CONTRA COSTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 1998

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WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 1998

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CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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INTRODUCTION

The audit has the following objectives:

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

PERRY-SMITH&CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Contra Costa Community
College District
Martinez, California

We have audited the accompanying general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1998, as listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Over the years, the District has not maintained, and is not required by the California State Education Code to maintain, detailed fixed asset records supporting the General Fixed Assets Account Group shown on pages 4 and 5 in the accompanying general purpose financial statements. Accordingly, we do not express an opinion on the General Fixed Assets Account Group at June 30, 1998.

In our opinion, except for the effects of such adjustments as might have been determined to be necessary had we been able to audit fixed asset records, such general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Contra Costa Community College District at June 30, 1998, and the results of its operations and cash flows of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining general purpose financial statements listed in the financial sections of the foregoing Table of Contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements. Such combining general purpose financial statements have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except that the omissions described in the preceding paragraph result in an incomplete presentation, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

400 CAPITOL MALL, • SUITE 1200 • SACRAMENTO, CA 95814 • 916 • 441 • 1000 • 916 • 441 • 1110 FAX

INDEPENDENT AUDITOR'S REPORT
(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 1998 on our consideration of Contra Costa Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Perry-Smith + Co., LLP

Certified Public Accountants

Sacramento, California
December 3, 1998

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1998

	Governmental Fund Types			Proprietary Fund Types		Account Groups		
	General	Capital Projects	Debt Service	Internal Service and Enterprise	Fiduciary Funds	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
ASSETS								
Cash and cash equivalents:								
Cash in County Treasury	$ 14,145,032	$ 722,132	$ 1,303,361	$ 200,000	$ 82,282			$ 16,452,807
Cash on hand and in banks	2,892,536	136,210		906,780	1,866,843			5,802,369
Revolving fund	125,000			21,700				146,700
Local Agency Investment Fund	839,006	691,364	2,054,342	501,790				4,086,502
Investments				300,000				300,000
Total cash and cash equivalents	18,001,574	1,549,706	3,357,703	1,930,270	1,949,125			26,788,378
Investments			11,644,412					11,644,412
Accounts receivable	3,400,544	1,285,896	198,340	365,859	25,785			5,276,424
Due from other funds	1,425,980	1,233,670	73,414	854,692	396,161			3,983,917
Inventories	172,811			1,723,302				1,896,113
Prepaid expenditures and expenses	1,665,711			1,554				1,667,265
Property, plant and equipment, net				1,350,143		$ 164,514,453		165,864,596
Amount available for debt service							$ 15,263,474	15,263,474
Amount to be provided for debt service							20,347,183	20,347,183
Total assets	$ 24,666,620	$ 4,069,272	$ 15,273,869	$ 6,225,820	$ 2,371,071	$ 164,514,453	$ 35,610,657	$ 252,731,762

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS
(Continued)
June 30, 1998

	Governmental Fund Types			Proprietary Fund Types		Account Groups		
	General	Capital Projects	Debt Service	Internal Service and Enterprise	Fiduciary Funds	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
LIABILITIES, FUND EQUITY AND OTHER CREDITS								
Liabilities:								
Amount to be provided by future deposits		$ 2,508,104		$ 3,082,265				$ 5,590,369
Accounts payable	$ 2,180,444	812,019	$ 795	456,215	$ 16,321			3,465,794
Accrued liabilities	3,297,880			140,287				3,438,167
Deferred revenue	8,392,262			5,229	6,051			8,403,542
Due to other funds	2,290,235	58,569	9,600	737,315	888,198			3,983,917
Due to student organizations					241,793			241,793
Liability for self-insurance				142,500				142,500
Capitalized lease obligations, current portion	126,505			95,468				221,973
Compensated absences	3,882,325						$ 451,739	4,334,064
Revenue bonds							89,000	89,000
Capitalized lease obligations				110,871			628,918	739,789
Certificates of Participation							1,545,000	1,545,000
Post-retirement health benefits obligation							32,896,000	32,896,000
Total liabilities	20,169,651	3,378,692	10,395	4,770,150	1,152,363		35,610,657	65,091,908
Fund equity and other credits:								
Investment in general fixed assets						$ 164,514,453		164,514,453
Fund balances:								
Reserved	1,963,522	690,580	141,081		1,218,708			4,013,891
Unreserved:								
Designated	373,871		15,122,393					15,496,264
Undesignated	2,159,576							2,159,576
Retained earnings				1,455,670				1,455,670
Total fund equity and other credits	4,496,969	690,580	15,263,474	1,455,670	1,218,708	164,514,453		187,639,854
Total liabilities, fund equity and other credits	$ 24,666,620	$ 4,069,272	$ 15,273,869	$ 6,225,820	$ 2,371,071	$ 164,514,453	$ 35,610,657	$ 252,731,762

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL AND EXPENDABLE TRUST FUNDS

For the Year Ended June 30, 1998

	Governmental Fund Types				
	General	Capital Projects	Debt Service	Expendable Trust Funds	Total (Memorandum Only)
Revenues:					
Federal sources	$ 2,502,918			$ 5,366,096	$ 7,869,014
State sources	53,659,251	$ 2,190,867		581,094	56,431,212
Local sources	59,174,925	237,253	$ 1,726,507	486,092	61,624,777
Total revenues	115,337,094	2,428,120	1,726,507	6,433,282	125,925,003
Expenditures:					
Academic salaries	52,354,356				52,354,356
Classified salaries	24,116,941			7,274	24,124,215
Employee benefits	16,848,860			653	16,849,513
Books and supplies	3,516,419	8,970		196,780	3,722,169
Contract services and operating expenditures	14,451,050	28,561		34,312	14,513,923
Student financial assistance				6,248,557	6,248,557
Capital outlay	5,165,386	5,007,318			10,172,704
Investment expense			4,246		4,246
Debt service:					
Principal retirement	86,977	45,817	7,000		139,794
Interest	37,751	104,713	2,881		145,345
Total expenditures	116,577,740	5,195,379	14,127	6,487,576	128,274,822
(Deficiency) excess of revenues (under) over expenditures	(1,240,646)	(2,767,259)	1,712,380	(54,294)	(2,349,819)
Other financing sources (uses):					
Operating transfers in	391,074	1,948,020	9,600	386,178	2,734,872
Operating transfers out	(1,828,002)		(9,600)	(816,763)	(2,654,365)
Other	(1,016,249)	4,971			(1,011,278)
Total other financing sources (uses)	(2,453,177)	1,952,991		(430,585)	(930,771)
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(3,693,823)	(814,268)	1,712,380	(484,879)	(3,280,590)
Fund balances, July 1, 1997	8,190,792	1,504,848	13,551,094	1,703,587	24,950,321
Fund balances, June 30, 1998	$ 4,496,969	$ 690,580	$ 15,263,474	$ 1,218,708	$ 21,669,731

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)

For the Year Ended June 30, 1998

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal sources	$ 2,116,681	$ 2,502,918	$ 386,237
State sources	58,453,287	53,659,251	(4,794,036)
Local sources	58,524,276	59,174,925	650,649
Total revenues	119,094,244	115,337,094	(3,757,150)
Expenditures:			
Academic salaries	52,500,643	52,354,356	146,287
Classified salaries	24,277,571	24,116,941	160,630
Employee benefits	16,758,328	16,848,860	(90,532)
Books and supplies	3,543,598	3,516,419	27,179
Contract services and operating expenditures	13,468,698	14,451,050	(982,352)
Capital outlay	9,203,019	5,165,386	4,037,633
Investment expense			
Debt service:			
Principal retirement	100,000	86,977	13,023
Interest		37,751	(37,751)
Total expenditures	119,851,857	116,577,740	3,274,117
(Deficiency) excess of revenues (under) over expenditures	(757,613)	(1,240,646)	(483,033)
Other financing sources (uses):			
Operating transfers in	481,154	391,074	(90,080)
Operating transfers out	(1,580,161)	(1,828,002)	(247,841)
Other	(1,967,736)	(1,016,249)	951,487
Total other financing sources (uses)	(3,066,743)	(2,453,177)	613,566
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(3,824,356)	(3,693,823)	$ 130,533
Fund balances, July 1, 1997	8,190,792	8,190,792	
Fund balances, June 30, 1998	$ 4,366,436	$ 4,496,969	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)
(Continued)
For the Year Ended June 30, 1998

	Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal sources			
State sources			
Local sources	$ 1,574,400	$ 1,726,507	$ 152,107
Total revenues	1,574,400	1,726,507	152,107
Expenditures:			
Academic salaries			
Classified salaries			
Employee benefits			
Books and supplies			
Contract services and operating expenditures			
Capital outlay			
Investment expense	2,000	4,246	(2,246)
Debt service:			
Principal retirement	7,000	7,000	
Interest	3,090	2,881	209
Total expenditures	12,090	14,127	(2,037)
(Deficiency) excess of revenues (under) over expenditures	1,562,310	1,712,380	150,070
Other financing sources (uses):			
Operating transfers in	9,600	9,600	
Operating transfers out	(9,600)	(9,600)	
Other			
Total other financing sources (uses)			
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	1,562,310	1,712,380	$ 150,070
Fund balances, July 1, 1997	13,551,094	13,551,094	
Fund balances, June 30, 1998	$ 15,113,404	$ 15,263,474	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL GOVERNMENTAL FUNDS (EXCEPT CAPITAL PROJECTS FUND)
(Continued)
For the Year Ended June 30, 1998

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal sources	$ 2,116,681	$ 2,502,918	$ 386,237
State sources	58,453,287	53,659,251	(4,794,036)
Local sources	60,098,676	60,901,432	802,756
Total revenues	120,668,644	117,063,601	(3,605,043)
Expenditures:			
Academic salaries	52,500,643	52,354,356	146,287
Classified salaries	24,277,571	24,116,941	160,630
Employee benefits	16,758,328	16,848,860	(90,532)
Books and supplies	3,543,598	3,516,419	27,179
Contract services and operating expenditures	13,468,698	14,451,050	(982,352)
Capital outlay	9,203,019	5,165,386	4,037,633
Investment expense	2,000	4,246	(2,246)
Debt service:			
Principal retirement	107,000	93,977	13,023
Interest	3,090	40,632	(37,542)
Total expenditures	119,863,947	116,591,867	3,272,080
(Deficiency) excess of revenues (under) over expenditures	804,697	471,734	(332,963)
Other financing sources (uses):			
Operating transfers in	490,754	400,674	(90,080)
Operating transfers out	(1,589,761)	(1,837,602)	(247,841)
Other	(1,967,736)	(1,016,249)	951,487
Total other financing sources (uses)	(3,066,743)	(2,453,177)	613,566
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other uses	(2,262,046)	(1,981,443)	$ 280,603
Fund balances, July 1, 1997	21,741,886	21,741,886	
Fund balances, June 30, 1998	$ 19,479,840	$ 19,760,443	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

ALL PROPRIETARY FUNDS

For the Year Ended June 30, 1998

Operating revenues	$ 11,095,395
Operating expenses:	
Cost of goods sold	6,727,145
Classified salaries	2,841,079
Employee benefits	587,036
Materials and supplies	335,448
Contract services and other operating expenses	961,604
Depreciation	362,249
Total operating expenses	11,814,561
Operating loss	(719,166)
Other income (expense):	
Interest income	54,355
Interest expense	(19,629)
Other income	82,530
Total other income (expense)	117,256
Loss before operating transfers	(601,910)
Other financing sources (uses):	
Operating transfers in	283,846
Operating transfers out	(364,353)
Total other financing sources (uses)	(80,507)
Net loss	(682,417)
Retained earnings, July 1, 1997	2,138,087
Retained earnings, June 30, 1998	$ 1,455,670

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)

For the Year Ended June 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 10,936,868	$ 11,070,365	$ 133,497
Operating expenses:			
Cost of goods sold	6,429,911	6,727,145	(297,234)
Classified salaries	2,866,046	2,841.079	24,967
Employee benefits	640,103	587,036	53,067
Materials and supplies	319,457	335,448	(15,991)
Contract services and other operating expenses	1,162,670	994,074	168,596
Depreciation	3	362,249	(362,246)
Total operating expenses	11,418,190	11,847,031	(428,841)
Operating loss	(481,322)	(776,666)	(295,344)
Other income (expense):			
Interest income	50,000	54,355	4,355
Interest expense		(19,629)	(19,629)
Other income		82,530	82,530
Total other income (expense)	50,000	117,256	67,256
Loss before operating transfers	(431,322)	(659,410)	(228,088)
Other financing sources (uses):			
Operating transfers in		283,846	283,846
Operating transfers out	(179,850)	(364,353)	(184,503)
Total other financing sources (uses)	(179,850)	(80,507)	99,343
Net loss	(611,172)	(739,917)	$ (128,745)
Retained earnings, July 1, 1997	2,138,087	2,138,087	
Retained earnings, June 30, 1998	$ 1,526,915	$ 1,398,170	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS

For the Year Ended June 30, 1998

Cash flows used in operating activities:	
Operating loss	$ (719,166)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	362,249
Changes in operating assets and liabilities:	
Increase in accounts receivable	(90,420)
Increase in amounts due from other funds	(314,147)
Increase in inventory	(51,331)
Decrease in prepaid expenses	8,360
Decrease in accounts payable	(288,286)
Increase in accrued liabilities	119,573
Decrease in amounts due to other funds	(277,817)
Decrease in liability for self-insurance	(57,500)
Net cash used in operating activities	(1,308,485)
Cash flows from non-capital financing activities:	
Transfers in from other funds	283,846
Transfers out to other funds	(364,353)
Increase in amount to be provided by future deposits	1,861,139
Interest and other income	136,885
Net cash provided by non-capital financing activities	1,917,517
Cash flows from capital financing activities:	
Interest expense	(19,629)
Principal payments under capitalized lease obligations	(91,548)
Acquisitions of property and equipment	(871,671)
Net cash used in capital financing activities	(982,848)
Decrease in cash and cash equivalents	(373,816)
Cash and cash equivalents, July 1, 1997	2,304,086
Cash and cash equivalents, June 30, 1998	$ 1,930,270

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Reporting Entity

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

Accountability:

1. The majority of the Authority's and Financing Corporation's Board of Directors were appointed by the District's Board of Trustees.

2. The District is able to impose its will upon the Authority and Financing Corporation, based on the following:

   - The District exercises significant influence over operations of the Authority and Financing Corporation as the District is the lessee of facilities owned by the Authority and Financing Corporation. The District's lease payments are the major revenue source of the Authority and Financing Corporation.

3. The Authority and Financing Corporation provide specific financial benefits or imposes specific financial burdens on the District based upon the following:

   - The District has assumed a "moral obligation", and potentially a legal obligation, for debt incurred by the Authority and Financing Corporation.

   - Upon the termination of the Joint Powers Authority Agreement, the Education Center becomes the sole property of the District.

Scope of Public Services:

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

Financial Presentation:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Structure

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

A - Governmental Fund Types

1 - General Fund:

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

2 - Capital Projects Fund:

The Capital Projects Fund provides for the accumulation of funds for site improvements, equipment purchases and the construction of additional facilities. For financial reporting purposes, the Financing Corporation, DVC Debt Service Fund and Special Revenue COPs Fund have been blended with the Capital Projects Fund.

3 - Debt Service Funds:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Structure (Continued)

B - Proprietary Fund Types

1 - Enterprise Funds:

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

2 - Internal Service Fund:

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

C - Fiduciary Fund Type

1 - Expendable Trust Funds:

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

D - Account Groups

1 - General Fixed Asset Account Group:

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

2 - General Long-Term Debt Account Group:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

- Mandated Cost Claims
- Property Taxes

Cash and Cash Equivalents

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

Fair Value of Pooled Investments

Effective July 1, 1997, the District adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The District records its investments in Contra Costa County Treasury and the Local Agency Investment Fund (LAIF) at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenditures/expenses and changes in fund balances/retained earnings. The fair value of investments, including the Contra Costa County Treasury and LAIF, as external investment pools at June 30, 1998 approximated their carrying value. As a result, there was no cumulative effect of a change in accounting method for the year ended June 30, 1998.

Inventories

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

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

Compensated Absences and Sick Leave

The District recognizes the current portion of the liability for compensated absences in the General Fund. The remainder of the liability for compensated absences is reported in the General Long-Term Debt Account Group. The current portion represents the unpaid expenditures that normally would be liquidated with expendable available financial resources within the next fiscal year. At June 30, 1998, compensated absences in the amount of $3,882,325 are recorded as a liability in the General Fund and $451,739 are recorded as a liability in the General Long-Term Debt Account Group.

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

Deferred Revenue and Program Advances

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

Interfund Activity

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Budgetary Practices

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

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

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

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

Encumbrances

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Memorandum Total Columns on Combined Statements

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 1998 consisted of the following:

Pooled Funds:	
Cash in County Treasury	$ 16,452,807
Local Agency Investment Fund	4,086,502
Deposits:	
Cash on hand and in banks	5,802,369
Revolving fund	146,700
Investments	300,000
Total cash and cash equivalents	26,788,378
Amount to be provided by future deposits	(5,590,369)
Net cash and cash equivalents	$ 21,198,009
Investments:	
Corporate Note	$ 2,061,146
U.S. Treasury Bonds	8,583,266
U.S. Government Agencies	1,000,000
Total investments	$ 11,644,412

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The cash in Local Agency Investment Fund is held by a separate agency. The State of California pools these funds with those of other local agencies in the State and invests the cash as prescribed by the *California Government Code.* These pooled funds are carried at cost, which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool. California State Pool representatives have indicated that the Fund has not invested in "plain vanilla" or complex over-the-counter derivatives. The pool does invest in structured notes or asset-backed securities. These investments represent approximately 5% of the pool at June 30, 1998.

Under provision of the District's policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

At June 30, 1998, the District's investments, with a carrying value of $11,644,412, which is fair value, consist of a corporate note, U.S. Treasury Bonds and U.S. Government Agencies. All certificates of deposit are collateralized as required by California state law for any amount exceeding FDIC coverage. Collateral is held in trust by the institutions and monitored by the State Superintendent of Banking.

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

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

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

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

	Category 1	Category 2	Category 3	Bank Balance	Book Balance
Deposits:					
Cash on hand and in banks	$ 249,267	$ 5,384,841		$ 5,634,108	$ 5,802,369
Cash in revolving fund	146,700			146,700	146,700
Pooled Funds:					
Cash in County Treasury		10,862,438		10,862,438	10,862,438
Local Agency Investment Fund		4,086,502		4,086,502	4,086,502
Investments-CD	100,000	200,000		300,000	300,000
Investments-Other		11,644,412		11,644,412	11,644,412
	$ 495,967	$ 32,178,193	$ -	$ 32,674,160	$ 32,842,421

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 1998 consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Funds	Proprietary Funds	Fiduciary Funds	Total
Federal	$ 821,449					$ 821,449
State	1,067,108	$ 1,215,952			$ 2,495	2,285,555
Local government and other	1,511,987	69,944	$ 198,340	$ 365,859	23,290	2,169,420
Total receivables	$ 3,400,544	$ 1,285,896	$ 198,340	$ 365,859	$ 25,785	$ 5,276,424

4. PROPERTY, PLANT AND EQUIPMENT

The Proprietary Funds' property, plant and equipment, at June 30, 1998, consisted of the following:

	Bookstore Fund	Cafeteria Fund	Data Processing Center Fund	Total
Property, plant and equipment	$ 474,519	$ 114,921	$ 2,808,407	$ 3,397,847
Less accumulated depreciation	(346,527)	(101,567)	(1,599,610)	(2,047,704)
Property, plant and equipment, net	$ 127,992	$ 13,354	$ 1,208,797	$ 1,350,143

5. INTERFUND ACTIVITY

Interfund due from/to amounts at June 30, 1998 and operating transfers for the year then ended were as follows:

	Interfund Balances		Interfund Operating Transfers	
	Due From	Due To	Transfer In	Transfer Out
General Fund	$ 1,425,980	$ 2,290,235	$ 391,074	$ 1,828,002
Capital Projects Fund	1,233,670	58,569	1,948,020	
Debt Service Funds	73,414	9,600	9,600	9,600
Proprietary Funds	854,692	737,315	283,846	364,353
Fiduciary Funds	396,161	888,198	386,178	816,763
	$ 3,983,917	$ 3,983,917	$ 3,018,718	$ 3,018,718

6. AMOUNTS AVAILABLE AND TO BE PROVIDED FOR DEBT SERVICE

The amount available for debt service, $15,263,474 in the General Long-Term Debt Account Group represents the fund balance of the Debt Service Funds. These assets may be used for principal and interest payments on the bonded debt, post-retirement health benefits and other debt obligations.

The amount to be provided for debt service, $20,347,183, represents amounts required to be collected in the future in order to make required payments on bonded and other debt obligations.

7. LONG-TERM DEBT

General Long-Term Debt Account Group

A schedule of changes in general long-term debt for the year ended June 30, 1998, is shown below:

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Compensated absences	$ 1,228,335		$ 776,596	$ 451,739
Revenue bonds	96,000		7,000	89,000
Capitalized lease obligations	731,712		102,794	628,918
Certificates of Participation	1,575,000		30,000	1,545,000
Post-retirement health benefits obligation	32,896,000			32,896,000
	$ 36,527,047	$ -	$ 916,390	$ 35,610,657

Proprietary Funds' Debt

A schedule of changes in debt recorded in the Proprietary Funds for the year ended June 30, 1998 is shown below:

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Capitalized lease obligations	$ 297,887	$ -	$ 91,548	$ 206,339

Revenue Bonds

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

7. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

The annual debt service requirement for the Revenue Bonds, as of June 30, 1998, is as follows:

Year Ending June 30,	Principal	Interest	Total
1999	$ 7,000	$ 2,460	$ 9,460
2000	7,000	2,250	9,250
2001	7,000	2,040	9,040
2002	8,000	1,800	9,800
2003	8,000	1,560	9,560
Thereafter	52,000	4,020	56,020
Total	$ 89,000	$ 14,130	$ 103,130

Certificates of Participation

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

The annual debt service requirement for the Certificates of Participation, as of June 30, 1998 is as follows:

Year Ending June 30,	Principal	Interest	Total
1999	$ 35,000	$ 91,100	$ 126,100
2000	35,000	89,332	124,332
2001	40,000	87,495	127,495
2002	40,000	85,354	125,354
2003	40,000	83,175	123,175
Thereafter	1,355,000	896,994	2,251,994
Total	$ 1,545,000	$ 1,333,450	$ 2,878,450

7. LONG-TERM DEBT (Continued)

Capitalized Lease Obligations

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

Year Ending June 30,	General Long-Term Debt Account Group	Proprietary Funds
1999	$ 168,725	$ 107,184
2000	169,325	50,600
2001	146,489	35,202
2002	128,656	35,202
2003	128,656	
Thereafter	23,997	
Total	765,848	228,188
Less amount representing interest	(136,930)	(21,849)
Net minimum lease payments	$ 628,918	$ 206,339

Operating Leases

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

Year Ending June 30,	Total
1999	$ 75,349
2000	35,018
2001	22,225
2002	18,005
2003	11,350
Thereafter	14,440
Total lease payments	$ 176,387

Rental expenditures for the year ended June 30, 1998 were $91,968.

7. LONG-TERM DEBT (Continued)

Post-Retirement Health Benefits Obligation

The District offers subsidized health insurance benefits to all employees who retire from the District and meet the age and service requirements for eligibility. Such benefits are required through the District contract. The amount of the District's contribution towards such annual premiums per employee, is determined according to the collective bargaining agreements or court settlements. The District recognizes the cost of providing those benefits and related administrative costs when paid. Active plan participants at June 30, 1998 totaled 459. Such payments for these retired employees totaled $1,816,007 for the fiscal year ended June 30, 1998 and were recorded as expenditures in the General Fund.

The District funds the Accumulated Post-Retirement Benefit Obligation (APBO), which is defined as the present value of the projected benefits that have already been earned. The actuarially determined APBO at July 1, 1996 was $32,896,000 of which approximately $19,500,000 was unfunded. The District made a contribution in 1998 of $758,000. At June 30, 1998, net assets in the Post-Retirement Health Benefits Fund totaled $15,122,393, which were designated and reserved for future payment of the obligation included in the General Long-Term Debt Account Group.

8. SELF-INSURANCE PROGRAM

The District self-insures for property and liability claims up to $10,000. Excess insurance has been purchased which covers property and liability claims greater than $10,000. The estimate of incurred but not reported and reported claims is actuarially determined based upon historical experience and actuarial assumptions.

The claims reserve activity for the year ended June 30, 1998 is as follows:

Unpaid claims and claim adjustment expenses, beginning of year	$ 200,000
Incurred claims and claim adjustment expenses:	
Provision for covered events of the current year	(82,530)
Payments:	
Claims and claim adjustment expenses	25,030
Total unpaid claims and claim adjustment expenses, end of year	$ 142,500

9. RESERVED AND DESIGNATED FUND BALANCES

The reserved fund balances at June 30, 1998 consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Funds	Fiduciary Fund Types
Reserved for:				
Revolving fund cash	$ 125,000			
Inventory	172,811			
Prepaid expenditures	1,665,711			
Restricted purposes		$ 690,580		$ 1,218,708
Debt service			$ 141,081	
Total	$ 1,963,522	$ 690,580	$ 141,081	$ 1,218,708

The designated fund balances at June 30, 1998 consisted of the following:

	General Fund	Debt Service Funds
Designated for encumbrances	$ 373,871	
Designated for retirement benefits		$ 15,122,393
Total	$ 373,871	$ 15,122,393

10. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

State Teachers' Retirement System (STRS)

All full-time and some part-time academic employees are eligible to participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. Employees attaining the age of 60 with five years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90 percent of final compensation are available to members with five years of service. After five years of service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

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

California Public Employees' Retirement System (CalPERS)

All full-time and some part-time classified employees participate in CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost sharing" pool within CalPERS. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. Employees are eligible for retirement at the age of 60 and are entitled to a monthly benefit of two percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement may begin at age 50 with a reduced benefit rate, or after age 60 to 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after 5 years of credited service. Upon separation from the District, members' accumulated contributions are refundable with interest credited through the date of separation.

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

Funding Policy

The District is required by statute to contribute 8.25 percent and 6.033 percent of covered gross salary expenditures to STRS and CalPERS, respectively. Participants are required to contribute 8.0 percent and 7.0 percent of covered gross salary to STRS and CalPERS, respectively. For part-time faculty who have elected to participate in the STRS "cash balance" plan, the employer and employee contribute at a rate of 4.0 percent of gross salary. The District's employer contributions to STRS for the years ended June 30, 1996, 1997 and 1998 were $2,872,226, $2,974,660, and $3,113,155, respectively. The District's employer contributions to CalPERS for the years ended June 30, 1996, 1997 and 1998 were $1,258,299, $1,474,879, and $1,239,408, respectively. The District's employer contributions to STRS and CalPERS met the required contribution rates set by law.

11. EARLY RETIREMENT INCENTIVE PROGRAM

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

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

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

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

Fiscal Year 1997-98:

Position Vacated	Employee Age	Service Credit*
Instructor	61	23
Educational Manager	68	18
Instructor	62	34
Instructor	59	31
Instructor	63	40
Instructor	56	23
Instructor	61	27
Instructor	61	30
Instructor	62	36
Instructor	62	39
Instructor	66	37
Instructor	69	21
Instructor	60	31
Instructor	65	36
Instructor	76	42
Instructor	64	28

* Before the additional two years credit.

11. EARLY RETIREMENT INCENTIVE PROGRAM (Continued)

Additional Costs

As a result of these early retirement incentive programs, the District expects to incur $694,981 in additional costs. The breakdown in additional costs is presented below:

Fiscal Year 1997-98:

Retirement costs (including interest, if applicable)	$ 553,165
Post-retirement health benefit costs	141,816
Total additional costs	$ 694,981

Yearly Payroll Savings

The District expects this early retirement program to generate first year payroll savings of $444,001 which equals the difference in payroll costs for the sixteen retirees and their replacements.

The retirees' annual salary and benefits are presented below:

	Retired Employee		Replacement Employee (If applicable)	
Position Vacated	Salary	Benefits	Salary	Benefits
Instructor	$ 71,316	$ 9,907	$ 46,614	$ 7,432
Educational Manager	91,416	14,380	74,844	10,258
Instructor	79,250	13,162	46,614	7,432
Instructor	69,444	13,947	46,614	7,432
Instructor	78,871	14,891	46,614	7,432
Instructor	71,316	9,907	46,614	7,432
Instructor	71,316	9,907	46,614	7,432
Instructor	71,316	10,358	46,614	7,432
Instructor	71,316	12,368	46,614	7,432
Instructor	71,316	12,368	46,614	7,432
Instructor	71,316	12,369	46,614	7,432
Instructor	67,572	9,888	46,614	7,432
Instructor	53,487	10,583	46,614	7,432
Instructor	71,316	12,368	46,614	7,432
Instructor	71,316	10,058	46,614	7,432
Instructor	67,572	13,876	46,614	7,432
Total	$ 1,149,456	$ 190,337	$ 774,054	$ 121,738

In addition, the Early Retirement Incentive Program was accepted by seven classified employees who received an additional two years service credit with PERS. The related additional costs incurred or expected to be incurred by the employer is approximately $119,777.

12. CONTINGENT LIABILITIES

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

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

13. JOINT POWERS AUTHORITIES

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

BACCDJPA administers a cooperative insurance program for member districts. Member districts are insured under certain liability and property insurance policies purchased by BACCDJPA. The following is a summary of financial information for BACCDJPA as of June 30, 1997, the date for which the most recent audited financial statements are available:

	BACCDJPA
Total assets	$ 2,791,246
Total liabilities	$ 1,420,322
Total retained earnings	$ 1,370,924
Total revenues	$ 1,713,660
Total expenses	$ 2,052,593

CCCSIG provides a cooperative program of self-insurance for workers' compensation for member districts. CCCSIG is self-insured for individual workers' compensation claims less than $500,000 and is covered by insurance for individual claims exceeding such amount to a maximum of $10,000,000 per claim. Condensed financial information for CCCSIG as of June 30, 1998, is as follows:

	CCCSIG
Total assets	$ 51,017,068
Total liabilities	$ 22,913,990
Total retained earnings	$ 28,103,078
Total revenues	$ 12,393,169
Total expenses	$ 14,415,595

13. JOINT POWERS AUTHORITIES (Continued)

The District also participates in the School Project for Utility Rate Reduction (SPURR). SPURR provides for the direct purchase of gas, electricity, and other utility services. SPURR also provides advisory services relative to utilities. The following is a summary of financial information for SPURR as of June 30, 1996, the date for which the most recent audited financial statements are available:

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

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

14. YEAR 2000

Preparing computer systems to deal with the Year 2000 risk has become a major issue for businesses throughout the world. Although there can be no absolute assurance that all adverse effects on Contra Costa Community College District - and on other companies on which the District relies - can be avoided, there has been a District-wide program underway since 1992 to make all critical systems Year 2000 compliant by the end of 1999. Based on a detailed assessment, the District determined that a portion of its software needed to be modified or replaced so that its computer systems will function properly into the Year 2000 and beyond. As with most governmental agencies, the Year 2000 issue represents a significant challenge for the District and extensive resources have been dedicated to modifying existing software and converting to new software. In addition, the District is presently consulting with vendors, customers, subsidiaries, third-parties and other businesses with which it deals to ensure that no material aspect of the District's operations will be hindered by the Year 2000 risk.

The costs of the project and the date on which Contra Costa Community College District plans to complete the modifications are based on management's best estimates and are subject to some uncertainty. The District is using both internal and external resources to reprogram, or replace, and test the software for Year 2000 modifications and is in the validation/testing stage for the accounting system and the testing stage for human resources, payroll, and student systems. The total cost of this program is estimated to be $3,000,000. The District has incurred approximately $1,500,000 as of June 30, 1998. Those costs attributed to the purchase of new hardware will be capitalized. Other costs will be expensed as incurred. The costs are not expected to have a material effect on the fund equity or operating revenues of the District.

15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

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

16. SUBSEQUENT EVENT

On July 1, 1998, the District issued $14,980,000 of Tax and Revenue Anticipation Notes (TRANs) maturing on September 30, 1999, with interest at 8.00% to provide for anticipated cash flow deficits from operations. The TRANS are a general obligation of the District, and are payable from revenues and cash receipts to be generated by the District during the fiscal year ending June 30, 2000. The revenues from the TRANs are deposited with the Contra Costa County Treasurer in a special trust fund established by the County, and designated the Contra Costa Community College District 1998 Tax and Revenue Anticipation Note Repayment Fund.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL DEBT SERVICE FUNDS

June 30, 1998

	Post-Retirement Health Benefits	Bond Interest and Redemption	Bond Revenue	Total
ASSETS				
Cash in County Treasury	$ 1,172,180	$ 131,181		$ 1,303,361
Local Agency Investment Fund	2,054,342			2,054,342
Investments	11,644,412			11,644,412
Accounts receivable	198,040	300		198,340
Due from other funds	54,214	9,600	$ 9,600	73,414
Total assets	$ 15,123,188	$ 141,081	$ 9,600	$ 15,273,869
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 795			$ 795
Due to other funds			$ 9,600	9,600
Total liabilities	795		9,600	10,395
Fund balances:				
Reserved		$ 141,081		141,081
Unreserved:				
Designated	15,122,393			15,122,393
Total fund balances	15,122,393	141,081		15,263,474
Total liabilities and fund balances	$ 15,123,188	$ 141,081	$ 9,600	$ 15,273,869

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL DEBT SERVICE FUNDS

For the Year Ended June 30, 1998

	Post-Retirement Health Benefits	Bond Interest and Redemption	Bond Revenue	Total
Revenues:				
Local sources	$ 1,709,872	$ 7,035	$ 9,600	$ 1,726,507
Expenditures:				
Investment expense	4,246			4,246
Debt service:				
Principal retirement		7,000		7,000
Interest		2,881		2,881
Total expenditures	4,246	9,881		14,127
Excess (deficiency) of revenues over (under) expenditures	1,705,626	(2,846)	9,600	1,712,380
Other financing sources (uses):				
Operating transfers in		9,600		9,600
Operating transfers out			(9,600)	(9,600)
Total other financing sources (uses)		9,600	(9,600)	
Excess of revenues and other financing sources over expenditures and other uses	1,705,626	6,754		1,712,380
Fund balances, July 1, 1997	13,416,767	134,327		13,551,094
Fund balances, June 30, 1998	$ 15,122,393	$ 141,081	$ -	$ 15,263,474

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL DEBT SERVICE FUNDS

For the Year Ended June 30, 1998

	Post-Retirement Health Benefits		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources	$ 1,558,800	$ 1,709,872	$ 151,072
Expenditures:			
Investment expense	2,000	4,246	(2,246)
Debt service:			
Principal retirement			
Interest			
Total expenditures	2,000	4,246	(2,246)
Excess (deficiency) of revenues over (under) expenditures	1,556,800	1,705,626	148,826
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Excess of revenues and other financing sources over expenditures and other uses	1,556,800	1,705,626	$ 148,826
Fund balances, July 1, 1997	13,416,767	13,416,767	
Fund balances, June 30, 1998	$ 14,973,567	$ 15,122,393	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL DEBT SERVICE FUNDS
(Continued)
For the Year Ended June 30, 1998

	Bond Interest and Redemption		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources	$ 6,000	$ 7,035	$ 1,035
Expenditures:			
Investment expense			
Debt service:			
Principal retirement	7,000	7,000	
Interest	3,090	2,881	209
Total expenditures	10,090	9,881	209
Excess (deficiency) of revenues over (under) expenditures	(4,090)	(2,846)	1,244
Other financing sources (uses):			
Operating transfers in	9,600	9,600	
Operating transfers out			
Total other financing sources (uses)	9,600	9,600	
Excess of revenues and other financing sources over expenditures and other uses	5,510	6,754	$ 1,244
Fund balances, July 1, 1997	134,327	134,327	
Fund balances, June 30, 1998	$ 139,837	$ 141,081	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL DEBT SERVICE FUNDS
(Continued)
For the Year Ended June 30, 1998

	Bond Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources	$ 9,600	$ 9,600	
Expenditures:			
Investment expense			
Debt service:			
Principal retirement			
Interest			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	9,600	9,600	
Other financing sources (uses):			
Operating transfers in			
Operating transfers out	(9,600)	(9,600)	
Total other financing sources (uses)	(9,600)	(9,600)	
Excess of revenues and other financing sources over expenditures and other uses			$ -
Fund balances, July 1, 1997			
Fund balances, June 30, 1998	$ -	$ -	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL DEBT SERVICE FUNDS
(Continued)
For the Fiscal Year Ended June 30, 1998

	Total		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources	$ 1,574,400	$ 1,726,507	$ 152,107
Expenditures:			
Investment expense	2,000	4,246	(2,246)
Debt service:			
Principal retirement	7,000	7,000	
Interest	3,090	2,881	209
Total expenditures	12,090	14,127	(2,037)
Excess (deficiency) of revenues over (under) expenditures	1,562,310	1,712,380	150,070
Other financing sources (uses):			
Operating transfers in	9,600	9,600	
Operating transfers out	(9,600)	(9,600)	
Total other financing sources (uses)			
Excess of revenues and other financing sources over expenditures and other uses	1,562,310	1,712,380	$ 150,070
Fund balances, July 1, 1997	13,551,094	13,551,094	
Fund balances, June 30, 1998	$ 15,113,404	$ 15,263,474	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL PROPRIETARY FUNDS

June 30, 1998

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Cash in County Treasury					$ 200,000	$ 200,000
Cash on hand and in banks	$ 809,019	$ 97,761		$ 906,780		906,780
Revolving cash	21,700			21,700		21,700
Local Agency Investment Fund			$ 501,790	501,790		501,790
Investments	300,000			300,000		300,000
Total cash and cash equivalents	1,130,719	97,761	501,790	1,730,270	200,000	1,930,270
Accounts receivable	344,144	2,343	19,372	365,859		365,859
Due from other funds	246,975	548,309	59,408	854,692		854,692
Inventories	1,723,302			1,723,302		1,723,302
Prepaid expenses		1,554		1,554		1,554
Total current assets	3,445,140	649,967	580,570	4,675,677	200,000	4,875,677
Property, plant and equipment, net	127,992	13,354	1,208,797	1,350,143		1,350,143
Total assets	$ 3,573,132	$ 663,321	$ 1,789,367	$ 6,025,820	$ 200,000	$ 6,225,820

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL PROPRIETARY FUNDS
(Continued)
June 30, 1998

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
LIABILITIES AND RETAINED EARNINGS (ACCUMULATED DEFICIT)						
Liabilities:						
Current liabilities:						
Amount to be provided by future deposits	$ 2,249,477	$ 596,488	$ 236,300	$ 3,082,265		$ 3,082,265
Accounts payable	326,585	32,885	96,745	456,215		456,215
Accrued liabilities	63,642	13,007	63,638	140,287		140,287
Deferred revenue	5,229			5,229		5,229
Due to other funds	200,286	55,703	481,326	737,315		737,315
Liability for self-insurance					$ 142,500	142,500
Capitalized lease obligations, current portion	38,138		57,330	95,468		95,468
Total current liabilities	2,883,357	698,083	935,339	4,516,779	142,500	4,659,279
Capitalized lease obligations	95,707		15,164	110,871		110,871
Total liabilities	2,979,064	698,083	950,503	4,627,650	142,500	4,770,150
Retained earnings (accumulated deficit)	594,068	(34,762)	838,864	1,398,170	57,500	1,455,670
Total liabilities and retained earnings (accumulated deficit)	$ 3,573,132	$ 663,321	$ 1,789,367	$ 6,025,820	$ 200,000	$ 6,225,820

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS

For the Year Ended June 30, 1998

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
Operating revenues	$ 8,213,879	$ 1,011,201	$ 1,845,285	$ 11,070,365	$ 25,030	$ 11,095,395
Operating expenses:						
Cost of goods sold	6,095,985	631,160		6,727,145		6,727,145
Classified salaries	1,222,091	447,763	1,171,225	2,841,079		2,841,079
Employee benefits	248,340	82,863	255,833	587,036		587,036
Materials and supplies	140,209	96,194	99,045	335,448		335,448
Contract services and other operating expenses	400,586	129,526	463,962	994,074	(32,470)	961,604
Depreciation	68,722	7,471	286,056	362,249		362,249
Total operating expenses	8,175,933	1,394,977	2,276,121	11,847,031	(32,470)	11,814,561
Operating income (loss)	37,946	(383,776)	(430,836)	(776,666)	57,500	(719,166)
Other income (expense):						
Interest income			54,355	54,355		54,355
Interest expense	(10,375)		(9,254)	(19,629)		(19,629)
Other income		82,530		82,530		82,530
Total other income (expense)	(10,375)	82,530	45,101	117,256		117,256
Income (loss) before operating transfers	27,571	(301,246)	(385,735)	(659,410)	57,500	(601,910)
Other financing sources (uses):						
Operating transfers in		283,846		283,846		283,846
Operating transfers out	(364,353)			(364,353)		(364,353)
Total other financing sources (uses)	(364,353)	283,846		(80,507)		(80,507)
Net (loss) income	(336,782)	(17,400)	(385,735)	(739,917)	57,500	(682,417)
Retained earnings (accumulated deficit), July 1, 1997	930,850	(17,362)	1,224,599	2,138,087		2,138,087
Retained earnings (accumulated deficit), June 30, 1998	$ 594,068	$ (34,762)	$ 838,864	$ 1,398,170	$ 57,500	$ 1,455,670

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)

For the Year Ended June 30, 1998

	Bookstore		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 7,915,000	$ 8,213,879	$ 298,879
Operating expenses:			
Cost of goods sold	5,974,511	6,095,985	(121,474)
Classified salaries	1,126,690	1,222,091	(95,401)
Employee benefits	241,271	248,340	(7,069)
Materials and supplies	90,875	140,209	(49,334)
Contract services and other operating expenses	182,823	400,586	(217,763)
Depreciation		68,722	(68,722)
Total operating expenses	7,616,170	8,175,933	(559,763)
Operating income (loss)	298,830	37,946	(260,884)
Other income (expense):			
Interest income			
Interest expense		(10,375)	(10,375)
Other income			
Total other income (expense)		(10,375)	(10,375)
Income (loss) before operating transfers	298,830	27,571	(271,259)
Other financing sources (uses):			
Operating transfers in			
Operating transfers out	(179,850)	(364,353)	(184,503)
Total other financing sources (uses)	(179,850)	(364,353)	(184,503)
Net income (loss)	118,980	(336,782)	$ (455,762)
Retained earnings (accumulated deficit), July 1, 1997	930,850	930,850	
Retained earnings (accumulated deficit), June 30, 1998	$ 1,049,830	$ 594,068	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)
(Continued)
For the Year Ended June 30, 1998

	Cafeteria		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 1,117,646	$ 1,011,201	$ (106,445)
Operating expenses:			
Cost of goods sold	455,400	631,160	(175,760)
Classified salaries	435,594	447,763	(12,169)
Employee benefits	103,909	82,863	21,046
Materials and supplies	80,353	96,194	(15,841)
Contract services and other operating expenses	89,004	129,526	(40,522)
Depreciation	3	7,471	(7,468)
Total operating expenses	1,164,263	1,394,977	(230,714)
Operating income (loss)	(46,617)	(383,776)	(337,159)
Other income (expense):			
Interest income			
Interest expense			
Other income	53,000	82,530	29,530
Total other income (expense)	53,000	82,530	29,530
Income (loss) before operating transfers	6,383	(301,246)	(307,629)
Other financing sources (uses):			
Operating transfers in		283,846	283,846
Operating transfers out			
Total other financing sources (uses)		283,846	283,846
Net income (loss)	6,383	(17,400)	$ (23,783)
Retained earnings (accumulated deficit), July 1, 1997	(17,362)	(17,362)	
Retained earnings (accumulated deficit), June 30, 1998	$ (10,979)	$ (34,762)	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)
(Continued)
For the Year Ended June 30, 1998

	Data Processing Center		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 1,904,222	$ 1,845,285	$ (58,937)
Operating expenses:			
Cost of goods sold			
Classified salaries	1,303,762	1,171,225	132,537
Employee benefits	294,923	255,833	39,090
Materials and supplies	148,229	99,045	49,184
Contract services and other operating expenses	890,843	463,962	426,881
Depreciation		286,056	(286,056)
Total operating expenses	2,637,757	2,276,121	361,636
Operating income (loss)	(733,535)	(430,836)	302,699
Other income (expense):			
Interest income	50,000	54,355	4,355
Interest expense		(9,254)	(9,254)
Other income			
Total other income (expense)	50,000	45,101	(4,899)
Income (loss) before operating transfers	(683,535)	(385,735)	297,800
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Net income (loss)	(683,535)	(385,735)	$ 297,800
Retained earnings (accumulated deficit), July 1, 1997	1,224,599	1,224,599	
Retained earnings (accumulated deficit), June 30, 1998	$ 541,064	$ 838,864	

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

ALL PROPRIETARY FUNDS (EXCEPT INTERNAL SERVICE FUND)
(Continued)
For the Fiscal Year Ended June 30, 1998

	Total		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues	$ 10,936,868	$ 11,070,365	$ 133,497
Operating expenses:			
Cost of goods sold	6,429,911	6,727,145	(297,234)
Classified salaries	2,866,046	2,841,079	24,967
Employee benefits	640,103	587,036	53,067
Materials and supplies	319,457	335,448	(15,991)
Contract services and other operating expenses	1,162,670	994,074	168,596
Depreciation	3	362,249	(362,246)
Total operating expenses	11,418,190	11,847,031	(428,841)
Operating income (loss)	(481,322)	(776,666)	(295,344)
Other income (expense):			
Interest income	50,000	54,355	4,355
Interest expense		(19,629)	(19,629)
Other income	53,000	82,530	
Total income (expense)	103,000	117,256	14,256
Income (loss) before operating transfers	(378,322)	(659,410)	(281,088)
Other financing sources (uses):			
Operating transfers in		283,846	283,846
Operating transfers out	(179,850)	(364,353)	(184,503)
Total other financing sources (uses)	(179,850)	(80,507)	99,343
Net income (loss)	(558,172)	(739,917)	$ (181,745)
Retained earnings (accumulated deficit), July 1, 1997	2,138,087	2,138,087	
Retained earnings (accumulated deficit), June 30, 1998	$ 1,579,915	$ 1,398,170	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 1998

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
Cash flows from operating activities:						
Operating income (loss)	$ 37,946	$ (383,776)	$ (430,836)	$ (776,666)	$ 57,500	$ (719,166)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	68,722	7,471	286,056	362,249		362,249
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(103,551)	67	13,064	(90,420)		(90,420)
(Increase) decrease in due from other funds	(207,022)	(101,561)	(15,564)	(324,147)	10,000	(314,147)
(Increase) decrease in inventory	(80,698)	29,367		(51,331)		(51,331)
Decrease in prepaid expenses		8,360		8,360		8,360
Decrease in accounts payable	(167,887)	(50,710)	(59,689)	(278,286)	(10,000)	(288,286)
Increase in accrued liabilities	54,698	10,554	54,321	119,573		119,573
(Decrease) increase in due to other funds	(213,087)	55,703	(120,433)	(277,817)		(277,817)
Decrease in liability for self-insurance					(57,500)	(57,500)
Net cash used in operating activities	(610,879)	(424,525)	(273,081)	(1,308,485)		(1,308,485)
Cash flows from non-capital financing activities:						
Transfers in from other funds		283,846		283,846		283,846
Transfers out to other funds	(364,353)			(364,353)		(364,353)
Increase in amount to be provided by future deposits	1,549,077	75,762	236,300	1,861,139		1,861,139
Interest income		82,530	54,355	136,885		136,885
Net cash provided by non-capital financing activities	1,184,724	442,138	290,655	1,917,517		1,917,517

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUNDS
(Continued)
For the Fiscal Year Ended June 30, 1998

	Enterprise Funds				Internal Service Fund	
	Bookstore	Cafeteria	Data Processing Center	Total Enterprise Funds	Self-Insurance Fund	Total
Cash flows from capital financing activities:						
Interest expense	$ (10,375)		$ (9,254)	$ (19,629)		$ (19,629)
Principal payments under capitalized lease obligations	(39,210)		(52,338)	(91,548)		(91,548)
Acquisitions of property and equipment			(871,671)	(871,671)		(871,671)
Net cash used in capital financing activities	(49,585)		(933,263)	(982,848)		(982,848)
Increase (decrease) in cash and cash equivalents	524,260	$ 17,613	(915,689)	(373,816)		(373,816)
Cash and cash equivalents, July 1, 1997	606,459	80,148	1,417,479	2,104,086	$ 200,000	2,304,086
Cash and cash equivalents, June 30, 1998	$ 1,130,719	$ 97,761	$ 501,790	$ 1,730,270	$ 200,000	$ 1,930,270

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET

ALL FIDUCIARY FUNDS

June 30, 1998

	Student Financial Aid	Student Scholarship and Loan	Associated Students	Student Body Center Building and Operating	Total
ASSETS					
Cash in County Treasury				$ 82,282	$ 82,282
Cash on hand and in banks	$ 667,763	$ 633,902	$ 565,178		1,866,843
Accounts receivable	22,165	3,526	94		25,785
Due from other funds	169,558			226,603	396,161
Total assets	$ 859,486	$ 637,428	$ 565,272	$ 308,885	$ 2,371,071
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,842			$ 13,479	$ 16,321
Deferred revenue	6,051				6,051
Due to other funds	850,439	$ 265	$ 36,329	1,165	888,198
Due to student organizations			241,793		241,793
Total liabilities	859,332	265	278,122	14,644	1,152,363
Fund balances:					
Reserved	154	637,163	287,150	294,241	1,218,708
Total liabilities and fund balances	$ 859,486	$ 637,428	$ 565,272	$ 308,885	$ 2,371,071

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

ALL EXPENDABLE TRUST FUNDS

For the Year Ended June 30, 1998

	Student Financial Aid	Student Scholarship and Loan	Associated Students	Student Body Center Building and Operating	Total
Revenues:					
Federal sources	$ 5,366,096				$ 5,366,096
State sources	581,094				581,094
Local sources	1,036	$ 170,046	$ 275,530	$ 39,480	486,092
Total revenues	5,948,226	170,046	275,530	39,480	6,433,282
Expenditures:					
Classified salaries				7,274	7,274
Employee benefits				653	653
Books and supplies		797	170,589	25,394	196,780
Contract services and operating expenditures			13,438	20,874	34,312
Student financial assistance	5,970,362	278,195			6,248,557
Total expenditures	5,970,362	278,992	184,027	54,195	6,487,576
(Deficiency) excess of revenues (under) over expenditures	(22,136)	(108,946)	91,503	(14,715)	(54,294)
Other financing sources (uses):					
Operating transfers in	49,885	73,050	15,590	247,653	386,178
Operating transfers out	(26,721)			(790,042)	(816,763)
Total other financing sources (uses)	23,164	73,050	15,590	(542,389)	(430,585)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	1,028	(35,896)	107,093	(557,104)	(484,879)
Fund balances (deficit), July 1, 1997	(874)	673,059	180,057	851,345	1,703,587
Fund balances, June 30, 1998	$ 154	$ 637,163	$ 287,150	$ 294,241	$ 1,218,708

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

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
Contra Costa Community
College District
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1998, and have issued our report thereon dated December 3, 1998. In our report, our opinion was qualified because of the omission of the General Fixed Assets Group of accounts. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental financial and statistical information including the Schedule of Federal and State Financial Assistance and the reports listed below, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements of Contra Costa Community College District and includes the following schedules:

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

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

Perry-Smith & Co., LLP

Certified Public Accountants

Sacramento, California
December 3, 1998

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 1998

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

BOARD OF TRUSTEES

Members	Office	Term Expires
John T. Nejedly	President	December 1998
David N. MacDiarmid	Vice-President	December 1998
Kristine L. Chase	Secretary	December 2000
Eugene H. Ross	Member	December 1998
William M. Corey	Member	December 2000
Rolando Rubio III	Student Member	May 1999

DISTRICT ADMINISTRATION

Mr. Charles C. Spence
Chancellor

Mr. John Hendrickson
Vice-Chancellor of Business Services

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 1998

	Federal Catalog Number	Program Entitlements: Current Year	Program Entitlements: Prior Year Carry-over	Program Entitlements: Total	Program Revenues: Cash Received	Program Revenues: Accounts Receivable	Program Revenues: Deferred Revenue	Program Revenues: Total Revenues	Program Expend-itures
Federal Programs:									
Pell Grants	84.063	$ 4,755,707		$ 4,755,707	$ 4,755,707			$ 4,755,707	$ 4,755,707
Federal Supplemental Education Opportunity Grant	84.007	380,250		380,250	380,250			380,250	422,850
Federal Direct Student Loans	84.007	230,139		230,139	230,139			230,139	230,139
Federal Work Study	84.003	376,393		376,393	13,096	$ 349,896	$ 11,542	351,450	376,353
Vocational and Applied Technology Education Acts:									
Title IIA - Worksite Experience	84.048	11,265		11,265	9,463	1,802		11,265	11,265
Title IIB - Single Parent	84.048	60,000		60,000	50,400	9,051		59,451	59,451
Title IIB - Gender Equity	84.048	50,000		50,000	42,000	6,028		48,028	48,028
Title IIC - Basic Grant	84.048	655,212	$ 27,703	682,915	597,876	625	26,900	571,601	571,601
Title IIIE - Technical Preparation	84.049	211,700		211,700	177,828	14,880		192,708	192,708
Title III -Economic Development	84.049								
FIPSE	84.116B	542,139		542,139	311,440	167,143		478,583	478,583
Job Training Partnership Act	17.246	129,000	6,837	135,837	64,733	50,230	7,655	107,308	107,308
Higher Education Act III	84.031A	655,707	52,175	707,882	328,085	221,794		549,879	549,879
TANF	93.667	195,497		195,497	195,497		72,122	123,375	123,375
Violence Counseling		17,531		17,531	28,998		19,728	9,270	9,270
Total Federal Programs		$ 8,270,540	$ 86,715	$ 8,357,255	$ 7,185,512	$ 821,449	$ 137,947	$ 7,869,014	$ 7,936,517

(Continued)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 1998

	Program Entitlements			Program Revenues				
	Current Year	Prior Year Carry-over	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenues	Program Expend-itures
State Programs:								
Matriculation	$ 1,465,913		$ 1,465,913	$ 1,465,913			$ 1,465,913	$ 1,465,913
Extended Opportunity Program Services	1,994,074		1,994,074	1,994,074		$ 77,499	1,916,575	1,916,575
Disabled Student Program Services	1,142,984	$ 51,268	1,194,252	1,207,846		68,212	1,139,634	1,139,634
Preschool Grant	854,224	288,482	1,142,706	1,092,548		476,195	616,353	616,353
Environmental Tech - State Leadership	135,000		135,000	113,400	$ 11,011		124,411	124,411
Faculty and Staff Development	155,184	43,492	198,676	198,676		30,305	168,371	168,371
BFAP Administration	161,428		161,428	161,428			161,428	161,428
Faculty and Staff Diversity	33,162		33,162	33,162			33,162	60,767
Instruction Equipment	3,704,637	1,580,808	5,285,445	5,288,445		1,988,474	3,299,971	3,299,971
TANF	195,497		195,497	195,497		72,122	123,375	123,375
Cal Works	1,588,485		1,588,485	1,588,485		1,035,768	552,717	552,717
Cal Grants	272,063		272,063	269,568	2,495		272,063	272,063
Child Care Facility	405,000		405,000	303,750		258,972	44,778	44,778
Independent Living	22,650		22,650	1,283	21,237		22,520	22,520
CNET	421,500	122,500	544,000	544,008		354,540	189,468	189,467
DOD Science Equipment	325,411		325,411	317,276		19,822	297,454	297,454
Environmental Business Resource	166,800		166,800	140,112		102,174	37,938	37,938
BOGS Administration	41,308		41,308	41,308			41,308	41,308
KCCTV		5,657	5,657	5,657		4,107	1,550	1,551
Telecomm Grant	85,000		85,000	25,500		21,968	3,532	3,532
Foster Relative Training	60,000		60,000	23,864	35,782		59,646	59,646
Foster Parent Training	37,765		37,765		36,735		36,735	36,735
Total State Programs	$13,268,085	$ 2,092,207	$15,360,292	$15,011,800	$ 107,260	$ 4,510,158	$10,608,902	$ 10,636,507

See accompanying notes to supplemental information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annualized Attendance as of June 30, 1998

	Reported Data	Audit Adjust-ments	Revised Data
Categories			
A. Credit full-time equivalent student (FTES)			
1. Weekly census	22,203		22,203
2. Daily census	1,098		1,098
3. Actual hours of attendance	2,045		2,045
4. Independent study work experience	255		255
Total	25,601	-	25,601
B. Noncredit FTES			
1. Actual hours of attendance	303	-	303
C. Gross Square Footage			
1. Existing facilities	1,228,839	-	1,228,839

See accompanying notes to supplemental information

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF ANNUAL APPRENTICESHIP HOURS OF INSTRUCTION

Annualized Attendance as of June 30, 1998

	Reported Annual Hours
Reporting periods	
July 1 - December 31, 1997	31,099
January 1 - April 15, 1998	-
April 16 - June 30, 1998	28,217
Total	59,316

See accompanying notes to
supplemental information

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 1998

	General Fund	Capital Projects Fund	Post-Retirement Health Benefits	Bookstore Fund	Cafeteria Fund	Data Processing Fund	Student Financial Aid	Student Scholarship and Loan	Associated Students Fund	Student Body Center
June 30, 1998 Annual Financial and Budget Report Fund Balances/ Retained Earnings (Deficit)	$ 4,040,645	$ 2,044,928	$ 15,112,731	$ 182,843	$ (20,547)	$ 786,525	$ -	$ 629,409	$ 178,206	$ (1,555,664)
Adjustments:										
Increase in cash and cash equivalents			9,662							
Increase (decrease) in Federal revenue	144,649						(1,878)			
(Decrease) increase in State revenue	(210,973)						309,729			
Increase (decrease) in local revenue	759,130			80,132	28,596	(9,254)	(6,378)	8,016	66,207	253
Decrease in cost of goods sold				405,230						
Decrease in academic salaries	86,755									
Decrease in employee benefits	220,826									
(Increase) decrease in books, materials and supplies	(2,812)							3	(2,155)	(1,584)
(Increase) decrease in contract services and operating expenditures	(979,145)	(123)		(64,278)	(42,811)	61,592				246,236
(Increase) decrease in capital outlay	(56,177)	36,960								
(Increase) decrease in other outgo	(204,659)	(27,960)				1				
(Decrease) increase in other financing sources	215,286	677,180		516			(300,710)	(265)		
Decrease (increase) in other financing uses	483,444			(10,375)			265			
Blending of student trust funds									44,892	
Blend special revenue activity to capital projects		(352,966)								
Reclassify COPs activity to capital outlay		(1,605,000)								1,605,000
Blend Financing Corporation to capital projects		22,309								
Other		(104,748)					(874)			
Net adjustments	456,324	(1,354,348)	9,662	411,225	(14,215)	52,339	154	7,754	108,944	1,849,905
June 30, 1998 Audited Financial Statements Fund Balances/Retained Earnings (Accumulated Deficit)	$ 4,496,969	$ 690,580	$ 15,122,393	$ 594,068	$ (34,762)	$ 838,864	$ 154	$ 637,163	$ 287,150	$ 294,241

See accompanying notes to supplemental information.

NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Federal and State Financial Assistance

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. To comply with A-133 and State requirements, this schedule was prepared by the District. Differences exist between the revenues shown on the schedule and the general purpose financial statements for the following reasons:

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

B - Schedule of Workload Measures for State General Apportionment

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

C - Schedule of Annual Apprenticeship Hours of Instruction

This schedule provides information regarding annual apprenticeship hours of instruction for reporting periods during the year ended June 30, 1998.

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

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Contra Costa Community
College District
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District, for the year ended June 30, 1998, and have issued our report thereon dated December 3, 1998. In our report, our opinion was qualified because of the omission of the General Fixed Assets Group of accounts. We conducted our audit in accordance with generally accepted auditing standards.

In connection with our audit, we performed an examination for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's July 1998 transmittal of audit requirements for community colleges. The objectives of the examination of compliance applicable to the Contra Costa Community College District are to determine with reasonable assurance that:

1. The District maintained a separate and complete tabulation for each course section for student attendance, which is reported for State support.

2. The District maintained a system to insure that students repeating a class are claimed for apportionment purposes only when the repetition occurs within State prescribed guidelines.

3. The District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.

4. The District's salaries of classroom instructors equaled or exceeded 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.

5. The District adhered to uniform academic standards for placing students on probation and making students on probation subject to dismissal.

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

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

8. The District has calculated appropriation limits annually and such calculations are supported by the amounts reported in the District's CCFS-311 and CCFS-320.

9. The District has used local funds to support at least 75 percent of the District's matriculation activities and all expenditures related to matriculation must be consistent with expenditures related to the matriculation plan and identifiable within the ten activities approved by the State.

10. The District has charged an enrollment fee to all eligible students taking qualified classes. Students who are exempt from the non-resident tuition fee are charged the correct fee per course unit if the District claims the student as resident FTES for apportionment purposes. Fees collected are reported in the proper accounting period.

11. Classes which fall under instructional service agreements/contracts for which FTES are claimed are eligible for State funding.

12. The District complied with all state laws and regulations in accordance with Section 1(a)(3) of the California Education Code and Chapter 3.6, Section 15379.28 of the California Governmental Code and to the standard grant conditions in the administration of Economic Development Program grants.

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

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

- Costs allocated to EOP&S and DSP&S for services by college staff, who also have other program responsibilities, were not always adequately documented to justify the allocation.

- Signed census reports are not retained for two campuses.

- All admissions and records employees have access to override the system for dismissed students.

- Grade report data entry is not reviewed for accuracy by instructor or employee.

- Property records are not maintained and physical inventory of equipment is not performed timely for Federally funded purchases.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE
(Continued)

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

Perry-Smith + Co., LLP

Certified Public Accountants

Sacramento, California
December 3, 1998

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

Board of Trustees
Contra Costa Community
College District
Martinez, California

We have audited the general purpose financial statements of Contra Costa Community College District as of and for the year ended June 30, 1998, and have issued our report thereon dated December 3, 1998. In our report, our opinion was qualified because of the omission of the General Fixed Assets Group of accounts. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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

(Continued)

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

Perry-Smith & Co., LLP

Certified Public Accountants

Sacramento, California
December 3, 1998

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

Board of Trustees
Contra Costa Community
College District
Martinez, California

Compliance

We have audited the compliance of Contra Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 1998. Contra Costa Community College District's major Federal programs are identified in the accompanying schedule of Federal financial assistance. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Contra Costa Community College District's management. Our responsibility is to express an opinion on Contra Costa Community College District's compliance based on our audit.

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

In our opinion, Contra Costa Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

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

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

(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weakness.

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

Perry-Smith & Co., LLP

Certified Public Accountants

Sacramento, California
December 3, 1998

FINDINGS AND RECOMMENDATIONS

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 1998

FINANCIAL STATEMENTS

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weakness(es) identified?	x Yes	___ No
Reportable condition(s) identified not considered to be material weakness(es)?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X No

FEDERAL AWARDS

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033 *	Student Financial Aid
84.048	Vocational and Applied Technology Education Acts
84.031A	Higher Education Act III
84.116B	FIPSE

* Clustered

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	___ Yes	X No

SUMMARY OF FINDINGS AND RECOMMENDATIONS

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

In planning and performing our procedures in connection with our audit of the general purpose financial statements of Contra Costa Community College District (the "District") for the year ended June 30, 1998, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements, and not to provide assurance on the internal control structure. We also considered the District's internal control structure to determine compliance with selected State and Federal regulations. However, we noted a matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. We have identified the reportable condition as discussed in the Summary of Findings and Recommendations section of this report as item 1.

MATERIAL WEAKNESS

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

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

ADDITIONAL COMMENTS

Additionally, during our evaluation of the internal control structure, we became aware of certain matters that we believe present opportunities for strengthening internal controls and improving operating efficiency. We have observed improvement from the previous year in the District's accounting procedures, however some of these matters still exist from the prior year. With the implementation of the Datatel system, we expect these matters to be resolved. The accompanying memorandum summarizes our observations and recommendations.

Board of Trustees
Contra Costa Community College District

ADDITIONAL COMMENTS (Continued)

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

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

Perry-Smith & Co., LLP

Certified Public Accountants

Sacramento, California
December 3, 1998

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 1998

1. ACCOUNT RECONCILIATIONS - MATERIAL WEAKNESS

Finding

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

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

Recommendation

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

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

District Response

Agree. Installation of a replacement financial system and stability of Accounting Department staff will address account reconciliation weaknesses. Although a monthly reconciliation of all accounts is not presently achieved, we anticipate procedures for such timely reconciliation to be accomplished during the 1998-99 fiscal year.

2. ELECTRONIC DATA PROCESSING (EDP)

Findings

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

- Programmers can initiate, compile, and load software program changes into production. Although the Director reviews authorized changes to software, the programmers have the ability to implement unauthorized modifications. While the new system will likely involve less programmer intervention as it is a purchased package, the EDP access should be reviewed to ensure that only authorized changes to the operating system and other software are uploaded.

2. ELECTRONIC DATA PROCESSING (EDP) (Continued)

Findings (Continued)

- Modifications have been made to passwords and other security measures as a means to control access to software programs. However, the modifications to approved access levels have not been tested to ensure they are functioning.

- Presently, in case of a disaster, only certain individuals know the proper procedures to be followed to restore the EDP system to full operation. There are no written procedures to ensure successful restoration of the system.

- Access to the computer room is restricted only on weekends and after 5 p.m. In addition, eating and drinking are allowed in the computer room without restriction.

Recommendations

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

- Software and operating system program changes should be implemented by someone other than the original programmer to prevent unauthorized program changes from being placed into production. The Director of the EDP department indicated that the implementation of these procedures is limited due to staff size and program modifications are reviewed for accuracy.

  District Response

  Agree. The District has purchased and is installing a new packaged system. Therefore, the majority of changes and modifications to the system will be from the vendor, and it will be District Information Technology staff who implement these approved upgrades or changes.

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

  District Response

  In June 1998, the Manager of Audit Services initiated a general review of password controls. The system was documented but no testing was done.

  Additionally, Information Technology tested a product which conducts evaluations and provides a compliance report. The Manager of Audit Services reviewed this report with the Network Specialist. The Network Specialist and Manager of Audit Services plan to conduct further security test checks during the 1998-99 fiscal year.

2. ELECTRONIC DATA PROCESSING (EDP) (Continued)

Recommendations (Continued)

- The District should develop a contingency plan that details emergency procedures in the event a hardware or software disaster occurs. The following items should be considered when developing the plan:

  - Location of data file and computer system backups.
  - The sequence in which employees are to be notified.
  - Who to notify for hardware and software support.
  - Processing priorities to follow.

  District Response

  The Director of Information Technology has established a preliminary disaster plan which contains a calling tree, the location of all backups, and a process for assessing damage and beginning the recovery process.

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

  District Response

  A keypad security system is currently being installed and should be completed during December 1998. The Director of Information Services has already established a written policy stating that no food or drink is allowed in the Computer Room.

3. CASH DISBURSEMENTS

Finding

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

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

3. CASH DISBURSEMENTS (Continued)

Recommendation

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

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

District Response

Effective July 1998, checks are no longer printed on the third floor (Computer Room). Data processing no longer has access to the check printer or the check stock.

4. CASH DISBURSEMENTS AND CASH RECEIPTS - ASSOCIATED STUDENT BODY

Findings

During our review of internal controls we noted the following:

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

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

3. CASH DISBURSEMENTS (Continued)

Recommendations

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

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

  District Response

  A policy was established and communicated at the Inter-club Council meeting on March 2, 1998. It is now mandatory that minutes of the meetings be submitted along with the backup for budget requests. Budget requests will not be approved without the corroborating minutes attached.

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

  District Response

  Agree. College and District Office staff will examine expense distribution and will produce monthly statements showing all activity and account balances.

5. BOOKSTORE AND CAFETERIA CASH RECEIPTS

Findings

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

- Bookstore and cafeteria cash receipts are not posted to the general ledger timely. Monthly bank reconciliations and complete financial statements are integral to the system of accounting controls. Without the timely input of cash receipts, personnel are unable to appropriately monitor their funds.

- The District Accountant receives the bookstore Daily Sales and Cash Reports along with register receipts from the campuses. However, for the majority of the 1998 fiscal year these records were not reconciled.

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

5. BOOKSTORE AND CAFETERIA CASH RECEIPTS (Continued)

Recommendations

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

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

  District Response

  Agree. Direction will be given to staff for immediate posting of cash receipts.

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

  District Response

  Agree. A verification of register tape to Daily Sales and Cash Reports will be done.

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

  District Response

  Agree. Direction will be given to staff to prepare monthly financial statements. Additionally, we are examining the feasibility of transferring data input and reports to bookstores to implement this recommendation.

6. ACCOUNTS RECEIVABLE

Finding

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

Recommendation

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

District Response

Agree. Datatel System reports will be examined for monitoring of past due accounts.

7. PAYROLL/PERSONNEL

Findings

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

- The PY91 report, which identifies all pay rate changes and newly hired personnel, is not reviewed by an independent party to verify the additions and corrections are accurate and properly authorized. In addition, employees who can access the payroll system can add employees to the master file.

- The payroll manager reviews, approves and inputs payroll information, creating a lack of segregation of duties.

- Documentation is not maintained to support the object codes to which each employee's salary and benefits are charged. This is essential for charges to Federal programs.

Recommendations

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

- On a test basis, the Internal Auditor should review newly hired personnel records and agree information to the payroll system.

  District Response

  Effective Spring 1999, Payroll will no longer be entering employees on the system. This task will be performed by Human Resources, which will provide appropriate segregation of duties. Rather than devote time to auditing a system that will be abandoned shortly, the Manager of Audit Services is currently involved in the conversion of the Human Resource and Payroll systems to ensure appropriate controls will be established.

- The Payroll Manager should not have authority to input payroll information. If access cannot be limited, periodic surprise audits of selected personnel files should be performed by the Internal Auditor.

  District Response

  Except for emergency needs, the Payroll Manager does not presently input payroll information. Once Colleague software is implemented in Spring 1999, Payroll will no longer have the ability to set up employees on the system. Human Resources will load the employees' information onto the system and Payroll will be responsible for processing the paychecks.

7. PAYROLL/PERSONNEL (Continued)

Recommendations (Continued)

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

  District Response

  Currently approximately 98% of monthly staff are participating in the direct deposit program. With the variable payroll, approximately 50% are participating in direct deposit. For those paychecks that are distributed, employees have ten days to pick them up. This multiplied by five locations equals fifty days staffing time needed to participate in one payroll distribution. The District does not have sufficient audit staff to devote to this type of a test on a regular basis. However, every effort will be made to develop procedures and utilize the new finance system to verify the existence and validity of all employees on the payroll system.

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

  District Response

  Annually, a report will be produced listing all employees and the account numbers to which their salaries are charged. This report will be reviewed by the Business Managers and corrections will be submitted to the District Budget and Special Funds Manager. A copy of this report will be retained in Payroll and available for external audit inspection. Any changes to an employee's account numbers will be documented and available in that employee's payroll file.

8. GENERAL FIXED ASSET ACCOUNT GROUP

Finding

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

Recommendation

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

8. GENERAL FIXED ASSET ACCOUNT GROUP (Continued)

District Response

A District-wide fixed asset inventory has been completed by American Appraisal Associates. Datatel system will be used to regularly record fixed asset purchases.

STATE COMPLIANCE

9. ATTENDANCE

Findings

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

- Diablo Valley College and Los Medanos College are not obtaining and maintaining the signed first census reports from all instructors. Instructors are required to retum the census reports only if they wish to initiate changes, i.e., drops/withdrawals. As a result, Diablo Valley College and Los Medanos College are not in full compliance with State attendance reporting requirements.
- Grade report data entry is not reviewed for accuracy by the instructor or another employee. This could allow a data entry error to go unnoticed. Students could inadvertently be given credit for a higher grade than achieved or credit for a course in which it was not earned.
- All admissions and records employees have access to override the system for dismissed students. No supervisory approval is required for this override.

Recommendations

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

- The Admissions and Records department should obtain and maintain the first census rosters, signed by the respective instructors, to provide an appropriate audit trail for the calculation of apportionment revenue.

  District Response

  Management will review requirements for first census roster recording compared with current procedures and implement changes as appropriate.

STATE COMPLIANCE (Continued)

9. ATTENDANCE (Continued)

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

  District Response

  Management will examine current procedures for grade report submission and recording to assess the need for any changes.

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

  District Response

  Management will examine feasibility and need for password access of supervisory personnel regarding dismissed students.

10. ALLOCATION OF COSTS

Finding

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

Recommendation

For College employees who provide EOP&S and DSP&S program services, a basis for cost allocation should be established and documented. This documentation could be provided in the form of time cards or documented based on scheduled classes and duties. The supporting cost allocations should then be maintained in each employee's personnel file.

District Response

Agree. Direction will be given to staff to follow procedures to document employee EOP&S and DSP&S service.

STATE COMPLIANCE (Continued)

11. EDGAR

Finding

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

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

Recommendation

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

District Response

Agree. A District-wide fixed asset inventory has been completed by American Appraisal Associates. Datatel system will be used to regularly record fixed asset purchases and deletions.

FEDERAL COMPLIANCE

12. FINANCIAL REPORTING

Finding

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

Recommendation

A formalized written policy should establish requirements for all Federal reporting requirements. The District should serve as the central reporting agent for the Student Financial Aid and other Federal programs. All reports and expenditure adjustments should be provided by the Colleges to the District for review and approval.

FEDERAL COMPLIANCE (Continued)

12. FINANCIAL REPORTING (Continued)

District Response

Reporting between the three colleges and the District Office for Federal programs is centralized at fiscal year end. The District Office reconciles the general ledger expenditures with the colleges' expenditures per the Student Financial Aid History Report (FA11). The reconciled amount is then reported on the FISAP by October 1.

As of December 10, 1998, the Pell expenditures for all three colleges per the general ledger only exceed the Department of Education net authorizations by $4,576 which is less than .1% of the total Pell expenditures of approximately $4,700,000. The District Office is working with the Colleges to resolve these minor differences. There were no other discrepancies in Federal programs.

Management will develop a procedure for central receipt and review of Student Financial Aid and other Federal programs.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

June 30, 1998

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES

1. ACCOUNTING DEPARTMENT STAFFING

Finding

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

Recommendation

The appointment of experienced accountants should assist in standardizing the finance function, generating timely financial information and enhancing internal controls. The professional qualifications for future Business Office personnel should be elevated to ensure that technical abilities are commensurate with the requirements of the position. Additionally, we believe that the District accounting staff would benefit from a comprehensive training program covering the fundamentals of governmental accounting. Such training should also include instruction on the District's operating policies and procedures. Furthermore, personnel should be cross-trained to ensure that transactions can be processed, analyses prepared and personnel supervised when key personnel are absent. Cross-training is also beneficial in the event of employee turnover.

Current Status

Partially implemented. See current year Findings and Recommendations.

2. SYSTEM CONVERSION

Finding

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

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

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

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES (Continued)

2. **SYSTEM CONVERSION** (Continued)

Recommendation

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

Current Status

Implemented.

3. **ACCOUNT RECONCILIATIONS**

Finding

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

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

Recommendation

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

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

Current Status

See current year Findings and Recommendations.

GENERAL

4. FINANCIAL AND MANAGEMENT REPORTING

Finding

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

Recommendation

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

Current Status

Implemented.

5. ELECTRONIC DATA PROCESSING (EDP)

Findings

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

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

GENERAL (Continued)

5. ELECTRONIC DATA PROCESSING (EDP) (Continued)

Findings (Continued)

- Access to the computer room is restricted only on weekends and after 5 p.m. In addition, eating and drinking is allowed in the computer room without restriction.

Recommendations

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

- Software program changes should be implemented by someone other than the original programmer to prevent unauthorized program changes from being placed into production. The Director of the EDP department indicated that the implementation of these procedures is limited due to staff size and program modifications are reviewed for accuracy.
- Password controls should be periodically audited by the District internal auditor.
- The District should develop a contingency plan that details emergency procedures in the event a hardware or software disaster occurs. The following items should be considered when developing the plan:
  - Location of data file and computer system backups.
  - The sequence in which employees are to be notified.
  - Who to notify for hardware and software support.
  - Processing priorities to follow.
- As the building is undergoing major renovation, the District should consider installing a keypad to control access to the computer room. In addition, eating and drinking should be restricted around the computer equipment.

Current Status

See current year Findings and Recommendations.

6. CASH DISBURSEMENTS

Findings

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

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

GENERAL (Continued)

6. **CASH DISBURSEMENTS** (Continued)

Findings (Continued)

- Confirming Requisitions are used for invoices over $700 and invoices are paid from the Confirming Requisitions without a purchase order. This allows for duplicate payment of invoices, as the receiving copy of a purchase order could be presented separately from a Confirming Requisition. Currently, approximately 80% to 85% of all warrants are processed through Confirming Requisitions.

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

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

Recommendations

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

- Data entry personnel should not have access to the check signing machine. A count of warrants is essential to detect unauthorized use of the check signing machine. To reduce the risk of unauthorized use, the new check signing machine should be used and the function performed under dual custody.

  Current Status

  See current year Findings and Recommendations.

- All purchases should require a purchase order.

  Current Status

  Implemented.

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

  Current Status

  Implemented.

GENERAL (Continued)

7. CASH DISBURSEMENTS - ASSOCIATED STUDENT BODY

Finding

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

Recommendation

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

Current Status

See current year Findings and Recommendations.

8. CASH RECEIPTS

Findings

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

- The cash receipts log implemented by the District is not reconciled to the deposit permits and therefore provides no assurance that all checks received in the District Office have been properly deposited. The cash receipts log does not reference corresponding deposit permits.

- Cash receipts are posted to the general ledger almost two months subsequent to the deposit permit. This provides inaccurate bank reconciliation support and incomplete information for budget monitoring procedures. Without the timely input of cash receipts, personnel are unable to appropriately monitor their funds.

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

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

GENERAL (Continued)

8. **CASH RECEIPTS** (Continued)

Findings (Continued)

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

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

Recommendations

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

- All funds received at the District Office should be recorded in a cash receipts log. The log should be reconciled to each deposit and the date of the deposit should be documented.

  Current Status

  Implemented.

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

  Current Status

  See current year Findings and Recommendations.

- All register tapes should be maintained, in a orderly fashion, to provide adequate support for the cafeteria's annual revenues.

  Current Status

  Implemented.

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

  Current Status

  See current year Findings and Recommendations.

GENERAL (Continued)

8. CASH RECEIPTS (Continued)

Recommendations (Continued)

- A formalized written policy should be developed and enforced to ensure sales do not occur after business hours.

  Current Status

  Implemented.

- The District should ensure that controls are in place to properly support all cash transactions at remote collection sites throughout the District.

  Current Status

  Implemented.

9. ACCOUNTS RECEIVABLE

Finding

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

Recommendation

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

Current Status

See current year Findings and Recommendations.

10. ACCOUNTS PAYABLE

Finding

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

GENERAL (Continued)

10. ACCOUNTS PAYABLE (Continued)

Recommendation

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

Current Status

Implemented.

11. PAYROLL/PERSONNEL

Findings

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

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

GENERAL (Continued)

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

Recommendations

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

- On a test basis, the Internal Auditor should review newly hired personnel per the PY91.

  Current Status

  See current year Findings and Recommendations.

- The Payroll Manager should not have authority to input payroll information. If access cannot be limited, periodic surprise audits of selected personnel files should be performed by the Internal Auditor.

  Current Status

  See current year Findings and Recommendations.

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

  Current Status

  See current year Findings and Recommendations.

- Although turnover for student employees is high, personnel files should be maintained for all personnel employed by the District.

  Current Status

  District-maintained master file for all student employees deemed adequate.

- Documentation supporting the object code to which each employee's salary and benefits is charged should be maintained in each employee's personnel file and updated as required.

  Current Status

  See current year Findings and Recommendations.

GENERAL (Continued)

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

Recommendations (Continued)

- We recommend that the accounting department reconcile the Health & Welfare Account to ensure adjustments made by the payroll department are properly reflected on the general ledger.

  Current Status

  Implemented.

12. **GENERAL FIXED ASSET ACCOUNT GROUP**

Finding

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

Recommendation

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

Current Status

See current year Findings and Recommendations.

13. **BOOKSTORE INVENTORY CUT-OFF/WRITE OFF**

Findings

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

- The Diablo Valley College and Los Medanos College bookstores do not maintain shipping and receiving logs which contain pertinent information with which to identify inventory received or shipped.
- Inventory cut-off testing revealed that several invoices were noted as goods received prior to June 30, 1997, but the goods and liability were not recorded as inventory and accounts payable until October, 1997.
- Obsolete inventory at Contra Costa College is not properly written off. As obsolete inventory is not included in the physical inventory, the adjustment for shrinkage includes the amount which should have been written off as obsolete inventory.

GENERAL (Continued)

13. BOOKSTORE INVENTORY CUT-OFF/WRITE OFF (Continued)

Recommendations

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

- To ensure that inventory shipments and receipts are recorded in the proper period, items shipped and received should immediately be entered into a shipping and receiving log. The log should include the vendor, number of items shipped or received, date shipped or received, purchase order number and packing slip number.
- To ensure inventory and any related liabilities are properly recorded in the District's general ledger, invoices must be presented and posted timely.
- Obsolete inventory should be immediately written off the books and not recorded as shrinkage.

Current Status

Implemented.

14. ACCESS TO ASSETS

Finding

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

Recommendation

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

Current Status

Implemented.

STATE COMPLIANCE

15. ATTENDANCE

Findings

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

- Students may register for the following semester and ultimately receive grades for those classes even if they are notified of a formal dismissal by the college. Holds placed on the system for student dismissals only affect future registration actions and do not affect classes already enrolled by the student, registration information or grade reports currently entered to the system.

- The required data element "Number of Days" was not present on the positive attendance tabulation document "Detail Apportionment Listings". Additionally, the number of days that the class is scheduled to meet was not properly presented on the Apprenticeship positive attendance tabulation document "Detail Apportionment Listing".

- Currently, students are permitted to enroll in short-term classes after the class census date. Consequently, these students are not included in the CCFS-320.

- Diablo Valley College and Los Medanos College are not obtaining and maintaining the signed first census reports from all instructors. Instructors are required to return the census reports only if they wish to initiate changes, i.e., drops/withdrawals. As a result, Diablo Valley College and Los Medanos College are not in full compliance with State attendance reporting requirements.

- Grade report data entry is not reviewed for accuracy by the instructor or anyone at the District. This would allow a data entry error to go unnoticed. Students could inadvertently be given credit for a higher grade than achieved or credit for a course in which it was not earned.

- All admissions and records employees have access to override the system for dismissed students. No supervisory approval is required for this override.

- Instructors back date student drop cards.

STATE COMPLIANCE (Continued)

15. **ATTENDANCE** (Continued)

Recommendations

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

- We recommend that the Data Processing department modify the hold status on the system to prevent including dismissed students on the census reports.

  Current Status

  Implemented.

- All required data elements should be appropriately included on the tabulation documents to ensure compliance with State guidelines.

  Current Status

  Implemented.

- Classes and related enrollment dates should be scheduled to ensure that enrollment occurs before the first census date to maximize revenue to the District. Enrollment exceptions after the census dates for short-term classes should require management authorization.

  Current Status

  Implemented.

- The Admissions and Records department should obtain and maintain the first census rosters, signed by the respective instructors, to provide an appropriate audit trail for the calculation of apportionment revenue.

  Current Sfatus

  See current year Findings and Recommendations.

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

  Current Status

  See current year Findings and Recommendations.

STATE COMPLIANCE (Continued)

15. ATTENDANCE (Continued)

Recommendations (Continued)

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

  Current Status

  Implemented.

- When an instructor identifies a student as a no show for the semester, the instructor should not initiate a drop for the student. In this instance, it is the student's responsibility to drop the course.

  Current Status

  No change to current procedures deemed necessary.

16. ALLOCATION OF COSTS

Finding

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

Recommendation

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

Current Status

See current year Findings and Recommendations.

STATE COMPLIANCE (Continued)

17. EDGAR

Findings

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

- Property records, that include certain required minimum identifiers, such as an accurate description of the equipment, manufacturer's serial number, and acquisition date, be maintained for each item of equipment.

- A physical inventory of equipment should be performed and reconciled to property records on a continuous basis and reviewed by Federal program managers.

- A control system should be in place to ensure adequate safeguards to prevent loss, theft or damage of equipment.

Recommendation

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

Current Status

See current year Findings and Recommendations.

FEDERAL COMPLIANCE

18. VATEA

Finding

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

FEDERAL COMPLIANCE (Continued)

18. VATEA (Continued)

Recommendation

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

Current Status

Implemented.

19. STUDENT FINANCIAL AID

Findings

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

Recommendations

- An annual checklist detailing eligibility requirements should be completed to ensure the District is in compliance with Institution Eligibility Ratios. Procedures should be implemented to verify the completeness of the match.

  Current Status

  Student Financial Aid Commission indicated District is exempt from this calculation.

FEDERAL COMPLIANCE (Continued)

19. STUDENT FINANCIAL AID (Continued)

Recommendations (Continued)

- To provide for the correct funding of Federal Work Study, the match requirement calculated on the FISAP should be reviewed for accuracy by someone other than the preparer.

  Current Status

  Implemented.

- We recommend that future interfund activity between the General Fund and the Student Financial Aid Fund recognize revenues in the fund in which the expenditures were incurred.

  Current Status

  Implemented.

20. CASH MANAGEMENT

Findings

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

- The Federal clearing account, maintained by the District, included month end balances in excess of $10,000. Grantee financial management systems are required to have procedures in place to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of funds by the grantee. Generally, EFT draw downs of federal funds should not be held over three days.

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

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

FEDERAL COMPLIANCE (Continued)

20. CASH MANAGEMENT (Continued)

Recommendations

- Draw downs should be performed on a monthly basis.

  Current Status

  Implemented.

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

  Current Status

  Implemented.

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

  Current Status

  Implemented.

21. FINANCIAL REPORTING

Findings

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

- Substantial differences existed between the Federal Cash Transaction Report, PMS 272, and the reconciled balances of the Federal clearing account maintained by the District. The Federal Cash Transaction Report should reflect the activity of the Federal clearing account and be reconciled in a timely manner.
- The April PMS 272 contained a $147,349 adjustment for prior periods which consisted of over-disbursed Federal funds for the 94/95 and 95/96 Pell awards. This represents money the Federal government claims the District was not entitled to receive.
- Reporting between the three colleges and the District Office for Federal programs is not centralized.

FEDERAL COMPLIANCE (Continued)

21. **FINANCIAL REPORTING** (Continued)

Recommendations

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

  Current Status

  Implemented.

- The District should implement a policy to investigate over or under disbursements and make any necessary adjustments on a timely basis. Should the District be able to support their claim, they should reapply for reimbursement.

  Current Status

  Implemented.

- A formalized written policy should establish requirements for all Federal reporting requirements. The District should serve as the central reporting agent for the Student Financial Aid and other Federal programs. All reports and expenditure adjustments should be provided by the Colleges to the District for review and approval.

  Current Status

  See current year Findings and Recommendations.