

**CONTRA COSTA COMMUNITY
COLLEGE DISTRICT**

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

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the accompanying basic financial statements of Contra Costa Community College District (the "District"), as of and for the year ended June 30, 2012, and its discretely presented component units as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the District for the year ended June 30, 2011, were audited by other auditors whose report dated December 30, 2011, expressed an unqualified opinion on those statements.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Contra Costa Community College District (and its discretely presented component units), as of June 30, 2012, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principals generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 51 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District. The accompanying supplementary information, as listed in the table of contents, including the Schedule of Expenditure of Federal Awards, which is required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.



James Marta & Company
Certified Public Accountants
December 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

USING THE INDEPENDENT AUDITOR'S REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Contra Cost Community College District (the District) as of June 30, 2012. The report consists of three basic financial statements that provide information about the District as a whole:

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

This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Contra Costa Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and local Governments* and No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.

The Contra Costa, Diablo Valley, and Los Medanos Foundations (the Foundations) are legally separate, tax-exempt component units of the District. The Foundations act primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. Financial statements for the Foundations can be obtained from the Foundation's Business Offices at the respective colleges.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

FINANCIAL HIGHLIGHTS

The District's primary funding source is general revenue comprised of local property taxes, student enrollment fees, and apportionment received from the State of California, based upon student attendance. A basic allocation established by State regulations plus an amount per full time equivalent student (FTES) is the primary basis of the total general revenue. In 2011-12, CCCC received a basic allocation of \$134,290,868 and FTES was funded at \$4,565 per credit FTES and \$2,745 per non-credit FTES, the same as in 2010-11. The State's economic crisis had a multi-layered effect on community colleges. High unemployment prevailed and resulted in increased demand for enrollments at the same time that the State budget was continuing to see severe cuts in funding. Based on built-in triggers within the State budget, CCCC experienced an overall decline in resident FTES from 30,585 in 2010-11 to 28,622 in 2011-12 in response to the reduced funding level. Also, for the fifth consecutive year the State did not fund a cost of living adjustment (COLA).

Not including liability adjustments for other post-employment benefits or compensated absences, the District saw its salary costs year-over-year in the Unrestricted General Fund decrease by \$7.7 million while its benefit costs increased \$1.4 million. The salary cost decreases primarily affected hourly instructors and classified staff. In addition, the District saved on salary expenses through attrition by not replacing workers after they retired or left the District.

During the 2011-2012 fiscal year, the District provided in excess of \$35.3 million in financial aid to students attending classes at the three colleges. This aid was provided in the form of grants, scholarships, loans, and fee waivers funded through the Federal government, the State and local sources.

The District is continuing several construction and modernization projects at our three college campuses. Current projects commitments total \$42.1 million to be funded with the District's bond programs.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

THE DISTRICT AS A WHOLE

Table 1

Statement of Net Assets

ASSETS	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2010</u>	<u>Change</u>
Current Assets					
Cash and investments	\$ 125,319,161	\$ 162,589,024	\$ (37,269,863)	\$ 177,681,661	\$ (15,092,637)
Accounts receivable (net)	29,604,775	25,701,163	3,903,612	30,873,808	(5,172,645)
Other current assets	3,826,800	5,460,374	(1,633,574)	5,608,148	(147,774)
Total Current Assets	<u>158,750,736</u>	<u>193,750,561</u>	<u>(34,999,825)</u>	<u>214,163,617</u>	<u>(20,413,056)</u>
Other Assets	21,000,289	22,818,361	(1,818,072)	26,226,151	(3,407,790)
Capital assets (net)	306,850,595	288,051,220	18,799,375	275,468,985	12,582,235
Total Assets	<u>\$ 486,601,620</u>	<u>\$ 504,620,142</u>	<u>\$ (18,018,522)</u>	<u>\$ 515,858,753</u>	<u>\$ (11,238,611)</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 21,971,582	\$ 25,332,939	\$ (3,361,357)	\$ 34,591,512	\$ (9,258,573)
Amounts held in trust for others	-	-	-	-	-
Current portion of long-term debt	11,152,800	10,887,913	264,887	8,930,852	1,957,061
Total Current Liabilities	<u>33,124,382</u>	<u>36,220,852</u>	<u>(3,096,470)</u>	<u>43,522,364</u>	<u>(7,301,512)</u>
Long-term debt	264,963,505	278,923,273	(13,959,768)	283,966,698	(5,043,425)
Total Liabilities	<u>298,087,887</u>	<u>315,144,125</u>	<u>(17,056,238)</u>	<u>327,489,062</u>	<u>(12,344,937)</u>
NET ASSETS					
Invested in capital assets	141,405,691	139,134,751	2,270,940	146,929,444	(7,794,693)
Restricted	32,118,701	26,103,285	6,015,416	25,724,666	378,619
Unrestricted	14,989,341	24,237,981	(9,248,640)	15,715,581	8,522,400
Total Net Assets	<u>188,513,733</u>	<u>189,476,017</u>	<u>(962,284)</u>	<u>188,369,691</u>	<u>1,106,326</u>
Total Liabilities and Net Assets	<u>\$ 486,601,620</u>	<u>\$ 504,620,142</u>	<u>\$ (18,018,522)</u>	<u>\$ 515,858,753</u>	<u>\$ (11,238,611)</u>

Cash and investments consist primarily of funds held in the Contra Costa County Treasury and the Local Agency Investment Fund (LAIF). The changes in our cash position are explained in the Statement of Cash Flows on pages 13 and 14.

Much of the unrestricted net assets have been designated by the Board or by contracts for such purposes as our required general reserve for ongoing financial health, commitments on contracts, other post-employment benefits, and auxiliary services reserves.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 12.

Table 2

OPERATING REVENUES	2012	2011	Change	2010	Change
Tuition and fees	\$ 27,370,113	\$ 24,895,127	\$ 2,474,986	\$ 24,929,345	\$ (34,218)
Auxiliary sales, charges and other	13,090,209	13,787,568	(697,359)	14,490,517	(702,949)
Total Operating Revenues	<u>40,460,322</u>	<u>38,682,695</u>	<u>1,777,627</u>	<u>39,419,862</u>	<u>(737,167)</u>
OPERATING EXPENSES					
Salaries and benefits	151,668,485	164,562,501	(12,894,016)	164,004,497	(176,898,513)
Supplies and other expenses	73,352,523	69,627,055	3,725,468	68,510,796	(64,785,328)
Depreciation	11,262,943	10,966,336	296,607	9,800,292	(9,503,685)
Total Operating Expenses	<u>236,283,951</u>	<u>245,155,892</u>	<u>(8,871,941)</u>	<u>242,315,585</u>	<u>(251,187,526)</u>
Loss on operations	<u>(195,823,629)</u>	<u>(206,473,197)</u>	<u>10,649,568</u>	<u>(202,895,723)</u>	<u>213,545,291</u>
NONOPERATING REVENUES					
State apportionments	56,478,893	66,153,449	(9,674,556)	67,963,777	(77,638,333)
Property taxes	89,564,637	86,032,914	3,531,723	85,766,697	(82,234,974)
State revenues	19,890,976	22,704,444	(2,813,468)	24,576,399	(27,389,867)
Federal revenues	37,774,696	36,890,097	884,599	32,533,611	(31,649,012)
Net interest expense	(8,390,466)	(10,042,132)	1,651,666	(5,293,765)	6,945,431
Other nonoperating revenues	(1,677,235)	4,052,626	(5,729,861)	(14,634,696)	8,904,835
Total Nonoperating Revenue	<u>193,641,501</u>	<u>205,791,398</u>	<u>(12,149,897)</u>	<u>190,912,023</u>	<u>(203,061,920)</u>
OTHER REVENUES			-		-
State and local capital income	-	1,788,125	(1,788,125)	3,858,428	(5,646,553)
Net increase in Net Assets	<u>\$ (2,182,128)</u>	<u>\$ 1,106,326</u>	<u>\$ (3,288,454)</u>	<u>\$ (8,125,272)</u>	<u>\$ 4,836,818</u>

During the 2011-2012 fiscal year, the District contributed \$8,800,000 to an irrevocable trust for employee benefits. The prior year benefit expense amounts included increases for annual unfunded retirement costs, whereas, the current year unfunded change is significantly smaller than prior years due to the first time funding of this irrevocable trust.

As previously stated, the District's primary funding comes from general revenue comprised of local property taxes, student enrollment fees, and State apportionment. In 2011-12, Contra Costa County's property revenue increased after years of declining receipts. Enrollment fees for CCCC show an increase despite the enrollment decline based upon an increase in the fee itself. In addition, the District experienced a 9% increase in non-resident FTES, from 2,106 in 2010-11 to 2,291 in 2011-12. Revenue from non-resident tuition is retained by the District.

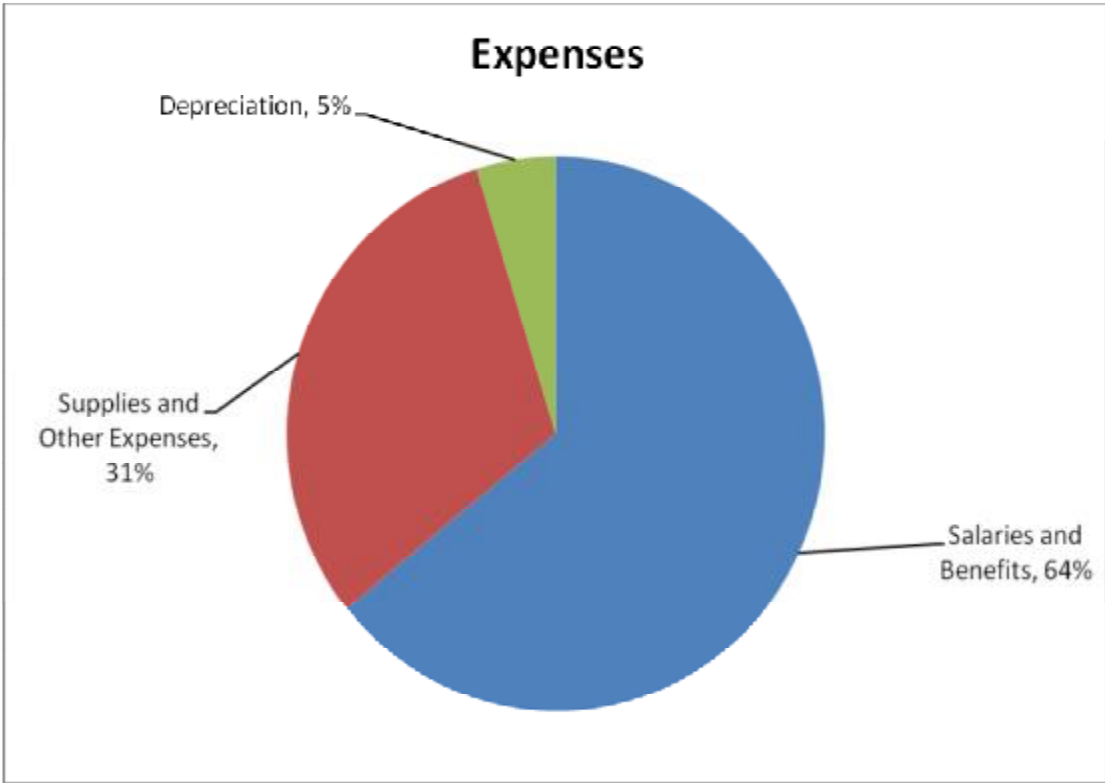
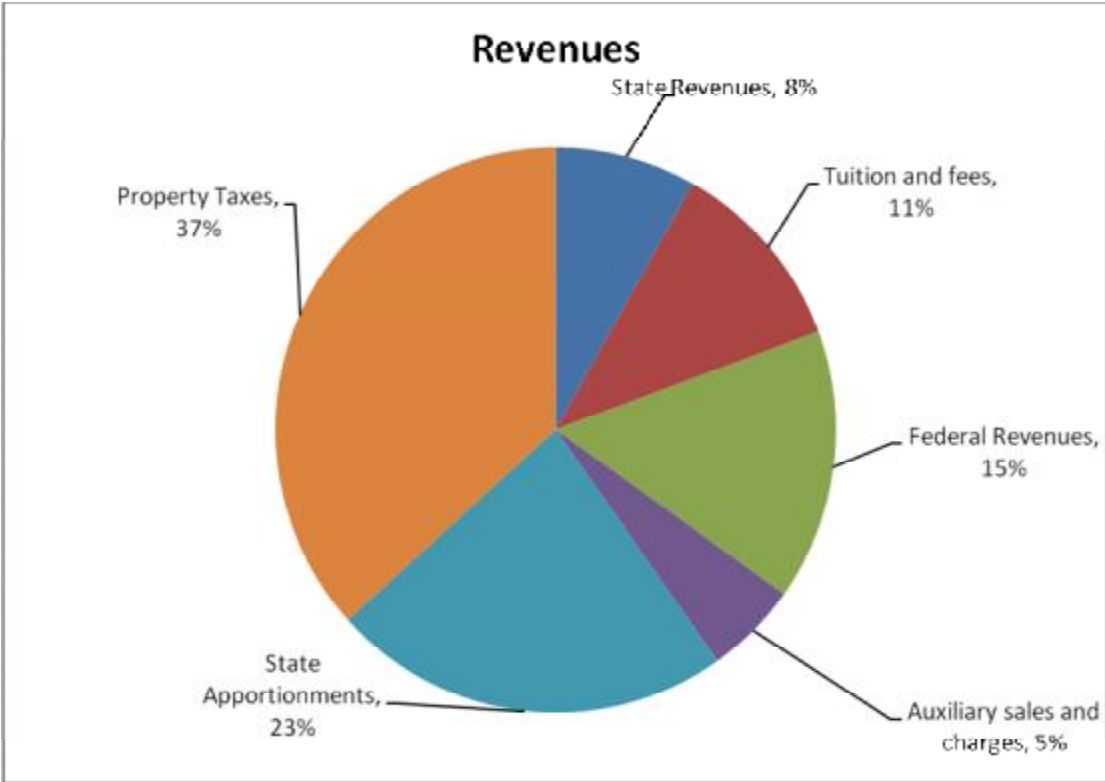
Auxiliary revenue consists of bookstore and cafeteria net revenues, as well as information technology services provided to Contra Costa County Office of Education and certain K-12 school districts. The three college campuses each maintain their own bookstores and cafeterias to provide services to the students and faculty of the college. The operations are self-supporting and contribute to the student programs on each campus.

Federal and state revenues relate primarily to student financial aid as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012



CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Based on the 311 Annual Financial and Budget Report, the District increased its percentage spent on direct instruction from 52.99% in fiscal year 2010-11 to 53.50% in fiscal year 2011-12.

Table 3

Changes in Cash Position

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2010</u>	<u>Change</u>
Cash Provided by (Used in)					
Operating Activities	\$ (203,369,339)	\$ (200,935,001)	\$ (2,434,338)	\$ (196,445,959)	\$ (4,489,042)
Noncapital financing activities	189,975,448	201,963,532	(11,988,084)	190,560,451	11,403,081
Capital financing activities	(28,123,628)	(20,481,084)	(7,642,544)	65,003,591	(85,484,675)
Investing activities	<u>5,768,029</u>	<u>1,305,232</u>	<u>4,462,797</u>	<u>3,530,808</u>	<u>(2,225,576)</u>
Net Increase (Decrease) in Cash	(35,749,490)	(18,147,321)	(17,602,169)	62,648,891	(80,796,212)
Cash, Beginning of Year	159,534,340	177,681,661	(18,147,321)	115,032,770	62,648,891
Prior period adjustment	1,219,844	-	1,219,844	-	-
Cash, End of Year	<u>\$ 125,004,694</u>	<u>\$ 159,534,340</u>	<u>\$ (34,529,646)</u>	<u>\$ 177,681,661</u>	<u>\$ (18,147,321)</u>

The Statement of Cash Flows on pages 13 and 14 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. Our primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment revenues and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the college's programs and services – our students. The District depends upon this funding to continue the current level of operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$306.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2011, our net capital assets were \$288.0 million. The District is currently in the middle of a major capital improvement program with construction ongoing throughout the college campuses. These projects are primarily funded through our general obligation bonds resulting from voter-approved Measure A 2002 and Measure A 2006. These projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be brought in to the depreciable Buildings and Improvement category.

Capital projects are continuing through the 2012-2013 fiscal year and beyond with primary funding through our general obligation bond.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Table 4

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 35,633,967	\$ 35,708,595	\$ 10,915,248	\$ 60,427,314
Buildings and improvements	329,013,441	4,224,201	-	333,237,642
Furniture and equipment	48,949,205	1,082,497	1,159,906	48,871,796
Subtotal	413,596,613	41,015,293	12,075,154	442,536,752
Accumulated depreciation	(125,545,393)	(11,262,943)	(1,122,179)	(135,686,157)
	<u>\$ 288,051,220</u>	<u>\$ 29,752,350</u>	<u>\$ 10,952,975</u>	<u>\$ 306,850,595</u>

Obligations

At the end of the 2011-2012 fiscal year, the District had \$224 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Contra Costa Community College District boundaries. Other obligations for the District includes Certificates of Participation issued to fund the student center and bookstore building project at Diablo Valley College and Note Payable to fund energy retrofitting projects and a three-year repayment agreement with the State Chancellor's Office for over-reported FTES in prior years related to instructional services agreements.

In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits, retiree benefits, and lease purchase agreements for equipment.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 237,095,000	\$ 38,595,000	\$ 51,705,000	\$ 223,985,000
COPs and notes payable	925,000	-	70,000	855,000
OPEB (retiree benefits)	30,162,340	16,704,783	19,276,622	27,590,501
Other liabilities	21,628,846	5,142,650	3,085,692	23,685,804
Total Long-Term Debt	<u>\$ 289,811,186</u>	<u>\$ 60,442,433</u>	<u>\$ 74,137,314</u>	<u>\$ 276,116,305</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Governing Board adopted the final amendment to the budget for the 2011-2012 fiscal year on September 12, 2012.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Within the Unrestricted General Fund, operating costs continue to increase. Approximately 86% of the District budget is directed to labor-related costs and many components are experiencing predictable annual increases. Unfortunately, the revenue stream for the State Budget has not kept pace with these increases. To minimize a structural deficit, the District has reduced course offerings and personnel to align expenditures with FTES revenue. The reduction in course offerings has resulted in higher faculty productivity, allowing higher enrollments than would have been seen in previous years.

The District has continued to set aside funding for post-retirement employment benefits and contributed \$8.8 million in 2011-12 to the irrevocable trust established in 2008-09 for this purpose. An additional \$8.8 million will be contributed in 2012-13. A reserve is set aside in Fund 69 (Retiree Health Benefits Reserve Fund) that will fund the irrevocable trust for approximately two more years. The total present value of retiree health benefits per the 2011 actuarial is \$217,406,689.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE CONTRA COSTA COMMUNITY COLLEGE DISTRICT

The economic position of the District is closely tied to the State of California as general revenue is allocated to the District represents the majority of the total unrestricted sources of revenues within the General Fund. The State approved a 2012-13 budget based on many uncertainties and provided "budget triggers" that would reduce community college funding mid-year if revenues fail to materialize. The District conservatively budgeted for these mid-year cuts but with Proposition 30 passing, the District will be able to add back courses and have relatively stable, yet flat, funding for the coming few years.

Student enrollment fees increased from \$36/unit to \$46/unit effective Summer 2012. The effects of these large percentage increases in enrollment fees have not yet stymied demand for our course offerings.

Despite the declining State revenues, the CCCCDD Governing Board has conservatively maintained the District's reserves in anticipation of continuing difficult economic conditions. A District wide minimum reserve of 5%, a Board Contingency Reserve of 5%, plus college-level reserves and Proposition 30 passing are expected to yield a \$31 million ending fund balance in 2012-13.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information contact the Contra Costa Community College District, Finance Department, (925) 229-1000.

FINANCIAL SECTION

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT**

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 22,370,342	\$ 17,937,705
Restricted cash and cash equivalents	102,634,352	141,596,635
Investments - current portion	314,467	3,054,684
Accounts receivable, net	29,604,775	25,701,163
Due from fiduciary funds	66,295	164,274
Notes receivable - current portion	-	266,732
Prepaid expenses	1,446,895	2,457,874
Stores inventories	2,220,634	2,482,274
Deferred Charges - current portion	92,976	89,220
Total Current Assets	<u>158,750,736</u>	<u>193,750,561</u>
Noncurrent Assets		
Investments - noncurrent portion	19,315,973	21,097,400
Deferred charges - noncurrent portion	1,684,316	1,720,961
Nondepreciable capital assets	60,427,314	35,633,967
Depreciable capital assets, net of depreciation	246,423,281	252,417,253
Total Noncurrent Assets	<u>327,850,884</u>	<u>310,869,581</u>
Total Assets	<u>486,601,620</u>	<u>504,620,142</u>
LIABILITIES		
Current Liabilities		
Accounts payable	9,505,170	9,251,517
Interest payable	4,191,332	5,456,984
Claims payable	15,206	42,480
Due to fiduciary funds	47,892	2,611,054
Deferred revenue	8,211,982	7,970,904
Long-term liabilities - current portion	11,152,800	10,887,913
Total Current Liabilities	<u>33,124,382</u>	<u>36,220,852</u>
Noncurrent Liabilities		
Compensated absences payable	13,352,175	13,978,339
OPEB Liability	27,590,501	30,162,340
Long-term liabilities - noncurrent portion	224,020,829	234,782,594
Total Noncurrent Liabilities	<u>264,963,505</u>	<u>278,923,273</u>
Total Liabilities	<u>298,087,887</u>	<u>315,144,125</u>
NET ASSETS		
Invested in capital assets, net of related debt	141,405,691	139,134,751
Restricted for:		
Debt service	21,620,208	17,115,995
Capital projects	9,824,319	8,175,250
Educational programs	475,490	606,159
Other Activities	198,684	205,881
Unrestricted	14,989,341	24,237,981
Total Net Assets	<u>\$ 188,513,733</u>	<u>\$ 189,476,017</u>

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PRIMARY GOVERNMENT**

FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Student Tuition and Fees		
Net of scholarship discount and allowance	\$ 27,370,113	\$ 24,895,127
Auxiliary Enterprise Sales and Charges		
Bookstore	10,995,119	11,533,879
Cafeteria	884,642	1,054,349
Other enterprise	1,210,448	1,199,340
Total Operating Revenues	<u>40,460,322</u>	<u>38,682,695</u>
OPERATING EXPENSES		
Salaries	110,048,591	118,309,311
Employee benefits	41,619,894	46,253,190
Supplies and Materials	4,003,669	4,380,490
Services and other operating costs	34,007,224	30,889,590
Student financial aid	35,341,630	34,356,975
Depreciation	11,262,943	10,966,336
Total Operating Expenses	<u>236,283,951</u>	<u>245,155,892</u>
Operating Income (loss)	<u>(195,823,629)</u>	<u>(206,473,197)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	56,478,893	66,153,449
Local property taxes, levied for general purposes	68,380,326	66,602,537
Taxes levied for other specific purposes	21,184,311	19,430,377
Federal revenues	37,774,696	36,890,097
State revenues, other	19,156,943	21,905,334
State taxes and other revenues	734,033	799,110
Investment income	1,048,147	1,005,819
Unrealized gains (losses)	65,740	299,413
Interest expense on capital related debt	(9,504,353)	(11,381,299)
Investment income on capital asset-related debt, net	-	33,935
Transfer from agency fund	261,841	266,559
Transfer to agency fund	(8,869,969)	(9,100,763)
Other nonoperating revenue	6,930,894	12,886,830
Total Nonoperating Revenues (Expenses)	<u>193,641,501</u>	<u>205,791,398</u>
Income (Loss) Before Other Revenues and Expenses	<u>(2,182,128)</u>	<u>(681,799)</u>
OTHER REVENUES AND EXPENSES		
State revenues, capital	-	240,747
Local revenues, capital	-	1,547,378
Total Other Income	<u>-</u>	<u>1,788,125</u>
CHANGE IN NET ASSETS	<u>(2,182,128)</u>	<u>1,106,326</u>
NET ASSETS, BEGINNING OF YEAR, as originally reported	189,476,017	188,369,691
Prior period adjustment	1,219,844	-
NET ASSETS, BEGINNING OF YEAR, as restated	<u>190,695,861</u>	<u>188,369,691</u>
NET ASSETS, END OF YEAR	<u>\$ 188,513,733</u>	<u>\$ 189,476,017</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
PRIMARY GOVERNMENT**

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Tuition and fees	\$ 26,669,378	\$ 24,733,457
Payments to vendors for supplies and services	(38,678,714)	(33,857,168)
Payments to or on behalf of employees	(167,521,112)	(168,734,208)
Payments to students for scholarships and grants	(35,341,630)	(34,239,393)
Auxiliary enterprise sales and charges	12,948,340	13,787,568
Other operating receipts (payments)	(1,445,601)	(2,625,257)
Net cash flows from operating activities	<u>(203,369,339)</u>	<u>(200,935,001)</u>
Cash flows from noncapital financing activities		
State apportionments	53,385,830	67,901,043
Property taxes - non debt related	68,380,326	66,602,537
Federal grants and contracts	35,192,362	35,978,395
State grants and contracts	16,561,523	21,870,751
Local grants and contracts	3,151,425	2,219,952
Other nonoperating	13,303,982	7,390,854
Net cash flows from noncapital financing activities	<u>189,975,448</u>	<u>201,963,532</u>
Cash flows from capital financing activities		
Purchase of capital assets	(27,251,582)	(24,231,442)
State revenue, capital projects	-	240,747
Local revenue, capital projects	-	1,547,379
Property taxes - related to capital debt	21,184,311	19,430,377
Net change in OPEB	(2,571,839)	1,272,673
Principal paid on capital debt	(8,780,253)	(8,765,000)
Interest paid on capital debt	(10,704,265)	(10,009,753)
Interest received on capital asset related debt	-	33,935
Net cash flows from capital financing activities	<u>(28,123,628)</u>	<u>(20,481,084)</u>
Cash flows from investing activities		
Proceeds from sales/maturity of investments	8,201,743	299,413
Purchase of investments	(3,614,359)	-
Interest income received	1,180,645	1,005,819
Net cash flows from investing activities	<u>5,768,029</u>	<u>1,305,232</u>
Net change in cash and equivalents	<u>(35,749,490)</u>	<u>(18,147,321)</u>
Cash and equivalents, beginning of year, as originally reported	159,534,340	177,681,661
Prior period adjustment	1,219,844	-
Cash and equivalents, beginning of year, as restated	<u>160,754,184</u>	<u>177,681,661</u>
Cash and equivalents, end of year	<u>\$ 125,004,694</u>	<u>\$ 159,534,340</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS (CONTINUED)
PRIMARY GOVERNMENT**

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of net operating loss to net cash		
Flows from operating activities		
Operating loss	\$ (195,823,629)	\$ (206,473,197)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	11,262,943	10,966,336
(Increase) decrease in:		
Accounts receivable	(8,028,006)	(740,538)
Stores inventories	261,640	322,444
Prepaid expenses	1,010,979	(137,718)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(8,675,257)	1,377,355
Deferred revenue	(814,847)	525,384
Funds held for others	(2,563,162)	(6,775,067)
Net cash flows from operating activities	<u>\$ (203,369,339)</u>	<u>\$ (200,935,001)</u>
 Cash and cash equivalents consist of the following:		
Cash in banks	\$ 333,660	\$ 328,629
Cash in county treasury	100,501,885	129,239,630
Cash in LAIF	24,169,149	29,966,081
Total cash and cash equivalents	<u>\$ 125,004,694</u>	<u>\$ 159,534,340</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2012 AND 2011

	<u>2012</u>		<u>2011</u>	
	<u>Trust</u>	<u>Agency</u>	<u>Trust</u>	<u>Agency</u>
ASSETS				
Cash and cash equivalents	\$ 492,766	\$ 2,212,092	\$ 495,584	\$ 2,119,663
Investments	39,662,171	-	28,009,468	-
Accounts receivable	593	10,155	31,800	10,902
Due from other funds	430	47,462	2,281,116	68,884
Total Assets	<u>40,155,960</u>	<u>2,269,709</u>	<u>30,817,968</u>	<u>2,199,449</u>
LIABILITIES				
Accounts payable	-	168,398	6,021	240,914
Due to other funds	-	66,295	-	164,274
Due to student groups	-	2,035,016	-	1,794,261
Total Liabilities	<u>-</u>	<u>\$ 2,269,709</u>	<u>6,021</u>	<u>\$ 2,199,449</u>
NET ASSETS				
Reserved	<u>\$ 40,155,960</u>		<u>\$ 30,811,947</u>	

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u> <u>Trust</u>	<u>2011</u> <u>Trust</u>
ADDITIONS		
Investment income	\$ 662,973	\$ 2,423,544
DEDUCTIONS		
Services and operating expenditures	118,960	70,450
OTHER FINANCING SOURCES (USES)		
Operating transfers in	8,800,000	9,100,000
Change in net assets	9,344,013	11,453,094
Net Assets - Beginning of Year	30,811,947	19,358,853
Net Assets - End of Year	<u>\$ 40,155,960</u>	<u>\$ 30,811,947</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNITS –
CONTRA COSTA, DIABLO VALLEY, AND LOS MEDANOS
COLLEGE FOUNDATIONS

JUNE 30, 2012

ASSETS	Contra Costa College	Diablo Valley College	Los Medanos College	Total
Current Assets:				
Cash and cash equivalents	\$ 1,107,830	\$ 397,210	\$ 441,263	\$ 1,946,303
Investments	1,232,904	2,778,690	512,498	4,524,092
Prepaid Expenses	-	42,202	-	42,202
Total Current Assets	2,340,734	3,218,102	953,761	6,512,597
Long Term Assets				
Investments	-	-	121,000	121,000
Property and Equipment, net of accumulated depreciation	-	-	361	361
Total Assets	\$ 2,340,734	\$ 3,218,102	\$ 1,075,122	\$ 6,633,958
 LIABILITIES				
Current Liabilities:				
Accounts payable	\$ -	\$ 31,072	\$ -	\$ 31,072
Deferred revenue	-	184,000	-	184,000
Funds held for others	354,807	-	602,302	957,109
Payroll Liabilities	-	-	1,114	1,114
Total Liabilities	354,807	215,072	603,416	1,173,295
 NET ASSETS				
Unrestricted	1,179,498	294,631	37,121	1,511,250
Temporarily restricted	271,189	1,545,625	434,585	2,251,399
Permanently restricted	535,240	1,162,774	-	1,698,014
Total Net Assets	1,985,927	3,003,030	471,706	5,460,663
Total Liabilities and Net Assets	\$ 2,340,734	\$ 3,218,102	\$ 1,075,122	\$ 6,633,958

CONTRA COSTA COMMUNITY COLEGE DISTRICT

**STATEMENT OF ACTIVITIES – CASH BASIS
DISCRETELY PRESENTED COMPONENT UNIT –
CONTRA COSTA COLLEGE FOUNDATION**

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
REVENUES				
Donations	\$ 261,459	\$ 133,698	\$ 10,126	\$ 405,283
Program income	-	5,767	-	5,767
Event income, net of expenses	42,404	-	-	42,404
Investment income	35,143	21,018	-	56,161
Satisfaction of program restrictions	91,461	(91,461)	-	-
Total revenues	<u>430,467</u>	<u>69,022</u>	<u>10,126</u>	<u>509,615</u>
EXPENSES				
Program services	360,973	-	-	360,973
Management and general	3,400	-	-	3,400
Fundraising	-	-	-	-
Total expenses	<u>364,373</u>	<u>-</u>	<u>-</u>	<u>364,373</u>
CHANGE IN NET ASSETS	66,093	69,022	10,126	145,241
NET ASSETS, BEGINNING OF YEAR	<u>1,113,405</u>	<u>202,167</u>	<u>525,114</u>	<u>1,840,686</u>
NET ASSETS END OF YEAR	<u>\$ 1,179,498</u>	<u>\$ 271,189</u>	<u>\$ 535,240</u>	<u>\$ 1,985,927</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT –
DIABLO VALLEY COLLEGE FOUNDATION**

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Donations	\$ 69,429	\$ 311,253	\$ 16,387	\$ 397,069
College in-kind support	127,506	-	-	127,506
Other in-kind donations	3,271	-	-	3,271
Event income, net of expenses	101,584	-	-	101,584
Investment loss	(79,717)	-	-	(79,717)
Other income	2,164	-	-	2,164
Satisfaction of program restrictions	393,783	(372,163)	(21,620)	-
Total revenues	<u>618,020</u>	<u>(60,910)</u>	<u>(5,233)</u>	<u>551,877</u>
EXPENSES				
Program services	453,122	-	-	453,122
Management and general	191,207	-	-	191,207
Fundraising	49,739	-	-	49,739
Total expenses	<u>694,068</u>	<u>-</u>	<u>-</u>	<u>694,068</u>
CHANGE IN NET ASSETS	(76,048)	(60,910)	(5,233)	(142,191)
NET ASSETS, BEGINNING OF YEAR	<u>370,679</u>	<u>1,606,535</u>	<u>1,168,007</u>	<u>3,145,221</u>
NET ASSETS, END OF YEAR	<u>\$ 294,631</u>	<u>\$ 1,545,625</u>	<u>\$ 1,162,774</u>	<u>\$ 3,003,030</u>

CONTRA COSTA COMMUNITY COLEGE DISTRICT

**STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT –
LOS MEDANOS COLLEGE FOUNDATION**

FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	2012 Total
REVENUES			
Donations	\$ 66,162	\$ 520,705	\$ 586,867
College in kind support	207,045	-	207,045
Event income, net of expenses	2,677	-	2,677
Interest income	497	725	1,222
Other income	15,243	-	15,243
Satisfaction of program restrictions	420,209	(420,209)	-
Total revenues	<u>711,833</u>	<u>101,221</u>	<u>813,054</u>
EXPENSES			
Program services	446,883	78,813	525,696
Management and general	264,353	-	264,353
Fundraising	1,144	-	1,144
Total expenses	<u>712,380</u>	<u>78,813</u>	<u>791,193</u>
CHANGE IN NET ASSETS	<u>(547)</u>	<u>22,408</u>	<u>21,861</u>
NET ASSETS, BEGINNING OF YEAR AS ORIGINALLY REPORTED	246,587	415,525	662,112
PRIOR PERIOD ADJUSTMENT	<u>(208,919)</u>	<u>(3,348)</u>	<u>(212,267)</u>
NET ASSETS, BEGINNING OF YEAR AS RESTATED	<u>37,668</u>	<u>412,177</u>	<u>449,845</u>
NET ASSETS END OF YEAR	<u>\$ 37,121</u>	<u>\$ 434,585</u>	<u>\$ 471,706</u>

CONTRA COSTA COMMUNITY COLEGE DISTRICT
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNITS –
CONTRA COSTA, DIABLO VALLEY AND LOS MEDANOS
COLLEGE FOUNDATIONS

FOR THE YEAR ENDED JUNE 30, 2012

	Contra Costa College	Diablo Valley College	Los Medanos College	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 145,241	\$ (142,191)	\$ 21,861	\$ 24,911
Adjustment to reconcile change in net assets to net cash provided by operating activities:				
Net realized/unrealized gain on investments	-	133,905	-	133,905
Deprecation	-	-	290	290
Change in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	-	1,193	-	1,193
Prepaid expenses	-	(29,462)	24,188	(5,274)
Pledges receivable	-	-	500	500
(Decrease) increase in:				
Accounts payable	-	14,544	1,114	15,658
Deferred revenue	-	2,420	-	2,420
Funds held for others	32,582	-	79,314	111,896
Net cash provided (used) by operating activities	<u>177,823</u>	<u>(19,591)</u>	<u>127,267</u>	<u>285,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments	-	1,041,925	-	1,041,925
Proceeds from maturities of investments	-	27,014	334	27,348
Purchases of investments	(178,741)	(1,129,138)	-	(1,307,879)
Interest received from Investments	56,161	-	-	56,161
Net cash provided (used) in investing activities	<u>(122,580)</u>	<u>(60,199)</u>	<u>334</u>	<u>(182,445)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	55,243	(79,790)	127,602	103,055
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 1,052,587</u>	<u>477,000</u>	<u>313,661</u>	<u>1,843,248</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,107,830</u></u>	<u><u>\$ 397,210</u></u>	<u><u>\$ 441,263</u></u>	<u><u>\$ 1,946,303</u></u>
Supplemental Disclosure on Noncash Investing Activities				
Donated Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,930</u>	<u>\$ 196,930</u>
Donated equipment and supplies	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,115</u>	<u>\$ 10,115</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

1. ORGANIZATION

A. FINANCIAL REPORTING ENTITY

The Contra Costa Community College District (the District) was established in 1948 and began operating in 1949 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected six-member Governing Board form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates three colleges, Diablo Valley College located in Pleasant Hill, Contra Costa College located in San Pablo, and Los Medanos College located in Pittsburg. In addition, there are two satellite centers located within Contra Costa County, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

B. COMPONENT UNITS

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the financing corporation component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District. The Financing Corporation's financial activity is presented in the financial statements in the Capital Project and the Debt Service Funds. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Financing Corporation.

The District also applies GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

B. COMPONENT UNITS (CONTINUED)

The component units determined under GASB Statement No. 39, although legally separate tax-exempt entities, are reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District; the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; and the economic resources received from or held by the individual organization are significant to the District.

The discretely presented component units are as follows:

- Contra Costa College, Diablo Valley College and Los Medanos College Foundations

The Contra Costa College, Diablo Valley College, and Los Medanos College Foundations (the Foundations) are legally separate, tax-exempt component units of the District. The Foundations act primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The boards of the Foundations consist of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the District by the donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of, the District, the Foundations are considered component units of the District. The Foundations are reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundations are not-for-profit organizations under the Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Board Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statement. The Contra Costa College Foundation reports its activities on the cash basis.

Financial statements for the Foundations can be obtained from the Foundation's Business Offices at each of the colleges.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. The presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligible requirements have been satisfied. Eligibility requirements may include time/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB Pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office's *Budget and Accounting Manual*.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets
 - Statement of Revenues, Expenses and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

A. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities three months or less from the date of acquisitions. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

B. INVESTMENTS

Investments held at June 30, 2012 and 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments are not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governmental or imposed by enabling legislation. Restricted assets represent investments required to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

C. ACCOUNTS RECEIVABLE

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$1,326,000 as of June 30, 2012 and 2011.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

D. PREPAID EXPENSES

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

E. INVENTORIES

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost. The cafeteria fund uses the first-in, first-out method and the bookstore uses the retail method. The cost is recorded as an expense as the inventory is consumed.

F. CAPITAL ASSETS AND DEPRECIATION

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$25,000 for building and land improvements and \$1,000 for all other capital assets. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings 25 to 50 years; improvements 20 years; equipment 5 to 15 years, and vehicles 8 years.

G. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

H. DEFERRED ISSUANCE COSTS, PREMIUMS, AND DISCOUNTS

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

I. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

I. COMPENSATED ABSENCES (CONTINUED)

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all academic school members who retire after January 1, 1999. At retirement, each member will receive .004 years of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of the base service days required to complete the last school year, if employed full time.

J. DEFERRED REVENUE

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

K. NONCURRENT LIABILITIES

Noncurrent liabilities include bonds and certificates of participation, compensated absences, capital lease obligations, instructional service agreement apportionment repayments, and OPEB obligations with maturities greater than one year.

L. NET ASSETS

Invested in Capital Assets, Net of Related Debt:

Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Nonexpendable:

Net Assets whose use by the District has been externally restricted in perpetuity, such as Endowment funds, where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net assets.

Restricted – Expendable:

Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints of by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

L. NET ASSETS (CONTINUED)

Unrestricted:

Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Governing Board or may otherwise be limited by contractual agreements with outside parties

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

M. STATE APPORTIONMENTS

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these reclassifications and corrections are accrued in the year in which the FTES are generated.

N. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2006 for the acquisition, construction, and remodeling of certain District capital property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

P. FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the related Compliance Supplement. During the years ended June 30, 2012 and 2011, the District distributed \$2,517,591 and \$2,171,067 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Q. ON-BEHALF PAYMENTS

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$2,505,266 and \$0 for CalSTRS and CalPERS, respectively for 2012 and \$2,600,006 and \$0 for CalSTRS and CalPERS, respectively for 2011.

R. INTERFUND ACTIVITY

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

S. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. FOUNDATION PRESENTATION

The Contra Costa College, Diablo Valley College, and Los Medanos College Foundation's present their financial statements in accordance with Financial Accounting Standards Board Statements (FASB). Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by FASB, the Foundation does not use fund accounting.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

T. FOUNDATION PRESENTATION (CONTINUED)

Permanently Restricted Net Assets:

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets:

Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets:

Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Financial assets (investments) are reported at fair value in accordance with FASB Topic ASC 820, *Fair Value Measurements and Disclosures*.

The Foundations are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

U. NEW ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statement No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

U. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

This statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units by that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

V. COMPARATIVE FINANCIAL INFORMATION

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

3. DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code or the Entity's investment policy if different to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's Investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	30%	None
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities	5 years	75%	None
Commercial Paper	270 days	30%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	50%	None

CONTRA COSTA COMMUNITY COLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012 and 2011, consist of the following:

	2012		2011	
	Primary Government	Fiduciary Funds	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 155,090	\$ 591,153	\$ 150,259	\$ 549,204
Cash in revolving	178,570	500	178,370	500
Cash in County Treasury	100,501,885	1,933,708	129,239,630	1,886,771
Local Agency Investment Fund	24,169,149	179,497	29,966,081	178,772
Investments	19,630,440	39,662,171	24,152,084	28,009,468
Total Deposits and Investments	<u>\$ 144,635,134</u>	<u>\$ 42,367,029</u>	<u>\$ 183,686,424</u>	<u>\$30,624,715</u>
Cash and cash equivalents - current	\$ 22,370,342	\$ -	\$ 17,937,705	\$ -
Cash and cash equivalents - restricted	102,634,352	2,704,858	141,596,635	2,615,247
Total Cash and cash equivalents	125,004,694	2,704,858	159,534,340	2,615,247
Total Investments	19,630,440	39,662,171	24,152,084	28,009,468
Total Deposits and Investments	<u>\$ 144,635,134</u>	<u>\$ 42,367,029</u>	<u>\$ 183,686,424</u>	<u>\$30,624,715</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and LAIF and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CONTRA COSTA COMMUNITY COLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Segmented Time Distribution

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

<u>Investment Type - Primary Government</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>More than 12 months</u>
U.S. Treasuries	\$ 5,388,965	\$ -	\$ 5,388,965
Federal Agency Bonds	8,122,329	-	8,122,329
Municipal Bonds	450,164	-	450,164
Corporate Notes	5,668,983	314,467	5,354,516
Mortgage Backed Securities	-	-	-
County Treasury Pool	100,501,885	100,501,885	-
State Investment Pool - LAIF	24,169,149	24,169,149	-
Total	\$ 144,301,475	\$ 124,985,501	\$ 19,315,974

<u>Investment Type - Fiduciary Funds</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>More than 12 months</u>
Common Stocks	\$ 16,959,266	\$ -	\$ 16,959,266
Fixed Income	22,702,905	-	22,702,905
County Pool	1,933,708	2,093,676	-
State Investment Pool	179,497	179,497	-
Total	\$ 41,775,376	\$ 2,273,173	\$ 39,662,171

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2012.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>							
			<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>A</u>	<u>AA-</u>	<u>A+</u>	<u>Unrated</u>	
U.S. Treasuries	\$ 5,388,965	n/a	\$ -	\$ 5,388,965	\$ -	-	\$ -	\$ -	\$ -	\$ -
Federal Agency Bonds	8,122,329	n/a	-	8,122,329	-	-	-	-	-	-
Municipal Bonds	450,164	A	-	-	450,164	-	-	-	-	-
Corporate Notes	5,668,983	A	209,302	765,216	787,195	1,450,562	1,106,342	1,350,366	-	-
County Treasury Pool	100,501,885	n/a	-	-	-	-	-	-	-	100,501,885
State Investment Pool	24,169,149	n/a	-	-	-	-	-	-	-	24,169,149
Total	\$144,301,475		\$209,302	\$ 14,276,510	\$1,237,359	\$1,450,562	\$1,106,342	\$ 1,350,366		\$ 124,671,034

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government code. The District investments (other than U.S. Treasuries, mutual funds and external investment pools, which are exempt from this disclosure) in any one issuer that represents five percent or more of the total investments were as follows:

<u>Investment Type - Primary Government</u>	<u>Issuer</u>	<u>Reported Amount</u>	<u>Percentage of Investments</u>
Federal Agency Bonds	Fannie Mae	\$ 4,293,166	22%
Federal Agency Bonds	Freddie Mac	3,829,164	20%
U.S. Treasury Bonds	United States Treasury	5,388,965	27%
Total		<u>\$ 8,122,329</u>	

<u>Investment Type - Fiduciary Funds</u>	<u>Issuer</u>	<u>Reported Amount</u>	<u>Percentage of Investments</u>
Mutual Funds	Prudential Total Return Bond	\$ 3,937,926	17%
Mutual Funds	Delaware Diversified Income Fund	3,925,546	17%
Mutual Funds	Oppenheimer International Bond	1,868,702	8%
Mutual Funds	Legg Mason BW Global Opps BD IS	1,547,762	7%
Mutual Funds	Templeton Global Bond Advantage Fund	3,437,963	15%
Mutual Funds	Western Asset Core Plus Bond Fund	3,957,065	17%
Mutual Funds	Metropolitan West Total Return Bond Fund	3,963,988	18%
Total		<u>\$ 22,638,951</u>	

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (Unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, none of the funds deposited with the banks were exposed to custodial credit risk.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

4. ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government		Fiduciary Funds	
	2012	2011	2012	2011
Federal Government				
Categorical aid	\$ 1,361,908	\$ 2,147,210	\$ -	\$ -
State Government				
Apportionment	18,867,132	15,868,797	-	-
Categorical aid	2,454,074	1,814,654	-	-
Lottery	162,714	788,276	-	-
Local Sources				
Interest	251,874	339,964	593	33,922
Other local sources	2,634,091	1,963,813	10,155	8,780
Total, excluding student receivables	<u>25,731,793</u>	<u>22,922,714</u>	<u>10,748</u>	<u>42,702</u>
Student receivables	5,199,518	4,104,985	-	-
Less allowance for bad debt	<u>(1,326,536)</u>	<u>(1,326,536)</u>	<u>-</u>	<u>-</u>
Student receivables, net	<u>3,872,982</u>	<u>2,778,449</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 29,604,775</u>	<u>\$ 25,701,163</u>	<u>\$ 10,748</u>	<u>\$ 42,702</u>

Discretely Presented Component Unit

The Foundations' accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

5. PREPAID EXPENSES AND OTHER ASSETS

The District has prepaid health insurance costs and construction retainers for periods after June 30, 2012 and 2011.

CONTRA COSTA COMMUNITY COLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

6. CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Capital Asset Not Being Depreciation				
Land	\$ 13,632,216	\$ 6,322,492	\$ 5,900,000	\$ 14,054,708
Construction in progress	22,001,751	29,386,103	5,015,248	46,372,606
Total Capital Assets Not Being Depreciated	<u>35,633,967</u>	<u>35,708,595</u>	<u>10,915,248</u>	<u>60,427,314</u>
Capital Assets Being Depreciated				
Land improvements	63,381,260	1,054,432	-	64,435,692
Buildings and improvements	265,632,182	3,169,769	-	268,801,951
Furniture and equipment	48,949,204	1,082,497	1,159,906	48,871,795
Total Capital Assets Being Depreciated	<u>377,962,646</u>	<u>5,306,698</u>	<u>1,159,906</u>	<u>382,109,438</u>
Total Capital Assets	<u>413,596,613</u>	<u>41,015,293</u>	<u>12,075,154</u>	<u>442,536,752</u>
Less Accumulated Depreciation				
Land improvements	18,606,713	3,342,945	-	21,949,658
Building and improvements	67,368,959	5,232,704	-	72,601,663
Furniture and equipment	39,569,721	2,687,294	1,122,179	41,134,836
Total Accumulated Depreciation	<u>125,545,393</u>	<u>11,262,943</u>	<u>1,122,179</u>	<u>135,686,157</u>
Net Capital Assets Being Depreciated	<u>252,417,253</u>	<u>(5,956,245)</u>	<u>37,727</u>	<u>246,423,281</u>
Net Capital Assets	<u>\$ 288,051,220</u>	<u>\$ 29,752,350</u>	<u>\$ 10,952,975</u>	<u>\$ 306,850,595</u>

Depreciation expense was \$11,262,943 and \$10,966,337 for the years ended June 30, 2012 and 2011, respectively.

Discretely Presented Component Unit

All of the Foundations' capital assets are equipment purchases. At June 30, 2012, total equipment and accumulated depreciation were \$5,048 and \$4,687, respectively. Depreciation expense for the year ended June 30, 2012 was \$290.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

7. ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government		Fiduciary Funds	
	2012	2011	2012	2011
Accrued payroll	\$ 737,514	\$ 5,367,693	\$ -	\$ 4,986
Construction	4,761,054	1,889,010	-	-
Vendors	4,006,602	1,994,814	163,938	241,949
Total	<u>\$ 9,505,170</u>	<u>\$ 9,251,517</u>	<u>\$ 163,938</u>	<u>\$ 246,935</u>

8. DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2012	2011
State categorical aid	\$ 2,614,990	\$ 2,744,259
Enrollment and other student fees	5,238,019	4,844,221
Other Local	358,973	382,424
Total	<u>\$ 8,211,982</u>	<u>\$ 7,970,904</u>

9. INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/From)

Interfund receivables and payable arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental fund and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

As of June 30, 2012, the amount owed between the government and the fiduciary funds were \$66,295 and \$47,892, respectively.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

9. INTERFUND TRANSACTIONS (CONTINUED)

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2012 fiscal year the amount transferred to the primary government from the fiduciary fund amounted to \$261,841. The amounts transferred to the fiduciary funds from the primary government were \$8,869,969.

10. LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations for the year ended June 30, 2012 consisted of the following:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions/</u> <u>Adjustment</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due in</u> <u>One Year</u>
Bonds and Notes Payable					
General obligation bonds	\$ 237,095,000	\$ 38,595,000	\$ 51,705,000	\$ 223,985,000	\$ 9,130,000
Certificates of participation	925,000	-	70,000	855,000	75,000
Debt premium	3,142,270	5,142,650	949,947	7,334,973	448,472
Total Bonds and Notes Payable	<u>241,162,270</u>	<u>43,737,650</u>	<u>52,724,947</u>	<u>232,174,973</u>	<u>9,653,472</u>
Other Liabilities					
Compensated absences	13,978,339	-	626,164	13,352,175	-
Capital leases	10,253	-	10,253	-	-
State Apportionment	4,497,984	-	1,499,328	2,998,656	1,499,328
Net OPEB obligation	30,162,340	16,704,783	19,276,622	27,590,501	-
Total Other Liabilities	<u>48,648,916</u>	<u>16,704,783</u>	<u>21,412,367</u>	<u>43,941,332</u>	<u>1,499,328</u>
Total Long-Term Debt	<u>\$ 289,811,186</u>	<u>\$ 60,442,433</u>	<u>\$ 74,137,314</u>	<u>\$ 276,116,305</u>	<u>\$ 11,152,800</u>

Payments on the Certificates of Participation are paid by the Debt Service Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Payments on the capital leases and instructional service agreement apportionment repayments are paid by the general fund. The compensated absences and OPEB obligations will be paid by the fund for which the employee worked

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

10. LONG-TERM OBLIGATIONS (CONTINUED)

Description of Bonds

On March 5, 2002, \$120,000,000 in general obligation bonds were authorized by the voters under Proposition 39/Measure A in an election held within the Contra Costa Community College District. In July 2002, the District issued its first series in the amount of \$50,000,000. The bonds require annual principal payments and semi-annual interest payments beginning August 2003 through August 2026. Annual interest rates range from 3.5% to 6.0%.

In August 2004, the District issued its second series in the amount of \$45,000,000. The bonds require annual principal payments and semi-annual interest payments beginning February 2005 through August 2029. Annual interest rates range from 4.0% to 5.0%.

In May 2006, the District issued the third series in the amount of \$25,000,000. The bonds require annual principal payments and semi-annual interest payments beginning February 2007 through August 2027. Annual interest rates range from 4.0% to 4.5%.

On June 6, 2006, \$286,500,000 in general obligation bonds were authorized by the voters under Proposition 39/Measure A in an election held within the Contra Costa Community College District. In August 2007, the District issued its first series in the amount of \$73,000,000. The bonds require annual principal payments and semi-annual interest payments beginning August 2008 through August 2028. Annual interest rates range from 4.0% to 5.0%.

On March 16, 2010, the District issued the second series in the amount of \$73,000,000. The bonds require annual principal payments and semi-annual interest payments beginning February 2011 through August 2034. Annual interest rates range from 0.75% to 6.504%.

In October 2011, the District issued general obligation refunding bonds in the amount of \$38,595,000 to refund all or a portion of the Series 2002 bonds issued on July 2, 2002. The bonds require annual principal payments and semi-annual interest payments beginning February 2012 through August 2026. Annual interest rates range from 4.0% to 5.0%.

CONTRA COSTA COMMUNITY COLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

10. LONG-TERM OBLIGATIONS (CONTINUED)

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding July 1, 2012
				Outstanding July 1, 2011	Issued	Redeemed	
6/11/2002	8/1/2026	3.5%-6%	\$ 50,000,000	\$ 43,200,000	\$ -	\$ 43,200,000	\$ -
8/11/2004	8/1/2029	4.0%-5.5%	45,000,000	40,700,000	-	850,000	39,850,000
4/25/2006	8/1/2030	4.0%-4.5%	25,000,000	23,080,000	-	590,000	22,490,000
8/2/2007	8/1/2032	4.0%-5.0%	73,000,000	62,275,000	-	1,765,000	60,510,000
3/16/2010	8/1/2034	.75%-6.504%	73,000,000	67,840,000	-	5,300,000	62,540,000
10/18/2011	8/1/2026	4.0%-5.0%	38,595,000	-	38,595,000	-	38,595,000
				<u>\$237,095,000</u>	<u>\$ 38,595,000</u>	<u>\$ 51,705,000</u>	<u>\$223,985,000</u>

The bonds mature through 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	\$ 9,130,000	\$ 9,949,309	\$ 19,079,309
2014	4,460,000	9,737,508	14,197,508
2015	4,815,000	9,529,031	14,344,031
2016	5,260,000	9,318,466	14,578,466
2017	5,775,000	9,098,966	14,873,966
2018-2022	37,885,000	40,929,162	78,814,162
2023-2027	57,060,000	30,020,468	87,080,468
2028-2032	71,120,000	13,902,817	85,022,817
2033-2035	28,480,000	1,868,625	30,348,625
Total	<u>\$ 223,985,000</u>	<u>\$ 134,354,352</u>	<u>\$358,339,352</u>

Certificates of Participation

In June 1996, the Financing Corporation issued \$1,605,000 of Certificates of Participation (COPs), with effective interest rates ranging from 4.5% to 5.35% maturing through 2021. The COPs proceeds were used to fund various construction projects. The COPs mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 75,000	\$ 51,300	\$ 126,300
2014	80,000	46,800	126,800
2015	85,000	42,000	127,000
2016	90,000	36,900	126,900
2017	95,000	31,500	126,500
2018-2021	430,000	66,000	496,000
Total	<u>\$ 855,000</u>	<u>\$ 208,500</u>	<u>\$ 1,129,500</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

10. LONG-TERM OBLIGATIONS (CONTINUED)

State Apportionment

The District initiated a review of the District's course offerings known as Instructional Service Agreements (ISA). The initial review indicated an adjustment of \$4,497,984 due back to the state. \$1,499,328 was withheld from the District's 2012 apportionment and the remaining balance will be withheld from future apportionment receipts in the amount of \$1,499,328 per year for June 30, 2013 and 2014.

11. POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units.

Annual OPEB cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarially accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid during the year, and changes in the District's net OPEB obligation:

Annual required contribution	\$17,132,660
Interest on net OPEB obligation	2,005,796
Adjustment to annual required contribution	(2,433,673)
Annual OPEB cost	\$16,704,783
Contributions made	(19,276,622)
Increase in net OPEB obligation	(2,571,839)
Net OPEB obligation, beginning of year	30,162,340
Net OPEB obligation, end of year	\$27,590,501

CONTRA COSTA COMMUNITY COLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

11. POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (CONTINUED)

Funding Status and Funding Progress

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is as follows;

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 13,818,362	\$ 18,200,000	132%	\$ 28,889,667
2011	\$ 19,655,935	\$ 18,383,262	94%	\$ 30,162,340
2012	\$ 16,704,783	\$ 19,276,622	115%	\$ 27,590,501

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarially accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2011, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 6.65 percent investment rate of return (net of administrative expenses), on Plan assets funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates used were 4% per year. The UAAL is being amortized at a level dollar method. The remaining amortization period at February 1, 2011, was 27 years. The actuarial value of assets was \$23,373,801 at the time of the actuarial valuation.

12. LEASE REVENUES

The District has property held for lease. Currently no significant long-term lease agreements have been entered into with various lessees for terms that exceed one year.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

13. RISK MANAGEMENT

Insurance Coverages

The District participates in two joint ventures under Joint Powers Agreements (JPA): Contra Costa County Schools Insurance Group (CCCSIG), for workers' compensation insurance and Bay Area Community College District Joint Powers Authority (BACCDJPA) for property and liability insurance. The relationship between Contra Costa Community College District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes. Each participant's individual claims performance dictates whether the participant will be required to contribute more to cover pooled insurance costs or derive dividends from pool savings. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District provides a cooperative program of self-insurance for workers' compensation for its employees. The District is self insured for individual worker's compensation claims less than \$1,000,000, and is covered by CCCSIG for individual claims exceeding such amounts to a Statutory maximum per claim.

Property and Liability

The District is self insured for individual property and liability claims less than \$25,000, and is covered by BACCDJPA for individual claims exceeding such amounts to \$250 million for property and \$25 million for liability.

Condensed financial information for the JPAs for the most recent fiscal year available is as follows:

	<u>CCCSIG</u> <u>June 30, 2012</u>	<u>BACCDJPA</u> <u>June 30, 2011</u>
Total Assets	<u>\$ 91,755,820</u>	<u>\$ 6,981,722</u>
Total Liabilities	\$ 77,074,023	\$ 1,798,548
Net Assets	<u>14,681,797</u>	<u>5,183,174</u>
Total Liabilities and Net Assets	<u>\$ 91,755,820</u>	<u>\$ 6,981,722</u>
Revenues	\$ 40,288,509	\$ 3,691,311
Expenditures	<u>43,392,876</u>	<u>2,919,517</u>
Change in Net Assets	<u>\$ (3,104,367)</u>	<u>\$ 771,794</u>

CONTRA COSTA COMMUNITY COLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

13. RISK MANAGEMENT

Employee Medical Benefits

The District has contracted with Kaiser and Healthnet to provide employee medical benefits. Rates are set through an annual calculation process. The District pays monthly contributions as applicable to each of these plans.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2011.

	<u>2012</u>	<u>2011</u>
Beginning Liability Balance	\$ 42,480	\$ 98,568
Claims and changes in estimates	42,338	40,367
Claims payments	(69,612)	(96,455)
Ending Liability Balance	<u>\$ 15,206</u>	<u>\$ 42,480</u>
Assets Available to Pay Claims at June 30	<u>\$ 450,715</u>	<u>\$ 497,272</u>

14. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The District's contribution rate to CalSTRS for fiscal year 2011-2012 was 8.25 percent of covered payroll. The District's total contributions to CalSTRS for fiscal years ended June 30, 2012, 2011, and 2010, were \$5,178,154, \$5,026,962, and \$5,243,305, respectively, and equaled 100 percent of the required contributions for each year.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

14. EMPLOYEE RETIREMENT SYSTEMS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security). And the District is required to contribute an actuarially determined rate. The Actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2011-2012 was 10.707 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were \$3,869,382, \$3,752,530, and \$3,530,999, respectively, and equaled 100 percent of the required contributions for each year.

Other

As established by Federal law, all public section employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Cash Balance Plan as its alternative plan. The Cash Balance Plan (CB Plan) is an alternative to the CalSTRS contribution plan for instructors. Instructors who choose not to sign up for CalSTRS or FICA may participate in the CB plan. The District contribution rate for the year ended June 30, 2012, was 4 percent of annual payroll. Contributions for the year ended June 30, 2012, were \$339,613.

The District also provides a 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The District does not contribute to this plan.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$2,600,006, \$2,963,675, and \$2,873,441 for the years ended June 30, 2012, 2011, and 2010, respectively and were 4.267 percent of salaries subject to CalSTRS. A contribution to CalPERS was not required for the years ended June 30, 2012 or 2011. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

14. EMPLOYEE RETIREMENT SYSTEMS

Deferred Compensation

The District offers its employees CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into an investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust. The District does not contribute to this plan.

15. PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Contra Costa Schools Insurance Group and the Bay Area Community College District Joint Powers Authority JPAs. The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2012, the District made payments of \$1,922,568 and \$1,256,224 to the Contra Costa Schools Insurance Group and the Bay Area Community College District JPA, respectively.

16. COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are \$130,499 for the year ending June 30, 2013.

Related Party Transactions

The District provides facilities, staff, and operational support to each of the three Foundations. The dollar amount of donated services and support has not been calculated since there is no readily available method for valuing these services.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Contract Commitment
2002 Bond	
<i>Contra Costa College</i>	
Card Access	\$ 11,924
Construction Management	6,443
Gym Anex Elevator	50,722
Music Building	601,271
New College Center	1,462,136
VA Building Renovation	39,085
Total 2002 Bond	<u>2,171,581</u>
2006 Bond	
<i>Contra Costa College</i>	
Athletic Field	37,727
Construction Management	39,275
Infrastructure Improvements	293,387
New College Center	401,784
Seismic Retrofit - Various Buildings	1,631
<i>Diablo Valley College</i>	
Commons Area Development	29,158,952
Softball & Baseball Field Renovation	38,150
Student Services Center	1,100,842
<i>Los Medanos College</i>	
New Brentwood Center	36,367
Nursing/EMT Remodel	349,110
<i>District Office</i>	
IT Infrastructure	8,474,258
Monitoring Base Commissioning	37,220
<i>District-Wide</i>	
Energy Conservation Study	5,674
Master Plan	18,656
Total 2006 Bond	<u>39,993,033</u>
Total Construction Commitments	<u>\$ 42,164,614</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2011-2012 fiscal year have been deferred to the 2012-2013 fiscal year. The total amount of funding deferred into the 2012-2013 fiscal year and received in July 2012 was \$18,188,109. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

17. PRIOR PERIOD ADJUSTMENT

The District determined that the cash in county treasury had been understated in prior years. As a result the cash balance was adjusted to reflect the appropriate balance reported by the County Treasurer. The result is an increase in cash and cash equivalents of \$1,219,845 and a restatement of beginning net assets for the same amount.

18. SUBSEQUENT EVENTS

District management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2012 through December 14, 2012, the date the financial statements were issued. Management is not aware of any subsequent events, other than the event described below, that would require recognition or disclosure in the accompanying financial statements.

In December 2012, the District issued general obligation refunding bonds in the amount of \$106,565,000 to refund a portion of the bonds issued in 2004, 2006 and 2007 and to pay the costs of issuance of the bonds. The bonds require annual principal payments and semi-annual interest payments beginning February 2013 through August 2032. Annual interest rates range from 2.0% to 5.0%.

REQUIRED SUPPLEMENTARY INFORMATION

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
June 30, 2006	\$ -	\$ 335,136,700	\$ 335,136,700	0%	\$65,849,200	509%
June 30, 2008	\$ -	\$ 262,768,400	\$ 262,768,400	0%	\$70,661,000	372%
February 1, 2011	\$ 23,373,801	\$ 198,640,665	\$ 175,266,864	12%	\$73,907,620	237%

SUPPLEMENTARY INFORMATION

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2012

The Contra Costa Community College District was established in 1948, and is comprised of an area of approximately 686 square miles located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District's three colleges are each accredited by the Accrediting Commission for Community and Junior Colleges Western Association of Schools and Colleges.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Tomi Van de Brooke	President	2012
Sheila A. Grilli	Vice President	2014
John E. Marquez	Secretary	2014
John T. Nejedly	Member	2014
Robert Calone	Member	2012
Deborah van Eckhardt	Student Trustee	2013

ADMINISTRATION

Dr. Helen Benjamin	Chancellor
John al-Amin, Ph.D.	Vice Chancellor, Administrative Services
Eugene Huff	Vice Chancellor, Human Resources
Mojdeh Mehdizadeh	Vice Chancellor, Education and Technology

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. Department of Education			
<u>Student Financial Aid Cluster</u>			
Federal Pell Grant Programs (PELL)	84.063	(1)	\$ 30,566,049
Federal Pell Administrative Allowance	84.063	(1)	28,101
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	593,316
Federal Direct Loans (FDL)	84.268	(1)	2,517,799
Title III	84.002A	(1)	414,319
Academic Competitiveness Grants (ACG)	84.375	(1)	208,877
Subtotal Student Financial Aid Cluster			<u>34,328,461</u>
Title V, Hispanic Serving Institutions	84.031S	(1)	1,059,938
TRIO - Talent Search	84.044	(1)	283,061
<u>Pass Through Funds</u>			
Career Technical Education Act - Basic Grants To States (Perkins IV)	84.048	03303	1,320,121
Career Technical Education Act - Transitions	84.049	(2)	140,910
Career Technical Education Act - Tech Prep Demonstration	84.051	(2)	7,362
Subtotal Career Technical Education Cluster			<u>1,468,393</u>
Total U.S. Department of Education			<u>37,139,853</u>
U.S. Department of Agriculture			
National Science Foundation - Minority Science & Environmental	47.075	03797	62,768
National Science Foundation STEM	47.075	03797	100,261
Total National Science Foundation			<u>163,029</u>
U.S. Department of Health and Human Services			
<u>Pass Through Funds</u>			
Foster Care - Title IV E - Foster Parent Training	93.658	10011	269,603
Foster Care - Title IV E - Foster Relative	93.658	10011	42,932
Temporary Assistance for Needy Families (TANF)	93.558	(2)	159,279
Total U.S. Department of Health and Human Services			<u>471,814</u>
Total Expenditures of Federal Awards			<u>\$ 37,774,696</u>

⁽¹⁾ Pass through number not applicable.

⁽²⁾ Pass through number not available.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Program	Program Revenues			Total Revenue	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
AB1725 Staff Diversity	\$ 141,436	\$ -	\$ 125,742	\$ 15,694	\$ 15,694
Basic Skills	715,090	-	403,283	311,807	311,807
BFAP (AB602)	1,166,546	-	-	1,166,546	1,166,545
Cal Grants	1,526,996	141,344	3,874	1,664,466	1,664,466
CalWORKS	469,586	6,797	506	475,877	475,877
CARE	247,245	-	884	246,361	246,361
Career Academy Advancement	649,481	859,224	-	1,508,705	1,508,705
Career Tech Collaborative	329,080	-	329,080	-	-
Career Tech Collaborative #3	65,591	-	-	65,591	65,591
Career Tech Collaborative #4	(18,297)	229,373	-	211,076	211,076
Career Tech Project Supplemt #3	64,168	-	-	64,168	64,168
Career Tech Project Supplemt #4	130,000	-	48,001	81,999	81,999
Career Tech Workforce Innovation	175,000	-	175,000	-	-
Career Tech Workforce Innovation #4	135,000	5,449	-	140,449	140,449
DSP&S	2,021,948	-	1,446	2,020,502	2,020,502
EOP&S	1,823,532	-	-	1,823,532	1,823,532
Foster Parent Training	154,922	93,942	-	248,864	248,864
Foster Relative (Heritage)	-	39,630	-	39,630	39,630
Instructional Equipment, On-going	677,349	-	379,133	298,216	298,216
Lottery, Prop. 20	543,341	90,552	-	633,893	633,893
Matriculation	942,180	-	36,768	905,412	905,412
Matriculation, Non-Credit	4,089	-	-	4,089	4,089
MCHS SciMath	39,782	59,672	-	99,454	99,454
Nursing WIA LVN	10,584	-	-	10,584	10,584
Puente Project	580,027	602,973	-	1,183,000	1,183,000
Responsive Training (Econ & Workforce Dev)	111,840	82,209	-	194,049	194,049
RN Enrollment Growth	225,814	46,116	-	271,930	271,930
State Pre-School	997,996	190,414	-	1,188,410	1,188,410
TTIP	67,266	-	46,423	20,843	20,842
Workability III	105,353	147,726	-	253,078	253,078
Subtotal	<u>\$ 14,102,944</u>	<u>\$ 2,595,420</u>	<u>\$ 1,550,140</u>	<u>\$ 15,148,224</u>	<u>\$ 15,148,224</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT – ANNUAL/ACTUAL ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CATEGORIES	<u>Annual Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	5.41	-	5.41
2. Credit	2,566.45	-	2,566.45
B. Summer Intersession (Summer 2012 - prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	8.56	-	8.56
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Course			
(a) Weekly Census Contact Hours	20,348.11	-	20,348.11
(b) Daily Census Contact Hours	923.01	-	923.01
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	102.18	-	102.18
(b) Credit	926.94	-	926.94
3. Independent Study/Work Experience Education Courses			
(a) Weekly Census Procedure Courses	2,805.78	-	2,805.78
(b) Daily Census Procedure Courses	931.60	-	931.60
(c) Noncredit Independent Study/Distance Education Courses	28,618.04	-	28,618.04
D. Total FTES			
Basic Skills Courses and Immigrant Education			
(a) Noncredit	74.87	-	74.87
(b) Credit	2,045.00	-	2,045.00

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>
June 30, 2012 Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	\$ 36,862,101
Adjustment to increase fund balance	
Cash in County Treasury	1,219,844
 Audited Fund Balance June 30, 2012	 <u>\$ 38,081,945</u>

There were no adjustments made to any other funds of the District.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2012

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils 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 district. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the basic financial statements of Contra Costa Community College District (the “District”) and its discreetly presented component units, as of and for the year ended June 30, 2012, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Contra Costa Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Contra Costa Community College District in a separate letter dated December 14, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "James Marta & Company". The signature is written in a cursive, flowing style.

James Marta & Company
Certified Public Accountants
December 14, 2012



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**REPORTING ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Contra Costa Community College District
Martinez, California

Compliance

We have audited Contra Costa Community College District's (the "District") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2 and 2012-3.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

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

A handwritten signature in black ink that reads "James Marta & Company". The signature is written in a cursive, flowing style.

James Marta & Company
Certified Public Accountants
December 14, 2012



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

REPORT ON STATE COMPLIANCE

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the basic financial statements of Contra Costa Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of the District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items as listed in the Contracted District Audit Manual for fiscal year 2011-12 published in May 2012 by the California Community Colleges Chancellor's Office:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS – Use of State and Federal TANF Funding
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services
Section 476	Curriculum and Instruction
Section 479	To Be Arranged Hours (TBA)

Based on our audit, we found that for the items tested, the District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Our audit does not provide a legal determination on the District's compliance with State laws and regulations referred to above.

Contra Costa Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Contra Costa Community College District's responses and, accordingly, we express no opinion on the responses.

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

A handwritten signature in black ink that reads "James Marta & Company". The signature is written in a cursive, flowing style.

James Marta & Company
Certified Public Accountants
December 14, 2012

FINDINGS AND RECOMMENDATIONS

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063	
84.268, 84.375	Student Financial Aid Cluster
84.031C, 84.031S	Hispanic Serving Institutions Cluster
84.048, 84.051	Career Technical Education Act Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,133,240

Auditee qualified as low-risk auditee? X Yes _____ No

State Awards

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor’s report issued on compliance for state programs: Qualified

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II – Financial Statement Findings

2012-1 Cash in County Reconciliations

Criteria

Cash in the county treasury should be reconciled and the appropriate balance should be reflected on the general ledger of the District

Condition

The cash in county treasury reconciliations for the General Fund identified reconciling items of \$1,219,845 and \$130,049 of an unknown source. The District general ledger has a lower balance than the county. Management has investigated the differences and determined that the differences originated at least as far back as 2006/07.

Effect

The District's cash balance is understated.

Cause

Management has investigated the differences and determined that the differences originated at least as far back as 2006/07, but is unable to determine the cause.

Fiscal Impact

The District's balance was understated; however an adjustment was made to reflect the appropriate balance in the financial statements presented herein.

Recommendation

The District should post an adjustment to the cash in county treasury to reflect the appropriate balance. In the future, reconciling items should be investigated and resolved in a timely manner to ensure the correct balance is reflected in the District's general ledger.

Corrective Action Plan

The District has established procedures to ensure that the appropriate adjustments are made after completing the reconciliations.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section III – Federal Award Findings and Questioned Costs

2012-2 Student Financial Aid - Satisfactory Academic Progress Policy

Criteria

Per the Federal Student Aid Handbook the District's Satisfactory Academic Progress Policy should have certain required elements. The following criteria are missing:

- a. The effect of ESL courses and remedial courses on progress
- b. How progress is measured if a student changes majors or seeks to earn additional degrees
- c. How course repetitions are handled
- d. Effect of course incompletes, withdrawals, repetitions, transfer credits from other schools, and noncredit remedial courses on satisfactory progress
- e. Explain how students who are not making satisfactory academic progress can restore their eligibility for FSA funds (current policy only discusses student on probation but still eligible to receive funds)

Condition

The current Satisfactory Academic Progress Policy does not completely address all requirements and is not consistent for each college.

Cause

The District does not have a consistent policy for each of the colleges.

Effect

Students may not be properly informed of policies regarding satisfactory academic progress.

Recommendation

A district-wide policy should be implemented that addresses all the elements required by the Student Aid Handbook.

Corrective Action Plan

The District revised the policies in May 2012 to comply with the standards and are consistent for each college.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2012-3 Student Financial Aid – Verification Policies and Procedures

Criteria

34 CFR section 668.53 requires that an institution shall establish and use written policies and procedures for verifying information contained in a student aid application and must contain the following:

- a. Deadlines for students to submit documentation and consequences of the failure to meet those deadlines
- b. A method of notifying students of award changes due to verification
- c. Procedures the institution requires an applicant to follow to correct application information determined to be in error, and
- d. Standard procedures for referring overpayment cases to the Department.

Condition

The following required elements are missing for each college:

- § At Contra Costa College, the policy does not address requirement *a* above.
- § At Diablo Valley college, the policy does not address requirement *a* and *b* above.
- § At Los Medanos College, the policy does not address requirements *a* and *c* above.

Cause

The District does not have a consistent policy for each of the colleges.

Effect

Verification policies are not in compliance with the Code of Federal Regulations.

Recommendation

A district-wide policy should be implemented that addresses all the elements required by 34 CFR section 668.53.

Corrective Action Plan

The District revised the policies in May 2012 to comply with the standards and are consistent for each college.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section IV – State Award Findings and Questioned Costs

2012-4 CalWORKs – Eligibility Verification

Criteria

The determination of student eligibility for CalWORKs must be conducted at the beginning of each term to ensure students are eligible for services prior to receiving them. Colleges must coordinate with local County Welfare Department to determine and document student eligibility. Eligibility must be determined; at the beginning of each term; or within two weeks prior to or after start of term; or by start of class. Eligibility must be determined and documented before CalWORKs funds can be spent on the student beyond basic case management.

Condition

Two of the twenty-five CalWORKs students tested at Diablo Valley College did not have their eligibility verified until the middle or end of the semester.

Cause

The County tends to be slow in providing the necessary information to the District.

Effect

Some expenditures were made for these students prior to verification of eligibility.

Recommendation

The District needs to ensure that eligibility is verified and documented prior to the expenditure of funds for CalWORKs students. If there are delays in receiving verification information from the County, then the District should document these issues in the student file.

Corrective Action Plan

The college implemented a review process in May 2012 that will take place during each semester to identify and correct any students with missing eligibility documentation.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

No matters were reported.