4. STUDENT FINANCIAL ASSISTANCE PROGRAM CLUSTER**

**Federal Agency:** U.S. Department of Education

**Award Year:** 2004-2005

**Catalog Number:** 84.032

**Name of Pass-Through Entity:** N/A

**Specific Requirement That Was Not Complied With:**

OMB Circular A-133 Compliance Supplement, Requirement "N – Special Tests and Provisions, Student Status Changes (FFEL and Direct Loans)": schools must notify the National Student Loan Data Systems (NSLDS) within 60 days minimum based on reporting criteria if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half time basis. (34 CFR, Section 682.610).

**Finding:**

At Diablo Valley College (DVC), we selected four students with loans who had dropped below the required units, from a population of sixteen students, to ensure that they were properly reported within the sixty-day time limit to the National State Loan Commission (NSLC), who in turn reports to the NSLDS. All four of the student drops should have been reported by the DVC Admissions and Records Department to the NSLC. Of the four students selected for testing, one student was reported to the NSLC, but not within the sixty-day time limit. The other three students were not reported to the NSLC.

**Cause of Condition:**

The Admissions and Records Department has the responsibility to notify the NSLC. However the notification did not occur in a timely manner.

**Amount of Questioned Costs and How Computed:**

Questioned costs consists of the entire amount of FFEL Loans granted to students at Diablo Valley College who dropped below the required units for the fiscal year, totaling \$15,188.

**Recommendation:**

We recommend that the Financial Aid Department institute a process by which they monitor the Admissions and Records submission, to ensure that the reporting is done within the prescribed compliance guidelines.



**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

---

**District Response:**

This audit finding has been discussed with the DVC Financial Aid Loan Coordinator and Senior Financial Aid Specialist, both of whom will receive Clearinghouse notifications of completion of enrollment files received from Diablo Valley College's Admissions and Records Office. Additionally, the enrollment submission calendar will be provided to the Director of Financial Aid in addition to the designated staff mentioned above.

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**YEAR ENDED JUNE 30, 2005**

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Recommendation	Current Status	District Explanation If Not Implemented
<b>04-1. ACCOUNT RECONCILIATIONS</b>		
<p>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.</p>	Partially Implemented	<p>The District began reconciling their County Treasury and bank accounts in March 2005, for the 2004-05 fiscal year, and had completed all reconciliations by the start of audit fieldwork. Additionally, the District is current on all cash reconciliations, and monitors the accounts receivable and deferred revenue on a monthly basis.</p>
<b>04-2. SPECIAL TESTS AND PROVISIONS</b>		
<p>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 <a href="http://www.ifap.ed.gov/IFAPWebApp/qualityassurance/Default.htm">http://www.ifap.ed.gov/IFAPWebApp/qualityassurance/ Default.htm</a></p>	Implemented	

**CONTRA COSTA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**YEAR ENDED JUNE 30, 2005**

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<b>Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
<b>STATE COMPLIANCE</b>		
<b>04-3. REQUIRED DATA ELEMENTS</b>		
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.	Condition noted in current year, See Finding 05-2	

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**CONTRA COSTA COMMUNITY COLLEGE DISTRICT  
EXECUTIVE SUMMARY**

**Year Ended June 30, 2005**

- \* THE AUDIT**
- \* SIGNIFICANT FINANCIAL TRENDS**

**Presented By:  
Gilbert Associates, Inc.  
2880 Gateway Oaks Drive, Suite 100  
Sacramento, California 95833  
(916) 646-6464**

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## THE AUDIT

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### I. WHAT INFORMATION DOES THE AUDIT REPORT PROVIDE?

The audited financial statements and the audit report provide information on all funds and activities under the control of the governing board.

Pages 4-5

#### **The Independent Auditor's Report on Financial Statements**

The auditor's opinion tells you that we audited your financial statements in accordance with professional standards and that your financial statements and the related disclosures are fairly stated.

Pages 6-18

#### **Management's Discussion and Analysis**

This narrative, written by District management, introduces the financial statements and provides an analytical overview of the District's financial performance for the year.

#### **The Financial Statements**

The Financial statement presentation provides a comprehensive, entity-wide perspective of the District's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund perspective previously required.

Page 19

Statement of Net Assets

Page 20

Statement of Revenues, Expenses, and Changes in Net Assets

Pages 21-22

Statement of Cash Flows

Pages 23

Fiduciary Net Assets Statement

## THE AUDIT

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### **I. WHAT INFORMATION DOES THE AUDIT REPORT PROVIDE? (Continued)**

#### **Pages 24-38 The Notes to the Financial Statements**

The notes to the financial statements explain the assumptions underlying the financial statements and provide additional information that is not available in the financial statements.

#### **Supplementary Information:**

Page 39	<b>The Independent Auditor's Report on Supplementary Information</b>
Page 40-49	<b>Combining Balance Sheets by Fund, and Combining Statements of Changes in Fund Balance by Fund</b>
Page 50	<b>Schedule of Expenditures of Federal Awards</b>
Page 51	<b>Schedule of State Financial Assistance</b>
Page 52	<b>Schedule of State General Apportionment and Apprenticeship Hours of Instruction – See Graph I</b>

#### **Pages 55-62 Auditor's Letters**

The various auditor's letters discuss the scope of the procedures we performed on the internal control structure and compliance with laws and regulations.

#### **Pages 63-70 Findings and Recommendations**

This section presents the concerns (internal control, state compliance, federal compliance, management improvement) noted during the audit. The Findings and Recommendations Section includes The Summary of Auditor's results that provides additional information on the audit work performed for federal programs. In addition, for federal reporting purposes, all findings must be sequentially coded.

Each finding will also include a response from the District's management on the corrective action which they plan to undertake to correct the problem. The county superintendent and the State Department of Education have combined authority for monitoring the District's responses and ensuring that the corrective action plan is sufficient. The District had the following finding during the current year.

## THE AUDIT

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### **I. WHAT INFORMATION DOES THE AUDIT REPORT PROVIDE? (Continued)**

Pages 63-70  
(continued)

#### **Reported Findings:**

##### **State Compliance**

- Concurrent enrollment of K-12 students
  - Signed parent/guardian consent forms
- Required Data Elements
  - Missing Instructor Rosters
- Student Fees – Instructional Materials
  - Non-disclosure of required fees

##### **Federal Compliance**

- Student Financial Aid
  - Student Status Change Notification

### **II. WHAT INFORMATION IS NOT IN THE AUDIT REPORT?**

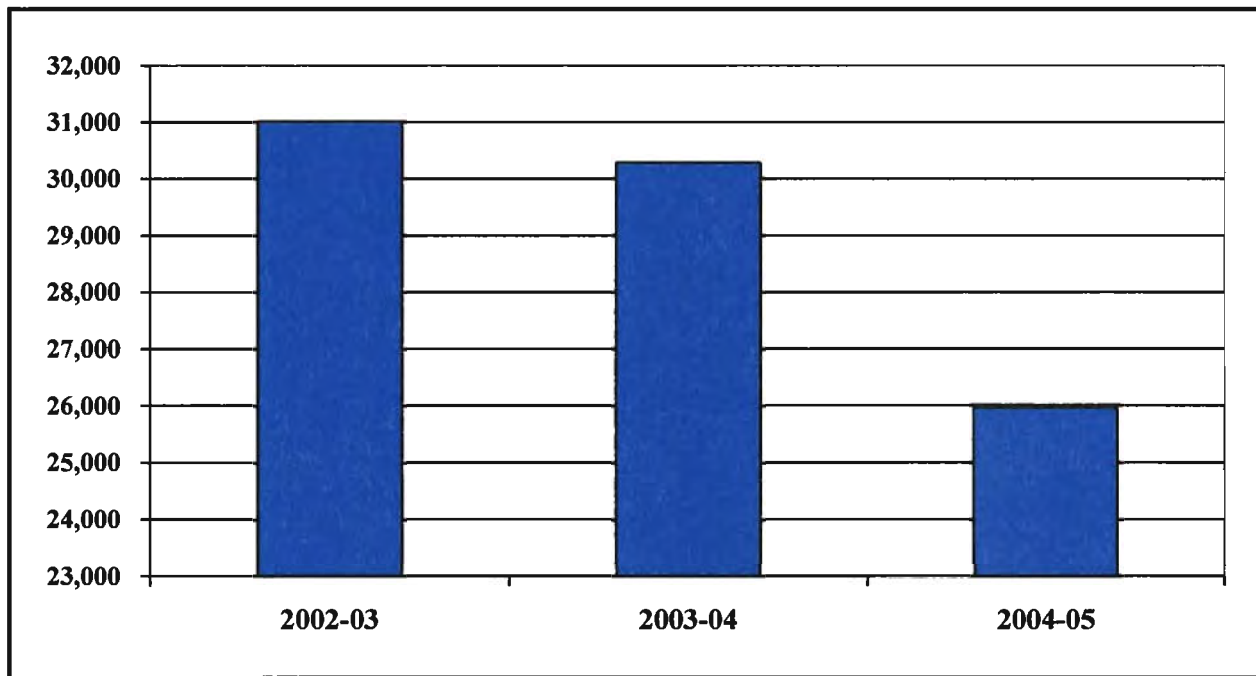
- Analysis of Student Achievement
- Discussion of Personnel Morale
- Discussion of Efficiency of Resource Utilization
- Discussion of Employee Performance/Productivity

## SIGNIFICANT FINANCIAL TRENDS

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**GRAPH I**

**Full-Time Equivalent Students**



2002-03	<u>31,000</u>
2003-04	<u>30,274</u>
2004-05	<u>25,952</u>

The primary source of revenue to community college districts is the state general apportionment. The apportionment is calculated based on the FTES of the District. Significant increases or decreases in FTES therefore have a large impact on the revenues of the District and may necessitate changes in the levels of District operations.

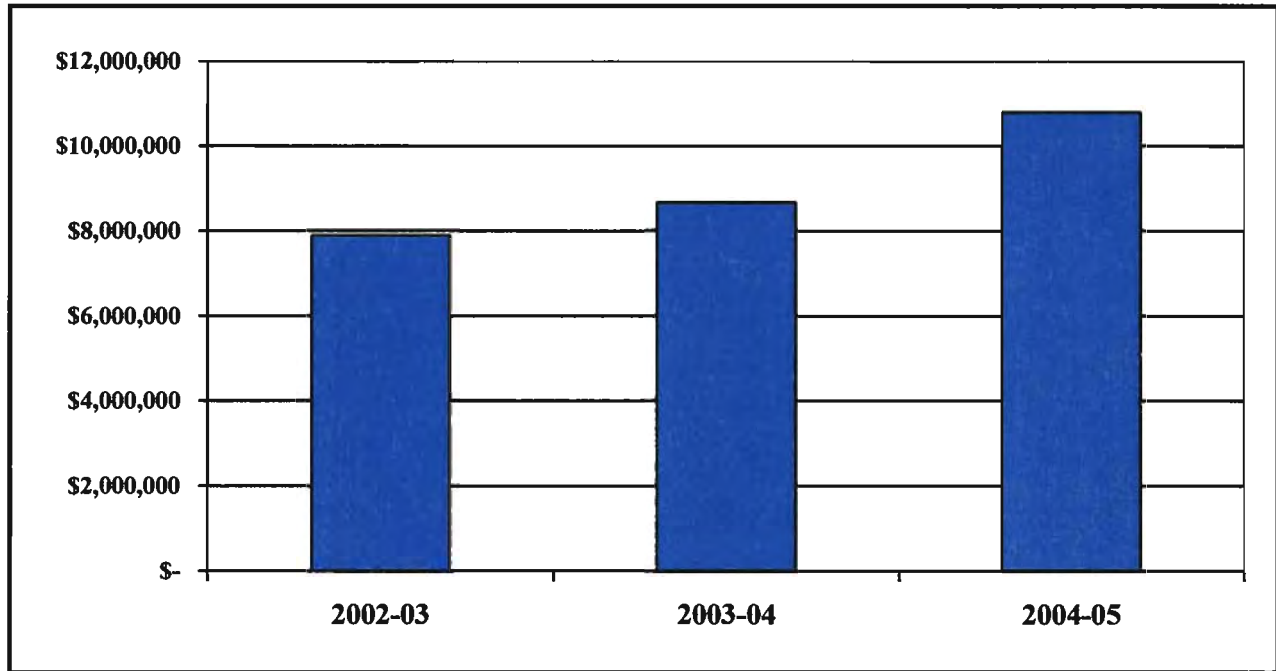


## SIGNIFICANT FINANCIAL TRENDS

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**GRAPH II**

**Available Reserves**



2002-03	\$ 7,870,730
2003-04	\$ 8,642,594
2004-05	\$ 10,773,745

The unrestricted general fund balance represents funds available to cover emergencies, unanticipated expenditures, or revenue shortfalls. Decreases in the unrestricted fund balance represent a decreased ability to respond to problems.