

CHABOT-LAS POSITAS
COMMUNITY COLLEGE DISTRICT



ANNUAL FINANCIAL REPORT

JUNE 30, 2006

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Chabot-Las Positas Community College District
Pleasanton, California

We have audited the accompanying basic financial statements of the Chabot-Las Positas Community College District (the District) as of and for the years ended June 30, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 basic financial statement presentation. We believe that our audits provide 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 the Chabot-Las Positas Community College District as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of or 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.

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

Yavine K. Trine, Day & Co LLP

Pleasanton, California
April 27, 2007

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Fourth Year of GASB 34 Accounting Standards

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

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

The following discussion and analysis provides an overview of the District's financial activities.

Financial and Enrollment Highlights

- As of June 30, 2006, the District's total net assets are \$111,569,355. Total net assets of the District increased \$8.9 million, or about 8.7%, over the previous year, due primarily to the net increase in capital investments associated with the Measure B Bond fund.
- The voters within the boundaries of the Chabot-Las Positas Community College District approved Measure B on March 4, 2004. The District, by virtue of this voter approval has the authority to issue up to \$498 million in General Obligation Bonds over the next several years. The Board authorized the first issuance of bonds totaling \$100 million dollars and the proceeds were in the possession of the District on August 19, 2004. During this fiscal year the Board authorized the District to refinance the original issuance of the Measure B Bonds.
- The District's Budget was designed to fund faculty, staff, direct program expenditures and support services to serve 17,031, full-time equivalent students for General Apportionment purposes for the 2005-06 year. Although, the actual reported FTES of 16,538 for 2005-06 was below budgeted target, it still resulted in an increase of 202 FTES from 2004-05 and student demand for services remained strong.
- The District's salary expenses increased 8%, benefit expenses increased 17.6% and expenses for supplies, materials, capital outlay, student aid and other expenses and services increased \$122.3 million of which \$95 million are direct expenses related to the refinancing of Measure B Bond Funds and approximately \$20 million are due to increased construction and capital outlay activity.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

- **Enrollment and enrollment growth:** The State budget provided a 9.6% increased funding level to expand system-wide capacity by 30,000 full-time students and also increase funding per student (FTES) by \$303, or 6.6%.
- **Equalization:** \$30 million is provided to equalize credit rates among districts. These funds allow 58 districts to increase their funding per credit FTES toward the 90th percentile (Los Angeles CCD). This represents approximately \$0.52 million dollars of equalization funding for the District.
- **Scheduled Maintenance and Instructional Equipment Block Grant:** Funding for these purposes experienced an increase of \$2.4 million dollars statewide for 2005-06.
- **Cost-of-living adjustment:** The budget provides a 4.23% cost-of-living adjustment for apportionments and a 1.76% cost-of-living adjustment for some state funded categorical programs (Matriculation, EOPS and DSPS).
- **Enrollment Fee:** During the 2005-06, the enrollment fees charged remained \$26 per unit.
- The District's General Fund operating deficit at the end of the fiscal year was \$1.67 million dollars.

FULL-TIME EQUIVALENT STUDENT (FTES) ENROLLMENTS

YEAR	CHABOT	% Growth	LPC	% Growth	TOTAL	% Growth
1993-1994	9,235	-3.8	3,419	-4.6	12,704	-3.6
1994-1995	8,593	-7.0	3,197	-6.5	11,790	-7.2
1995-1996	9,007	4.8	3,603	12.7	12,610	7.0
1996-1997	9,354	3.9	3,820	6.0	13,174	4.5
1997-1998	9,171	-2.0	4,098	7.3	13,269	1.0
1998-1999	9,636	5.1	4,581	11.8	14,217	7.1
1999-2000	9,868	2.4	4,678	2.1	14,546	2.3
2000-2001	10,005	1.4	4,982	6.5	14,987	3.0
2001-2002	10,569	5.6	5,508	10.6	16,078	7.3
2002-2003	10,928	3.4	6,120	11.1	17,048	6.0
2003-2004	10,326	-5.8	5,707	-7.2	16,033	-6.3
2004-2005	10,477	1.4	5,886	3.0	16,363	2.0
2005-2006	10,367	-1.1	6,171	4.6	16,538	1.1
2006-2007 Projected	10,422	1.0	6,447	5.0	16,869	2.0

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the District. Total net assets of the District increased \$8.9 million, or about 8.7%, over the previous year, due primarily to the net increase in capital investments associated with the Measure B Bond fund.

ASSETS	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current Assets			
Cash and short-term investments	\$ 17,921,729	\$ 15,862,922	\$ 17,274,212
Receivables	17,211,739	14,790,351	10,163,688
Inventories, prepaid expenses and other	2,090,639	2,711,649	1,178,311
Total Current Assets	<u>37,224,107</u>	<u>33,364,922</u>	<u>28,616,211</u>
Non-current assets			
Cash and investment restricted	112,357,404	113,685,188	8,095,379
Capital assets, net	101,070,579	83,954,287	69,891,705
Total Noncurrent Assets	<u>213,427,983</u>	<u>197,639,475</u>	<u>77,987,084</u>
TOTAL ASSETS	<u>250,652,090</u>	<u>231,004,397</u>	<u>106,603,295</u>
LIABILITIES			
Current Liabilities			
Accounts payable, and accrued liabilities	11,128,966	11,606,821	6,041,923
Deferred revenues	5,934,889	5,419,601	3,758,089
Amounts held in trust	1,213,400	1,095,130	973,024
Long-term liabilities - current portion	9,511,769	7,011,024	727,311
Total Current Liabilities	<u>27,789,024</u>	<u>25,132,576</u>	<u>11,500,347</u>
Noncurrent Liabilities			
Long-term liabilities	111,293,711	103,222,288	11,328,192
TOTAL LIABILITIES	<u>139,082,735</u>	<u>128,354,864</u>	<u>22,828,539</u>
Net Assets			
Investment in capital assets, net of debt	79,374,369	73,563,079	62,888,955
Restricted	13,966,819	18,012,225	7,498,406
Unrestricted	18,228,167	11,074,229	13,387,395
TOTAL NET ASSETS	<u>\$ 111,569,355</u>	<u>\$ 102,649,533</u>	<u>\$ 83,774,756</u>

The primary components of cash and short-term investments are the general-fund ending balance (\$12.5 million), composed of the 5% general reserve for economic uncertainties, designated reserves committed to specific purposes, e.g., one-time monies initiatives and carryover and the restricted funds ending balance; debt-funding for the District's life-time, retiree health benefits (\$2.6 million); and property sale fund-District owned property in Castro Valley (Nike site - \$1.96 million).

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Accounts receivable primarily represents funding owed to the District by Federal, State and local governments, as well as other sources such as tuition and fees. State apportionment and other state receivables is approximately \$10.6 million. Local grants receivable by District is approximately \$1.7 million. State grants receivable makes up another \$0.4 million, and the total owed to the District by the Federal government is an additional \$0.3 million, and student receivables is approximately \$2.3 million.

The primary components of the 2005-06 increase in accounts receivable were the \$2.8 million deferral of the June apportionment payment, the \$7.5 million state reimbursement claim for the construction costs of the LPC Multidisciplinary Building, and the 4th quarter interest accrual of \$1.3 million primarily associated with the Measure B Bond Fund.

Inventories and prepaid items respectively represent inventory for the Bookstore, and prepayments for: Measure B Bond election and advertising; and the first half of principal and interest debt service payment for the District office Lease Revenue Bond.

Restricted cash and investment of \$112 million consists of funds related to the Measure B Bond Funds totaling \$96.1 million, associated required reserves of \$12 million which are deposited in a debt service fund held by Alameda County, and an additional \$3.9 million of other restricted funds. The balance of the cash and investment includes cash deposit of other major funds held in the County Treasury and other banking and financial institutions. Net capital assets represent the District's original investment in land, site improvements, buildings and equipment, less accumulated depreciation.

Accounts payable and accrued liabilities primarily represent year-end accruals for services and goods received by the District during fiscal year 2005-06, for which payment would not be made until 2006-07. The accounts payable amount primarily represents debt on vendor invoices. Accrued liabilities principally represent vendor invoices in the amount of approximately \$8.3 million and deferred salaries and benefits payable for the months of June and July, which totals \$1.8 million.

Deferred revenues represent prepayments received by the District, for which the amounts have yet to be earned. Of this amount, \$3.4 million represents student tuition and registration fees, received during 2005-06, for the 2006-07 summer and fall terms. The other \$2.4 million represents funding for grants and contracts, whose terms and conditions extend beyond the 2005-06 fiscal year. The \$0.5 million increase in 2005-06 is directly due to deferral of contract education revenue.

Other current liabilities are composed of that portion of long-term lease and financing debt that is to be paid during 2006-07.

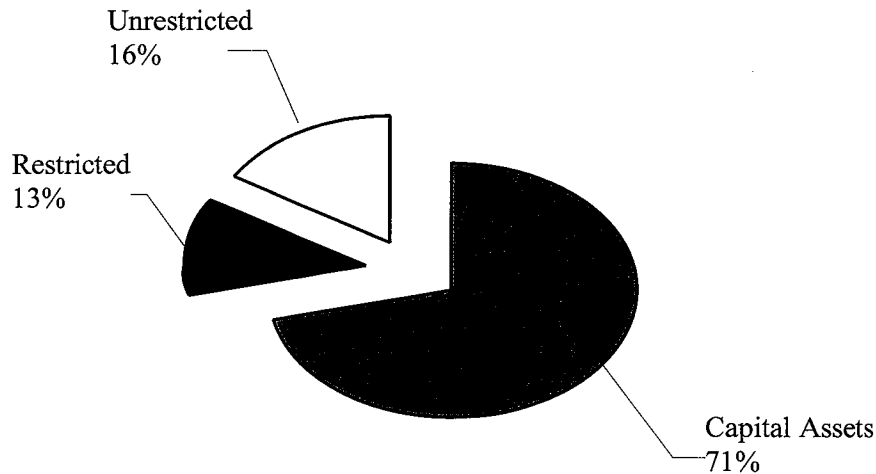
The District's non-current liabilities primarily consist of: the accumulated liability for accrued employee compensated absences (\$1.5 million); the remaining debt on the Measure B Bond Fund (\$104.8 million); the remaining debt on the lease revenue bonds payable for the purchase of the District office and capitalized lease obligations for the purchase of various equipment throughout the District (\$30 thousand), and other long term liability including bond premiums of \$14.5 million.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Net Assets – June 30, 2006



The largest component of the District's "net assets" is the investment in capital assets (net of related debt), \$79.4 million. This represents the District's initial cost for property, plant, and equipment, less accumulated depreciation, less any remaining debt used for the initial purchase. The next largest component is \$18.2 million in unrestricted assets, of this amount \$13.96 million has been set aside for the 5% general reserve for economic uncertainties, designated reserves committed to specific purposes, restricted reserves required by law and undesignated reserves. The remaining \$14.0 million is the District's "restricted assets" which represents assets whose use is earmarked for specific purposes, such as grant and construction projects. The primary component of the 2005-06 increase in net assets is due primarily to the net increase in capital investments associated with the Measure B Bond Fund.

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

The primary components of "tuition and fees" are the \$26 per unit enrollment fee that is charged to all students registering for classes, and the additional \$156 per unit fee that is charged to all non-resident students. The discrepancy between these fees is due to the fact that resident student instruction is largely subsidized by local property taxes and state apportionment. Non-resident students must pay for the full cost of instruction. Respectively, these two revenue-streams account for \$6.5 and \$1.2 million. Another \$1.0 million is collected in the form of parking permits. The remainder is collected from an assortment of other student fees.

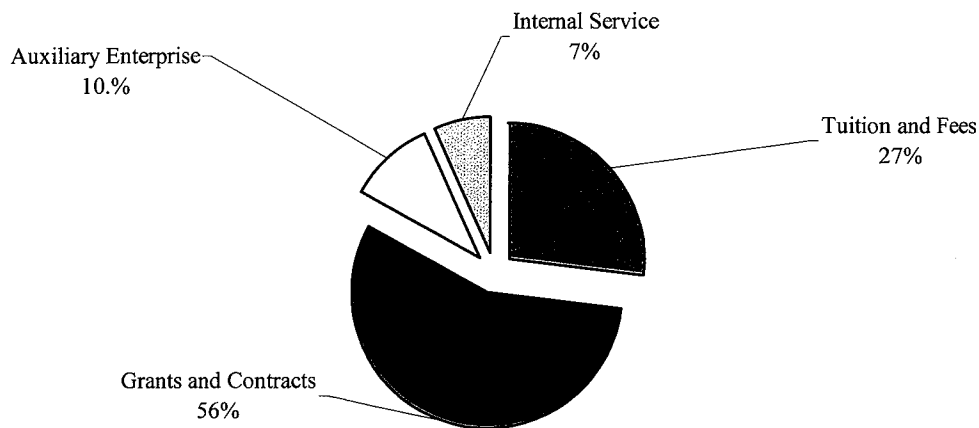
The largest component of the District's operating revenues is non-capital grants and contracts. Of these, the largest sub-components are from funding received from the Federal grants (\$9.3 million) to include funding for vocational training and higher education programs and State grants (\$6.8 million) for categorical programs, such as DSP&S, EOP&S, and Matriculation to name a few. Included in local grants and contracts (\$6.2 million) are all of the contracted education services, as well as all other, miscellaneous service-revenue received by the District.

The revenue for auxiliary enterprises consists primarily of revenue from the District's bookstore and the current portion of the retirees unfunded medical benefit liability. These two enterprise operations account for \$3.9 million and \$2.6 million dollars respectively.

The principal components of the District's non-operating revenue are: non-capital state apportionment, local property taxes, non-capital grants and contracts, other state funding, and interest income. All of this revenue is received to support the District's instructional activities.

The "state apportionments, capital" revenues principally represent state funding for state capital projects and deferred maintenance programs.

Total Revenue – June 30, 2006



CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OPERATING REVENUES	<u>2006</u>	<u>2005</u>	<u>2004</u>
Tuition and fees	\$ 10,295,151	\$ 9,718,844	\$ 8,789,144
Grants and contracts, noncapital	21,477,956	24,380,289	17,139,384
Auxiliary enterprises	3,900,303	4,114,302	4,191,839
Internal service charges	2,581,824	2,151,520	-
Total operating revenues	<u>38,255,234</u>	<u>40,364,955</u>	<u>30,120,367</u>
OPERATING EXPENSES			
Salaries and benefits	80,890,262	74,821,033	67,609,459
Supplies, materials and other operating	27,106,481	28,057,741	22,425,224
Equipment, maintenance and repairs	193,834	1,971,317	1,781,978
Depreciation	3,659,662	2,522,310	2,651,762
Total operating expenses	<u>111,850,239</u>	<u>107,372,401</u>	<u>94,468,423</u>
Operating loss	<u>(73,595,005)</u>	<u>(67,007,446)</u>	<u>(64,348,056)</u>
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	40,253,325	36,632,704	27,378,401
Local property taxes	36,660,457	35,514,690	31,109,158
State taxes and other revenue	2,952,660	1,774,015	2,529,602
Investment income	2,706,643	2,392,374	337,278
Other non-operating revenues and expenditures	<u>(8,174,323)</u>	<u>(1,480,804)</u>	<u>90,201</u>
Total non-operating revenues	<u>74,398,762</u>	<u>74,832,979</u>	<u>61,444,640</u>
Loss before other revenues, expenses, gains or losses	803,757	7,825,533	(2,903,416)
State apportionments, capital	8,116,065	11,049,244	2,392,922
Increase/decrease in net assets	<u>8,919,822</u>	<u>18,874,777</u>	<u>(510,494)</u>
Net assets - beginning of year	102,649,533	83,774,756	84,285,250
Net assets - end of year	<u>\$ 111,569,355</u>	<u>\$ 102,649,533</u>	<u>\$ 83,774,756</u>

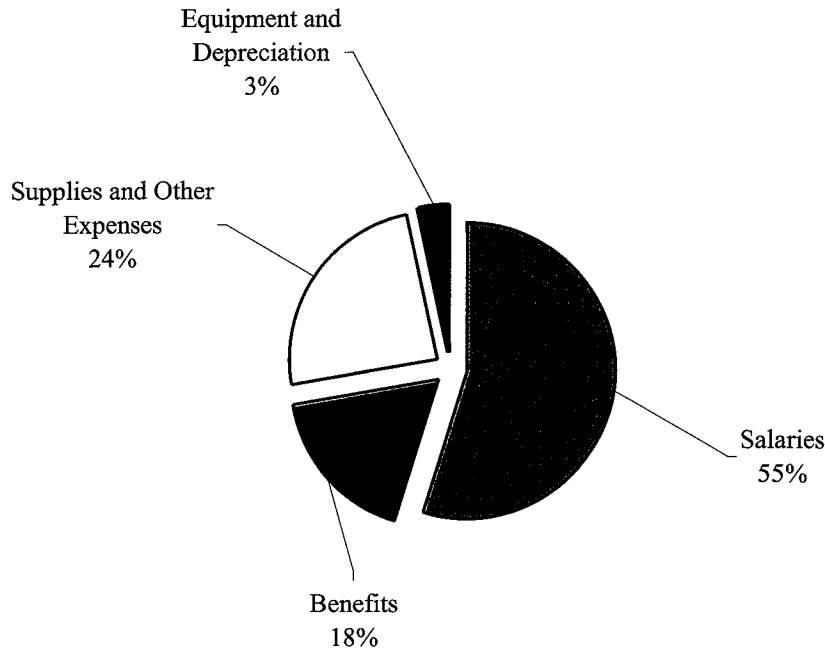
The largest component of the District's operating expense is the cost associated with salaries and benefits. Approximately 73% percent of the total expense is spent in this area. Supplies and other expenses account for an additional 24% of total expenses and depreciation and equipment maintenance and utilities account for the remainder. The supplies and other expense category includes insurance premiums, facilities rental, equipment repair, as well as supplies and a host of other expenses necessary to the operation of the District.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Operating Expenses – June 30, 2006



Operating Expenses by Functional Classification

Operating Expenses by Function	2006	2005	2004
Instructional activities	\$ 46,565,724	\$ 44,611,863	\$ 37,832,015
Academic support	7,222,639	3,745,294	3,548,220
Student services	10,993,231	14,448,481	16,895,372
Operation and maintenance of plant	7,986,789	6,876,030	8,856,134
Institutional support	13,312,053	19,238,756	11,881,189
Community services and economic development	1,201,903	918,744	981,864
Ancillary services, auxiliary services	10,636,585	2,874,200	1,798,607
Student aid	8,805,847	9,194,992	7,117,532
Physical property	1,465,806	2,941,731	2,905,728
Depreciation	3,659,662	2,522,310	2,651,762
Total Operating Expenses by Function	\$ 111,850,239	\$ 107,372,401	\$ 94,468,423

The Functional Expense chart incorporates all District funds appropriations for fiscal year 2005-06 and as required in accordance with GASB Statement No. 35, a depreciation expense has been added. In 2005-06, the District granted a salary increase of 5.62%. The greatest expense in 2005-06 was in the area of instruction at 42%. Institutional support totaled 12% and academic support was 6%. These costs were accommodated by increases in non-capital apportionment revenue and categorical funding for part time faculty salary increase, which the District also received during this period.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

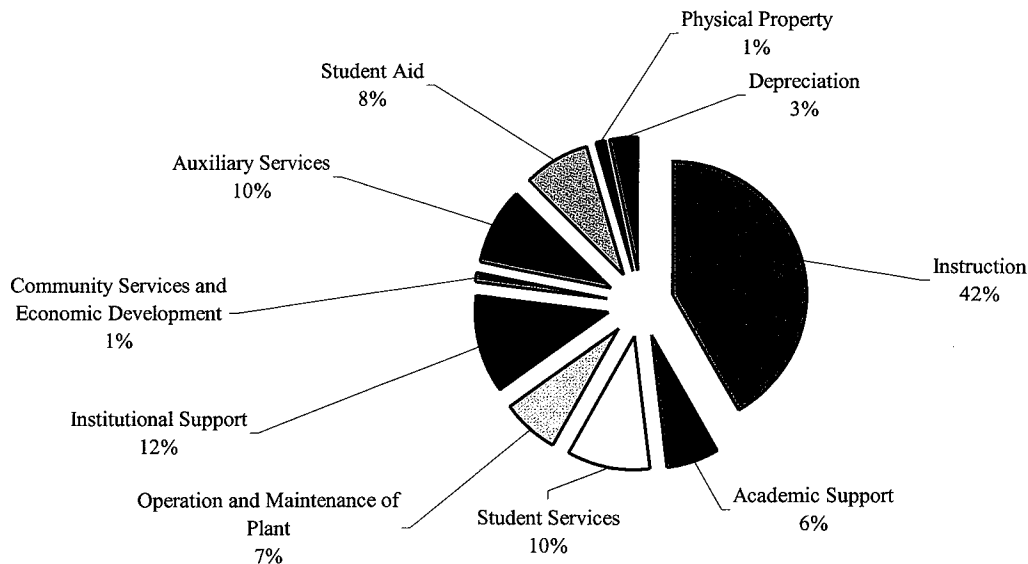
JUNE 30, 2006

The Student Services expense (10%) includes counseling and guidance services and expenses associated with a number of state and categorical programs to include, Matriculation, Disabled Student Services Program (DSP & S), Extended Opportunity Programs & Services (EOPS), Financial Aid Administration, and Veteran Services. Student aid was 8%.

The bulk of the ancillary services and auxiliary operations percentage (10%) encompasses the bookstore operation. Also included in this category are expenses for the child care center, contract education department, food service operation, parking operation, and student and co-curricular activities. In prior years the child care center expenses were included with instructional activities.

The Community Services and Economic Development (1%), includes community services recreation, classes, and facility use. Plant Maintenance and Operation was 7%. The smallest functional expense percentage is in the area of the physical property category (1%), and depreciation (3%) which consists of a number of building improvements and alterations that took place throughout the District.

Operating Expenses by Functional Classification - 2006



CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. The statement is divided into five parts. The first part deals with the operating cash flows, and shows the net cash used by the operating activities of the District. The second section reflects cash flows from non-capital financing activities. The third section deals with the net cash used by financing activities related to the acquisition of capital and related items. The fourth section reflects the cash received from investing activities, and shows the purchases, proceeds, and interest received from investing activities. The fifth section, (not summarized here) reconciles the net cash activity to the net operating loss on the Statement of Revenue, Expenses and Changes in Net Asset.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash provided by (used in)			
Operating activities	\$ (60,939,952)	\$ (58,827,676)	\$ (64,990,449)
Non-capital financing activities	78,646,611	69,873,723	61,678,047
Capital and related financing activities	(19,019,449)	92,212,123	(2,784,233)
Investing activities	2,028,186	1,717,650	355,625
Net increase (decrease) in cash	715,396	104,975,820	(5,741,010)
Cash - beginning of year	129,123,608	24,147,788	29,888,798
Cash - end of year	<u><u>\$ 129,839,004</u></u>	<u><u>\$ 129,123,608</u></u>	<u><u>\$ 24,147,788</u></u>

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the District had a net \$101.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$17.0 million, or 20.4 percent, from last year. We present more detailed information regarding our capital assets in Note 4 of the financial statements.

Long-Term Debt

At the end of this year, the District had \$104.8 million in debt outstanding versus \$105.7 million last year, a substantial increase, due to the issuance of the \$89 million of GO Bonds netted with repayments of bonds. Other obligations include lease revenue bonds, children's center loan, compensated absences payable, and bond premiums amortizable over the life of the bond. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Economic Factors that will Affect the Future

The District is dependent on the State of California for a majority of its revenue. State law and regulation further specify the allowed uses of state revenue. The most important element of state funding is the General Apportionment calculation, which accounts for 79% of the District's total General Fund, Unrestricted, operating revenue. Although the District receives local income from property tax proceeds and student enrollment fees, these local income sources are included in the state Base Apportionment calculation.

The District will closely monitor state economic forecasts and other information available to the district to develop sound financial plans for the future.

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 Department of Business Services at Chabot-Las Positas Community College District, 5020 Franklin Drive, Pleasanton, California 94588, or e-mail at jnahlen@clpccd.cc.ca.us.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,186,994	\$ 5,380,094
Investments	11,734,735	10,482,828
Accounts receivable	15,107,853	11,776,319
Student receivable, net	2,103,886	3,014,032
Deferred charges	1,144,754	1,456,084
Prepaid expenses	22,264	10,149
Stores inventories	887,022	932,783
Other current assets	36,599	312,633
Total Current Assets	37,224,107	33,364,922
Noncurrent Assets		
Restricted cash and cash equivalents	112,357,404	113,685,188
Nondepreciable capital assets	16,483,804	19,183,518
Depreciable capital assets, net of depreciation	84,586,775	64,770,769
Total Noncurrent Assets	213,427,983	197,639,475
TOTAL ASSETS	250,652,090	231,004,397
LIABILITIES		
Current Liabilities		
Deficit cash	4,490	-
Accounts payable	10,105,207	10,152,872
Interest payable, unrestricted	1,019,269	1,453,949
Deferred revenue	5,934,889	5,419,601
Amounts held in trust on behalf of others	1,213,400	1,095,130
Bonds payable - current portion	8,330,000	6,665,000
Lease revenue bond payable - current portion	150,000	150,000
Lease obligations - current portion	20,071	23,597
Other long-term liabilities - current portion	1,011,698	172,427
Total Current Liabilities	27,789,024	25,132,576
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	1,516,917	1,657,844
Bonds payable - noncurrent portion	90,945,850	93,335,000
Lease revenue bond payable - noncurrent portion	5,145,000	5,295,000
Lease obligations - noncurrent portion	7,593	26,206
Other long-term liabilities - noncurrent portion	13,678,351	2,908,238
Total Noncurrent Liabilities	111,293,711	103,222,288
TOTAL LIABILITIES	139,082,735	128,354,864
NET ASSETS		
Invested in capital assets, net of related debt	79,374,369	73,563,079
Restricted for:		
Debt service	12,483,238	13,143,218
Capital projects	1,483,581	2,838,074
Unrestricted	18,228,167	13,105,162
TOTAL NET ASSETS	\$ 111,569,355	\$ 102,649,533

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 13,279,126	\$ 12,697,885
Less: Scholarship discount and allowance	(2,983,975)	(2,979,041)
Net tuition and fees	<u>10,295,151</u>	<u>9,718,844</u>
Grants and Contracts, noncapital:		
Federal	9,372,352	10,423,967
State	9,018,249	8,167,813
Local	3,087,355	5,788,509
Auxiliary Enterprise Sales and Charges	3,900,303	4,114,302
Internal Service Sales and Charges	<u>2,581,824</u>	<u>2,151,520</u>
TOTAL OPERATING REVENUES	<u>38,255,234</u>	<u>40,364,955</u>
OPERATING EXPENSES		
Salaries	61,127,956	56,778,967
Employee benefits	19,762,306	18,042,066
Supplies, materials, and other operating expenses and services	27,106,481	28,057,741
Equipment, maintenance, and repairs	193,834	1,971,317
Depreciation	<u>3,659,662</u>	<u>2,522,310</u>
TOTAL OPERATING EXPENSES	<u>111,850,239</u>	<u>107,372,401</u>
OPERATING LOSS	<u>(73,595,005)</u>	<u>(67,007,446)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	40,253,325	36,632,704
Local property taxes	36,660,457	35,514,690
State taxes and other revenues	2,952,660	1,774,015
Investment income, net	2,706,643	2,392,374
Interest expense on capital related debt	(9,503,576)	(2,029,423)
Interest income on capital asset-related debt, net	235,752	120,525
Transfer from agency fund	-	24,139
Transfer to agency fund	(3,250)	(15,000)
Other nonoperating revenue	<u>1,096,751</u>	<u>418,955</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>74,398,762</u>	<u>74,832,979</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>803,757</u>	<u>7,825,533</u>
State revenues, capital	7,741,238	11,049,244
Local revenues, capital	<u>374,827</u>	<u>-</u>
TOTAL INCOME BEFORE OTHER OTHER REVENUES AND EXPENSES	<u>8,116,065</u>	<u>11,049,244</u>
INCREASE IN NET ASSETS	8,919,822	18,874,777
NET ASSETS, BEGINNING OF YEAR	<u>102,649,533</u>	<u>83,774,756</u>
NET ASSETS, END OF YEAR	<u>\$ 111,569,355</u>	<u>\$ 102,649,533</u>

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 13,335,785	\$ 8,438,792
Non capital grants and contracts	25,743,819	26,517,043
Payments to vendors for supplies and services	(17,274,047)	(15,620,379)
Payments to or on behalf of employees	(80,621,249)	(72,946,086)
Payments to students for scholarships and grants	(8,754,657)	(8,800,965)
Auxiliary enterprise sales and charges:	6,512,127	3,583,919
Other operating receipts (payments)	118,270	-
Net Cash Flows From Operating Activities	<u>(60,939,952)</u>	<u>(58,827,676)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	37,571,229	32,648,468
Property taxes	36,660,457	35,514,690
State taxes and other apportionments	3,266,808	1,774,015
Other nonoperating	1,148,117	(63,450)
Net Cash Flows From Noncapital Financing Activities	<u>78,646,611</u>	<u>69,873,723</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(20,775,954)	(16,687,255)
Proceeds from capital debt	104,001,324	102,810,665
State revenue, capital projects	450,211	11,886,351
Deferred cost on issuance of debt	311,330	-
Principal paid on capital debt	(93,288,229)	(4,230,873)
Interest paid on capital debt	(9,938,256)	(1,446,240)
Interest received on capital asset-related debt	220,125	(120,525)
Net Cash Flows From Capital Financing Activities	<u>(19,019,449)</u>	<u>92,212,123</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,028,186	1,717,650
Net Cash Flows From Investing Activities	<u>2,028,186</u>	<u>1,717,650</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	715,396	104,975,820
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,123,608	24,147,788
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 129,839,004</u>	<u>\$ 129,123,608</u>

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, Continued
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (73,595,005)	\$ (67,007,446)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	3,659,662	2,522,310
Changes in Assets and Liabilities:		
Receivables, net	5,219,143	(1,231,863)
Inventories	45,761	(162,840)
Prepaid items	263,919	(1,231,593)
Accounts payable and accrued liabilities	(97,791)	6,574,081
Deferred revenue	3,446,089	1,661,512
Funds held for others	118,270	48,163
Total Adjustments	<u>12,655,053</u>	<u>8,179,770</u>
Net Cash Flows From Operating Activities	<u>\$ (60,939,952)</u>	<u>\$ (58,827,676)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 6,186,994	\$ 5,380,094
Cash in county treasury	<u>123,652,010</u>	<u>123,743,514</u>
Total Cash and Cash Equivalents	<u>\$ 129,839,004</u>	<u>\$ 129,123,608</u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,336,829</u>	<u>\$ 1,602,783</u>

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Chabot-Las Positas Community College District (the District) was established in 1961 as a political subdivision of the State of California and provides post secondary educational services to residents of Alameda County and the surrounding area. The District operates under a locally elected seven-member Board of Trustees 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 two campuses/colleges located within Alameda County. 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.

Financial Reporting Entity

During the year ended June 30, 2004, the District adopted 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 District identified the Chabot-Las Positas Colleges Foundation (Foundation) and the Chabot – Las Positas Community College District Financing Corporation (Corporation) as potential component units. The District has elected not to present the Foundation as a component unit because the Foundation's assets, liabilities, and disbursements directly to the District are not considered to be significant to the District. The Corporation is presented as a component unit as the board is controlled by the board of the District.

Under generally accepted accounting principles established by the GASB, the financial reporting entity consist of the Chabot – Las Positas Community College District, as well as the following component units.

- Chabot – Las Positas Community College District Financing Corporation

The Chabot – Las Positas Community College District Financing Corporation (Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Individually-prepared financial statements are not prepared for the Chabot – Las Positas Community College District Financing Corporation.

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. 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 significant intra-agency and intra-fund transactions have been eliminated.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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, available means expected to be received within 60 days of fiscal year-end.

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. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United State 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. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 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

The following is a summary of the more significant policies:

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

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 increased by 5 percent of total outstanding student receivables each year. The allowance was estimated at \$375,000 and \$0 for the years ended June 30, 2006 and 2005, respectively.

Prepaid Expenditures

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

Inventory

Inventory consists 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, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

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 \$1,000. 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 are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years, equipment, 3 to 8 years.

Accrued Liabilities and Long-term Obligations

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

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. 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, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

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 are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

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.

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 or by the passage of time.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees 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.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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 and are recorded in the District's financial records when received.

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.

Property Tax

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study, 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. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. 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 year ended June 30, 2006 and 2005, the District distributed \$1,482,215 and \$1,404,720 in direct lending of Federal Family Education Loans from 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 Federal Financial Assistance.

New Accounting Pronouncements

- **GASB Statement No. 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and have been implemented by the District in fiscal year 2005-2006.
- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District is not a plan sponsor of an OPEB Plan.
- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The District will be implementing the requirements of this standard in the 2008-2009 fiscal year.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. The District has implemented this statement.
- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. The District has implemented this statement.

Comparative Financial Information

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

NOTE 2 - CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code 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.

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 accounting 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.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Cash on hand and in banks	\$ 5,174,177
Cash in revolving	73,600
Cash awaiting deposit	499,088
Investment with fiscal agent	440,129
Investments	124,092,139
Total Deposits and Investments	<u>\$ 130,279,133</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

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 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.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity In Years
Notes, mortgages, and contracts	\$ 440,129	N/A
County Pool	123,992,865	1.00
Total	<u>\$ 124,432,994</u>	

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Not Required To Be Rated	Rating as of Year End		
				AAA	Aa	Unrated
Notes, mortgages, and contracts	\$ 440,129	None	\$ -	\$ -	\$ -	\$ 440,129
County Pool	123,992,865	None	-	-	-	123,992,865
Total	<u>\$ 124,432,994</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,432,994</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the stipulated by the California Government code. The District does not have investments in any one issuer that represent five percent or more of the total investments.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

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. As of June 30, 2006, \$5,724,000 of the District's bank balance of \$6,240,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District has determined \$375,000 and \$0 of accounts receivable at June 30, 2006 and 2005 may be uncollectible and has set up a corresponding allowance for doubtful accounts.

The accounts receivable are as follows:

	<u>2006</u>	<u>2005</u>
Federal Government		
Categorical aid	\$ 328,867	\$ 588,638
State Government		
Apportionment	2,804,196	3,052,901
Categorical aid	491,946	283,715
Lottery	478,618	931,335
Other State sources	7,665,854	-
Local Government		
Interest	1,425,623	747,166
Other local sources	1,912,749	6,172,564
Total	<u>\$ 15,107,853</u>	<u>\$ 11,776,319</u>
Student receivables	\$ 2,324,825	\$ 3,014,032
Less allowance for bad debt	(375,000)	-
Student loan receivables	154,061	-
Student receivables, net	<u>\$ 2,103,886</u>	<u>\$ 3,014,032</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2006, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 2,087,458	\$ -	\$ -	\$ 2,087,458
Construction in progress	17,096,060	11,856,411	14,556,125	14,396,346
Total Capital Assets Not Being Depreciated	<u>19,183,518</u>	<u>11,856,411</u>	<u>14,556,125</u>	<u>16,483,804</u>
Capital Assets Being Depreciated				
Buildings and improvements	87,194,761	17,644,931	-	104,839,692
Furniture and equipment	14,863,155	5,830,737	-	20,693,892
Total Capital Assets Being Depreciated	<u>102,057,916</u>	<u>23,475,668</u>	<u>-</u>	<u>125,533,584</u>
Total Capital Assets	<u>121,241,434</u>	<u>35,332,079</u>	<u>14,556,125</u>	<u>142,017,388</u>
Less Accumulated Depreciation				
Buildings and improvements	24,993,175	2,042,103	-	27,035,278
Furniture and equipment	12,293,972	1,617,559	-	13,911,531
Total Accumulated Depreciation	<u>37,287,147</u>	<u>3,659,662</u>	<u>-</u>	<u>40,946,809</u>
Subtotal Capital Assets Being Depreciated	<u>64,770,769</u>	<u>19,816,006</u>	<u>-</u>	<u>84,586,775</u>
Net Capital Assets	<u>\$ 83,954,287</u>	<u>\$ 31,672,417</u>	<u>\$ 14,556,125</u>	<u>\$ 101,070,579</u>

Depreciation expense for the year was \$3,659,662.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Capital asset activity for the District for the fiscal year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 2,087,458	\$ -	\$ -	\$ 2,087,458
Construction in progress	2,728,267	14,725,376	357,583	17,096,060
Total Capital Assets Not Being Depreciated	<u>4,815,725</u>	<u>14,725,376</u>	<u>357,583</u>	<u>19,183,518</u>
Capital Assets Being Depreciated				
Buildings and improvements	85,330,480	1,864,281	-	87,194,761
Furniture and equipment	14,510,337	486,779	133,961	14,863,155
Total Capital Assets Being Depreciated	<u>99,840,817</u>	<u>2,351,060</u>	<u>133,961</u>	<u>102,057,916</u>
Total Capital Assets	<u>104,656,542</u>	<u>17,076,436</u>	<u>491,544</u>	<u>121,241,434</u>
Less Accumulated Depreciation				
Buildings and improvements	23,375,090	1,618,085	-	24,993,175
Furniture and equipment	11,389,747	904,225	-	12,293,972
Total Accumulated Depreciation	<u>34,764,837</u>	<u>2,522,310</u>	<u>-</u>	<u>37,287,147</u>
Net Capital Assets	<u>\$ 69,891,705</u>	<u>\$ 14,554,126</u>	<u>\$ 491,544</u>	<u>\$ 83,954,287</u>

Depreciation expense for the year was \$2,522,310.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that 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 unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>2006</u>	<u>2005</u>
Accrued payroll	\$ 1,783,994	\$ 1,374,054
Vendor	8,266,597	8,778,818
Federal categorical	54,616	-
Total	<u>\$ 10,105,207</u>	<u>\$ 10,152,872</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

	<u>2006</u>	<u>2005</u>
Federal financial assistance	\$ 47,975	\$ 218,242
State categorical aid	970,373	3,776,898
Enrollment fees	3,400,888	1,424,461
Other local	1,515,653	-
Total	<u>\$ 5,934,889</u>	<u>\$ 5,419,601</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term Obligations Summary

The changes in the District's long-term obligations during the 2006 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 100,000,000	\$ 89,275,850	\$ 90,000,000	\$ 99,275,850	\$ 8,330,000
Unamortized bond premiums	2,810,665	14,725,474	3,056,090	14,480,049	981,698
Subtotal general obligation bonds	102,810,665	104,001,324	93,056,090	113,755,899	9,311,698
Lease revenue bonds	5,445,000	-	150,000	5,295,000	150,000
Children center loan	270,000	-	60,000	210,000	30,000
Total Bonds and Notes Payable	108,525,665	104,001,324	93,266,090	119,260,899	9,491,698
Other Liabilities					
Compensated absences	1,657,844	-	140,927	1,516,917	-
Capital leases	49,803	-	22,139	27,664	20,071
Total Other Liabilities	1,707,647	-	163,066	1,544,581	20,071
Total Long-term Debt	\$ 110,233,312	\$ 104,001,324	\$ 93,429,156	\$ 120,805,480	\$ 9,511,769

The changes in the District's long-term obligations during the 2005 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ -	\$ 100,000,000	\$ -	\$ 100,000,000	\$ 6,665,000
Unamortized bond premium	-	2,810,665	-	2,810,665	112,427
Subtotal general obligation bonds	-	102,810,665	-	102,810,665	6,777,427
Lease revenue bonds	5,590,000	-	145,000	5,445,000	150,000
Certificates of participation	3,355,000	-	3,355,000	-	-
Co-generation loan	670,185	-	670,185	-	-
Children center loan	270,000	-	-	270,000	60,000
Total Bonds and Notes Payable	9,885,185	102,810,665	4,170,185	108,525,665	6,987,427
Other Liabilities					
Capital leases	110,491	-	60,688	49,803	23,597
Compensated absences	2,059,827	-	401,983	1,657,844	-
Total Other Liabilities	2,170,318	-	462,671	1,707,647	23,597
Total Long-term Debt	\$ 12,055,503	\$ 102,810,665	\$ 4,632,856	\$ 110,233,312	\$ 7,011,024

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Description of Debt

The general obligation bond funds were authorized at an election of the registered voters of the District held on March 2, 2004. The bonds were authorized at an issuance of \$498,000,000 principal amount for the purpose of financing the acquisition, construction and modernization of facilities. The first series of the bonds were issued in 2004 and sold in the amount of \$100,000,000. In 2006, \$90,000,000 of the Series A bonds were refunded by issuing a refunding bond in the amount of \$89,275,850. The refunding bond generated a premium of \$14,725,474 which resulted in \$14,696,664 of additional cash received for bond projects. At June 30, 2006, \$99,275,850 was outstanding. Interest rates on the bonds are 3.500 to 5.000 percent. Payments on the general obligation bonds are paid by the Bond Interest and Bond Redemption Fund.

The lease revenue bonds were issued in July 2002 in the amount of \$5,735,000 for the purchase of a building for the District offices. At June 30, 2006, \$5,295,000 was outstanding. The bonds mature through August 2027 with interest rates ranging from 4.5% to 6.0%. Payments on the lease revenue bonds are paid by the Capital Outlay Projects Fund.

The children's center loans were issued in 2003 in the amount of \$300,000 interest free to finance the purchase and installation of relocatable child-care facilities on the Chabot College campus. At June 30, 2006, \$210,000 was outstanding. The loans mature through December 2012. Payments of the loans are paid by Child Development Fund.

The District has utilized capital leases purchase agreements to purchase primarily equipment. The current balance on lease purchase agreements is \$27,664 and will be paid through 2008.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2005	Issued	Redeemed	Outstanding June 30, 2006
2004	2011	3.500-5.000%	\$ 100,000,000	\$100,000,000	\$ -	\$90,000,000	\$ 10,000,000
2006	2021	3.500-5.000%	\$ 89,275,849	-	89,275,850	-	89,275,850
				<u>\$100,000,000</u>	<u>\$89,275,850</u>	<u>\$90,000,000</u>	<u>\$ 99,275,850</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

The bonds mature through 2021 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2007	\$ 8,330,000	\$ 2,982,686	\$ 11,312,686
2008	6,125,000	3,413,163	9,538,163
2009	6,340,000	3,194,650	9,534,650
2010	6,565,000	2,953,425	9,518,425
2011	6,820,000	2,683,350	9,503,350
2012-2016	21,031,599	26,964,317	47,995,916
2017-2021	34,874,251	12,545,312	47,419,563
2022	9,190,000	227,500	9,417,500
Total	<u>\$ 99,275,850</u>	<u>54,964,403</u>	<u>\$ 154,240,253</u>
Interest accreted to date		460,342	460,342
Total including accreted interest		<u>\$ 55,424,745</u>	<u>\$ 154,700,595</u>

Lease Revenue Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 150,000	\$ 238,903	\$ 388,903
2008	155,000	235,047	390,047
2009	160,000	230,515	390,515
2010	165,000	225,188	390,188
2011	170,000	219,325	389,325
2012-2016	965,000	980,825	1,945,825
2017-2021	1,230,000	720,837	1,950,837
2022-2026	1,560,000	384,100	1,944,100
2027-2028	740,000	37,500	777,500
Total	<u>\$ 5,295,000</u>	<u>\$ 3,272,240</u>	<u>\$ 8,567,240</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Children's Center Loan

Fiscal Year	Principal
2007	\$ 30,000
2008	30,000
2009	30,000
2010	30,000
2011	30,000
2012-2016	60,000
Total	<u>\$ 210,000</u>

Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets with corresponding accumulated depreciation. As of June 30, 2006, the District's liability on lease agreements with option to purchase is summarized below:

Year Ending June 30,	Lease Payment
2007	\$ 16,178
2008	12,943
Total	29,121
Less: Amount Representing Interest	1,457
Present Value of Minimum Lease Payments	<u>\$ 27,664</u>

Defeasance of Debt Obligations

On March 29, 2006, General Obligation Bonds in the amount of \$89,275,849 were issued at a premium of \$14,725,494, with interest rates ranging from 3.5 percent to 5.0 percent. The General Obligation Bonds were issued to defease and redeem \$90,000,000 of 2004 Series A bonds. As a result of the advance refunding, the District reduced its total debt service requirements by approximately \$12,000,000 and received an additional premium of \$14,000,000. The advance refunding resulted in a small economic gain (difference between the present value of the debt service payments on the old and new debt).

The District has defeased the bond issues by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U. S. government securities and placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long-Term Obligations. As of June 30, 2006, \$88,099,655 was placed in an irrevocable trust fund to defease debt outstanding but removed from the Long-Term Obligations, of \$90,000,000.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in Public Employees' Retirement System (PERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in State Teachers' Retirement System (STRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post-employment health benefits on a pay as you go basis.

The District offers subsidized health insurance benefits to all employees who retire from the District and meet the age and serviced requirement for eligibility. Group medical coverage is provided for academic retirees hired on or after April 1, 1986 and classified retirees hired on or after July 1, 1984. Such benefits are required through the District's union contracts. The amount of the District's contribution per employee towards such annual premiums is determined according to the collective bargaining agreements. The District recognizes the costs of providing those benefits and related costs when paid. Active plan participants at June 30, 2006 totaled 306. Payments for retired employees totaled \$2,788,201 for the year ended June 30, 2006 and were recorded as expenses.

The District partially funds the Accumulated Postretirement Benefit Obligation ("APBO"), which is defined as the present value of the projected benefits that have already been earned. Based on an actuarial study performed in 2005 (the most recent available), the APBO was estimated to be approximately \$81.4 million. Funds set aside for funding purposes were \$2,663,372 at June 30, 2006.

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2006, the District contracted with the Protected Insurance Program for Schools JPA (PIPS) for workers' compensation and Statewide Association of Community Colleges (SWACC) for property and liabilities insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Workers' Compensation

For fiscal year 2005-2006, the District participated in the Protected Insurance Program for Schools JPA (PIPS), an insurance purchasing pool. The District is self insured for the first \$1,000,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 11 - 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 State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more in a full-time equivalent position, participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-2006 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$2,447,924, \$2,209,252, and \$2,128,103, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Chabot-Las Positas Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven 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 2005-2006 was 9.952 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005, and 2004, were \$1,793,096, \$1,496,120, and \$1,799,316, respectively, and equaled 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$1,336,829 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2006. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a 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 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 holds the assets in trust for added security.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 12 - 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 General Fund or other applicable funds. However, 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, 2006.

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, 2006.

Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Program Level Services	\$ 2,642,149	Jun-07
4000 Student Counseling - Chabot College	2,337,641	Dec-09
Building 700 Social Science/Language Arts-Chabot College	1,074,577	Jun-08
PE Complex/Athletic Fields - Chabot College	3,099,362	Dec-09
Classrooms 300, 500, 800, 900 - Chabot College	1,543,610	Jun-09
Other Buildings and Site Preparation - Chabot College	1,826,596	Jun-07
MD Building - Las Positas College	7,712,438	Dec-07
SSC & Administrative Building - Las Positas College	3,401,000	Jun-10
College Center for Arts - Las Positas College	2,420,175	Jun-09
Child Development Center - Las Positas College	709,649	Dec-08
PE Phase II - Las Positas College	612,150	Jun-07
Other Buildings and Site Preparation - Chabot College	422,940	Jun-07
	<u>\$ 27,802,287</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Protected Insurance Program for Schools JPA (PIPS). The District pays annual premiums for its workers' compensation and dental insurance 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, 2006, the District made payments of \$951,678 to PIPS for its workers' compensation coverage and \$455,789 to Statewide Association of Community Colleges for property and liability insurance.

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SUPPLEMENTARY INFORMATION

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2006

The Chabot-Las Positas Community College District was established on July 1, 1961, and is comprised of an area of approximately 588 square miles located in Alameda County. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Isobel Dvorsky	President	2006
Dr. Arnulfo Cedillo	Secretary	2008
Mr. Donald Gelles	Trustee	2006
Dr. Hal Gin	Trustee	2006
Dr. Alison Lewis	Trustee	2008
Dr. Barbara Mertes	Trustee	2008
Mr. Carlo Vecchiarelli	Trustee	2008

ADMINISTRATION

Dr. Susan A. Cota	Chancellor
Mr. Lorenzo Legaspi	Vice Chancellor, Business Services
Dr. Joel Kinnamon	Vice Chancellor, Educational Services

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Programs From:			
California State Department of Education			
Child and Adult Care Food Program	10.558	01-2962-1A	\$ 98,351
The National Youth Sports Program Fund - Summer Food			
Service Program for Children	10.559	01-2962-1A	19,915
Total U.S. Department of Agriculture			<u>118,266</u>
U.S. DEPARTMENT OF LABOR			
Pass Through Programs From:			
County of Alameda			
Workforce Investment Board	17.259	C95-0187	101,563
Workforce Investment Act (WIA Title I)	17.262	C95-0187	486,766
Total U.S. Department of Labor			<u>588,329</u>
National Science Foundation Mathematical and Physical Sciences	47.049	[2]	2,588
Total National Science Foundation			<u>2,588</u>
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster ^[1]			
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	[2]	231,473
Federal Family Education Loans (FFEL)	84.032	[2]	1,482,215
Federal College Work Study Program (FWS)	84.033	[2]	155,750
Federal Pell Grant Program (PELL)	84.063	[2]	6,851,899
Total Student Financial Aid Cluster			<u>8,721,337</u>
Higher Education - Institutional Aid	84.031	[2]	63,590
TRIO - Student Support Services	84.042A	[2]	162,699
Subtotal Direct Programs			<u>8,947,626</u>
Pass Through Programs From:			
California Community Colleges Chancellor's Office			
Vocational Education - Basic Grants to States ^[1]	84.048	01-C01-007	448,264
Alameda County PIC Job Training Partnership Agreement			
Tech-Prep Education	84.243	C95-0187	20
Tech Prep - Eden Regional Occupational Program	82.243	C95-0187	3,324
Subtotal Pass Through Programs			<u>451,608</u>
Total U.S. Department of Education			<u>9,399,234</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Programs From:			
California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	58,486
The National Youth Sports Program Fund -			
Community Services Block Grant - Discretionary Awards	93.570	[2]	54,794
California Department of Education			
Parent Infant/Toddler Caregivers (PITC)	93.575	[2]	154,050
Child, Family & Community Services - Head Start	93.600	[2]	714,742
Child, Family & Community Services - Community Action to			
Reach Out to Infants (CARI) Program	93.658	C95-0187	22,349
Total U.S. Department of Health and Human Services			<u>1,004,421</u>
Total Expenditures of Federal Awards			<u>\$ 11,112,838</u>

[1] Tested as a Major Program.

[2] Pass-Through Entity Identifying Number Not Available or Not Applicable.

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Program	Program Revenues			Total Revenue	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
GENERAL FUND					
Lottery (Prop 20)	\$ 369,413	\$ 335,077	\$ 335,077	\$ 369,413	\$ 325,409
EOPS	911,857	-	1,728	910,129	910,129
DSPS	1,198,310	-	-	1,198,310	1,198,310
TANF, State Share	27,378	17,504	630	44,252	44,252
CalWorks	297,145	-	51,045	246,100	246,100
TTIP	381,389	-	187,913	193,476	193,476
CARE	132,359	-	-	132,359	132,359
BFAP Financial Aid Admin	556,604	-	-	556,604	556,604
Matriculation	802,107	-	-	802,107	802,107
Matriculation, Non Credit	8,295	-	-	8,295	8,295
Faculty & Staff Development	600	-	600	-	-
Faculty & Staff Diversity	20,375	-	-	20,375	20,375
Instructional Equipment	289,465	-	130,420	159,045	171,655
Instructional Equipment -Block Grant	773,423	-	252,218	521,205	521,205
Foster Care, CC	71,144	50,648	-	121,792	109,784
Child Development Training Consort, CC	18,274	-	1,886	16,388	16,388
Child Development Training Consort, LPC	12,845	-	165	12,680	12,680
Foster Care, LPC	68,629	31,517	-	100,146	100,146
CARI Pre-Training, CC	5,215	-	-	5,215	5,215
TRDP, Americorps 04-05	(1,594)	14,129	-	12,535	12,535
TRDP, Americorps 05-06	-	13,220	-	13,220	13,220
West Ed Personnel Prep Grant	6,558	-	2,879	3,679	3,679
West Ed Early Intervention Grant, LPC	10,000	-	3,968	6,032	6,032
CAN Grant	(725)	-	-	(725)	1,357
Workability III	67,616	5,880	-	73,496	75,533
Bay Project	6,000	21,633	1,844	25,789	25,789
Economic Development Grant, CC	9,075	-	-	9,075	-
Economic Development Grant, IDRC	(35,831)	-	-	(35,831)	-
CACFP Food Program	5,235	-	-	5,235	5,235
State Preschool/Part Day	283,030	-	-	283,030	301,521
State Preschool/Wrap Around	326,229	-	-	326,229	302,543
Tri Cities Children's Center Grant	197,059	-	-	197,059	401,806
CDE Facility Repair, 04-05	22,280	-	-	22,280	10,560
CDE Pre Kindegaten Resource Grant	-	2,338	-	2,338	2,338
State Preschool Material Grant	2,178	-	-	2,178	512
State CDE Resource Grant	(67)	-	-	(67)	-
Total State Programs	\$6,841,870	\$ 491,946	\$970,373	6,363,443	\$ 6,537,149

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2006**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	1,743	-	1,743
2. Weekly census	11,637	-	11,637
3. Daily census	1,154	-	1,154
4. Actual hours of attendance	596	-	596
5. Independent study/work experience	726	-	726
Subtotal	<u>15,856</u>	<u>-</u>	<u>15,856</u>
B. <u>Noncredit FTES</u>			
1. Summer	35	-	35
2. Actual hours of attendance	646	-	646
Subtotal	<u>681</u>	<u>-</u>	<u>681</u>
Total FTES	<u>16,537</u>	<u>-</u>	<u>16,537</u>
C. <u>Basic Skills Courses</u>			
1. Credit			1,328
2. Noncredit			-
Total Basic Skills FTES			<u>1,328</u>
D. <u>FTES Generated in Leased Space</u>			
			<u>663</u>
E. <u>Gross Square Footage</u>			
1. Existing facilities			844,656
2. New facilities			64,737
Total Gross Square Footage			<u>909,393</u>

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF ANNUAL APPRENTICESHIP HOURS OF INSTRUCTION
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
July 1 - December 31, 2005	20,459	-	20,459
January 1 - April 15, 2006	2,043	-	2,043
April 16 - June 30, 2006	<u>18,787</u>	<u>-</u>	<u>18,787</u>
Total	<u><u>41,289</u></u>	<u><u>-</u></u>	<u><u>41,289</u></u>

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>General</u>	<u>Child Development</u>	<u>Capital Projects</u>	<u>Bond Construction</u>	<u>Bookstore Enterprise</u>	<u>Student Financial Aid</u>
FUND BALANCE						
Balance, June 30, 2006, (CCFS-311)	\$ 12,904,873	\$ 67,758	\$ 4,632,582	\$ 82,069,614	\$ 3,422,013	\$ 472,454
Decrease in:						
Accounts receivable	-	17,124	374,830	14,312,126	-	-
Increase in:						
Accounts payable	<u>(175,396)</u>	-	-	-	<u>(65,408)</u>	<u>(17,717)</u>
Balance, June 30, 2006, Fund Financial Statement	<u>\$ 12,729,477</u>	<u>\$ 84,882</u>	<u>\$ 5,007,412</u>	<u>\$ 96,381,740</u>	<u>\$ 3,356,605</u>	<u>\$ 454,737</u>

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2006**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance:

General Fund	\$12,729,477	
Special Revenue Funds	3,630,329	
Capital Project Funds	97,865,321	
Debt Service Funds	12,483,238	
Enterprise Funds	3,356,605	
Internal Service Funds	2,663,372	
Fiduciary Funds	454,737	
Total Fund Balance - All District Funds		\$ 133,183,079

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	142,017,388	
Accumulated depreciation is	(40,946,809)	
Less fixed assets already recorded in the enterprise funds	<u>(2,004,308)</u>	99,066,271

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (1,019,269)

Expenditures relating to issuance of debt were recognized on the modified accrual basis, but are recorded as deferred charges on the accrual basis and amortized over the life of the bonds. 1,144,754

Long-term liabilities at year end consist of:

Bonds payable	99,275,850	
Unamortized premium on general obligation bonds	14,480,049	
Capital leases payable	27,664	
Lease revenue bonds	5,295,000	
Compensated absences	1,516,917	
Children's center loan	<u>210,000</u>	(120,805,480)
Total Net Assets		<u>\$ 111,569,355</u>

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006

NOTE 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 in 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 and Schedule of Annual Apprenticeship Hours of Instruction

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 districts. These schedules provide 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.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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INDEPENDENT AUDITORS' REPORTS

**INDEPENDENT AUDITORS' 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
Chabot-Las Positas Community College District
Pleasanton, California

We have audited the basic financial statements of Chabot-Las Positas Community College District (the District) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated April 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chabot-Las Positas Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Chabot Las Positas Community College District in a separate letter dated April 27, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chabot-Las Positas Community College District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's 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.

Yavine K, Tine, Day & Co LLP

Pleasanton, California

April 27, 2007

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

Board of Trustees
Chabot-Las Positas Community College District
Pleasanton, California

Compliance

We have audited the compliance of Chabot-Las Positas Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. 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 of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Chabot-Las Positas Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

This report is intended for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's 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.

Yavinek, Trine, Day & Co LLP
Pleasanton, California
April 27, 2007

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Chabot-Las Positas Community College District
Pleasanton, California

We have audited the basic financial statements of the Chabot-Las Positas Community College District (the District) for the years ended June 30, 2006 and 2005, and have issued our report thereon dated April 27, 2007.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directive

- MIS Implementation - Required Data Elements

Administration

- Open Enrollment
- Minimum Conditions - Standards of Scholarship
- Student Fee - Instructional Materials and Health Fees
- Apportionment of Instructional Service Agreements/Contracts
- Residency Determination for Credit Courses
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Enrollment Fee
- Students Actively Enrolled
- Salaries of Classroom Instructors (50% Law)
- Use of Matriculation Funds
- CalWORKS – Use of State and Federal TANF Funding
- Allocation of Costs (DSPS and EOPS)
- Non Credit Courses

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

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

In our opinion, except as described in the Schedule of State Award Findings and Questioned Costs, the Chabot-Las Positas Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2006.

This report is intended solely for the information of the Board of Trustees, District 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.

Yavirek, Trine, Day & Co LLP

Pleasanton, California

April 27, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2006**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.032, 84.033, 84.063</u>	<u>Student Financial Aid Clusters</u>
<u>84.048</u>	<u>Vocational Education-Basic Grants to States</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 333,385</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

None reported.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

None reported.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2006-1 Non Credit Courses

Criteria or Specific Requirements: Under CCR, Title 5 Sections 5002(c), 55150, and 58050, the District is required to complete the self assessment checklist for all non-credit courses.

Condition: During our testing for State Compliance of non-credit Courses, we noted that the district does not review their practices and procedures relative to the non-credit courses on an annual basis, or submit a report on the results of the review. Additionally, non-credit self assessment checklists were not prepared.

Questioned Cost: None

Context: During our visits to the college campuses we requested to review the self assessments performed on noncredit courses.

Effect: The District is not in compliance with the monitoring regulations governing the terms of non credit courses.

Cause: The campuses do not perform self assessment checklists for noncredit courses.

Recommendation: We recommend the District investigate the requirements and parameters of CCR, Title 5 Sections 5002(c), 55150, and 58050 and retroactively complete the self-assessment checklists. We recommend the District retain those checklists to demonstrate the district's compliance with regulations over non credit courses.

District Response: The District will require each college to complete the self-assessment checklist for all non-credit course offerings as required by Title 5.

2006-2 Students Actively Enrolled

Criteria or Specific Requirements: Under the California Code of Regulations, Title V, section 58003.1, 58004, 58005, and 58051, for attendance accounting purposes, districts are required to clear the rolls of all inactive students as of each course section's drop date. The drop date shall be no later than the end of business of the date immediately preceding the beginning of the census week in weekly census procedure courses, or the day immediately preceding census day in daily census procedure courses, and is the date used to clear the rolls of the inactive enrollment for attendance accounting purposes. For noncredit distance learning courses, the drop date to clear the rolls of inactive students shall be the day prior to each of the two census dates.

Condition: We noted that not all instructors submitted census rosters. Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date. District instructors are the individuals who possess the most accurate knowledge of which students are actively enrolled at any time, and therefore, serve as the most effective way to verify the enrollment information is accurate through reviewing and certifying their enrollment rosters after each census date.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

Questioned Cost: Unknown.

Context: Student FTES are determined based on students listed as enrolled as of census date. Instructors should submit updated rosters informing admissions and records of any students who should be dropped as of the applicable census dates. Failure to do so could cause the inclusion of FTES for students who have never attended the course but have not formally completed the process to withdraw from the course by the census date.

Effect: Failure to submit certified census rosters, results in difficulties in determining if students were dropped at the appropriate point in time to ensure that FTES are properly reported and that state funding is correctly determined. Census rosters not submitted to admissions and records indicate that FTES may be overstated or understated.

Cause: During our testing of Student Active Enrollment, we noted that not all instructors are turning in the census rosters following the census date.

Recommendation: We recommend the District remind instructors that certified census rosters (certified either on line or on paper) are required to be submitted shortly after each census date.

District Response: The Colleges will implement new processes to ensure that all faculty submit their enrollment rosters as required.

2006-3 Instructional Materials Fees

Criteria or Specific Requirements: Per Education Code Section 76365, districts are permitted to require students to purchase instructional materials, but must demonstrate that the District supplies the materials at a cost that is no more than the district's actual cost.

Condition: The District was unable to provide support for the amount established as the instructional material fee.

Questioned Cost: None.

Context: The amount set as instructional material fees may either be too high and exceed the allowable cap, or lower than the allowable amount, in which case District operations are subsidizing the instructional material purchases.

Effect: The District does not know if it is in compliance with the requirement for the upper limit on the amount established as instructional material fees.

Cause: During our testing of Student Fees-Instructional Materials, the district was unable to provide us with invoices that support the District's cost of instructional materials.

Recommendation: The district should develop a method to keep track of all costs for instructional materials and compare that cost to the fee charged to students to determine if the District has charged more than its actual costs to students.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

District Response: The District will review and update its methodology for developing course fees and the subsequent tracking of costs to ensure that the fee charged is in compliance with student fee regulations.

2006-4 Salaries of Classroom Instructors

Criteria or Specific Requirements: Education Code 84362, commonly known as the 50% law requires that a minimum of 50% of a District's current expense of education be spent on for salaries of classroom instructors.

Condition: During our review of classification of instructor salaries used in calculating the 50% test, we noted two instances where a total of \$18,066 of reassigned time was erroneously coded to instructional time. Therefore, these amounts were erroneously included in the numerator of the 50% law calculation.

Questioned Cost: None.

Context: We reviewed five instructors with reassigned time totaling \$90,225 and noted two instances where there were classification errors.

Effect: The numerator of the formula calculating the 50% test for salaries of classroom instructors was too high by the \$18,066 of reassigned time that was erroneously included. After reduction the numerator by \$18,066, the District continued to meet the 50% threshold.

Cause: Inappropriate coding of instructor salaries in the financial system.

Recommendation: We recommend the District review coding of faculty reassigned time to verify that all those individuals with reassigned time are classified as such in the financial system in order to produce accurate reports for use in calculating the 50% test.

District Response: The District will add a step to the year-end closing process to verify all reassigned time is coded to the proper object of expenditure code as prescribed in the State Accounting Manual.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

Financial Statement Findings

2005-1 Employment Eligibility Verification Form (I-9 Form)

Criteria or Specific Requirements: The Immigration Reform and Control Act of 1986 mandates employers to verify authorization to work in the United States for anyone hired after November 6, 1986. I-9 Forms are required to be completed and signed by both employer and employee prior to commencement of employment.

Condition: During our review of the payroll and personnel files, we noted I-9 forms were not consistently maintained as required by the Department of Justice, Immigration and Naturalization Service (INS).

Questioned Costs: None

Context: The above condition was noted during the internal control walkthrough procedures for payroll and personnel records. Six of the ten forms requested for review were unable to be located.

Effect: The District is not in compliance with the immigration laws and regulations.

Cause: Procedures and internal controls over payroll/personnel records should be strengthened to ensure district's compliance with laws and regulations.

Recommendation: We recommend the personnel department investigate reason for missing forms and address and consider the need to review all personnel files in order to verify that every employee hired after 1986 has a form I-9 which is completed and certified to by the signatures of both the employer and a District representative.

Current Status

Implemented.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

State Award Findings

2005-2 Census Procedures and Calculation

Criteria or Specific Requirements: Under the California Code of regulations, Title 5, section 58003 a Community College District is required to calculate the units of full-time equivalent student hours for the purpose of determining the State funding to be received. Furthermore, under this regulation, subsection 58030, the District is required to adopt procedures for the retention of support documentation which will enable an independent determination regarding the accuracy of tabulations submitted by the district to the Chancellor's Office as the basis of its claim for State support. Such support documentation procedures shall provide for accurate and timely attendance and contact hour data and shall be so structured as to provide for internal controls.

Condition: During our testing of State Compliance requirements under required data elements at Las Positas College, it was noted that several students were not accurately recorded as withdrawing from a class. Several students were marked by the instructor as being dropped from the course on census date in August, however, per the FTES software system some students were not recorded as withdrawn until September.

Questioned Costs: Based on the audit procedures applied to the daily census courses mentioned below an error rate of 7% (Calculation: course generated 4.43FTES divided by the .40FTES (3 students) that is questionable). Applying this error rate to the amount of FTES reported on the Attendance Apportionment report (CCFS-320) of 495.36 FTES for daily census courses results in a total potential of 35 FTES in question. Based on the District's calculation of funding per credit FTES amount of \$3,088.71, the total questioned cost is \$108,105.

Context: The above condition was noted during the audit procedures prescribed under the Required Data Elements section of the State Controllers Audit Guide, May 2005. Religious Studies class (21185) roster on the census date of August 30, 2004 was selected for review. During the audit procedures, we noted that one of the causes of the discrepancies in withdrawal dates is due to the fact that several instructors did not certify their scantrons until September 22, 2004.

Effect: The District has over reported the number of full-time equivalent students that are eligible for State funding. The College has performed further investigation to determine the extent of the discrepancies. In order to recalculate the FTES, the College reviewed every census roster for Fall 2004 and Spring 2005. Through this process, the College identified 201 faculty census rosters that had attendance discrepancies in comparison to Banner data. Those census rosters represented the total possible over claimed FTES. From scantrons, the College further determined that there were 417 students with drop dates that were different from the dates recorded FTES software system. The College contacted each instructor and requested additional support for accurate drop dates for these students. From this information, the College was able to reach a conclusion that 21 FTES were claimed in error which equates to approximately \$63,600 of State funding. The 2005-2006 P-1 report was reduced by 21 FTES to accommodate the 21 FTES overage from 2004-2005.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

Cause: Procedures and internal controls over the accumulation of data used to accumulate and report FTES accurately needs to be strengthened to ensure that the census procedures comply with the regulations.

Recommendation: The College should determine a method of ensuring that census date drops are accurately captured on the census date. The drop date should be the earlier of the census date or the self withdrawal date. If a student has, in person or via the Internet, withdrawn himself or herself after the census date, but before the instructor has returned the census count, there should be a discrepancy flag notifying the College to investigate this student and determine the appropriate drop date. At present, we were unable to see that there is a method in place to notify the Admissions and Records personnel that the instructor certified the student should be dropped as of census date and instead the FTES data system shows the student's record as indicates a self-withdrawal at a later date.

Current Status
Implemented

2005-3 Remedial Course Monitoring

Criteria or Specific Requirements: Under the California Code of Regulations, Title 5, Division 6, subsection 55756.5 the District is required to implement procedures for the monitoring of a student's need for remedial course work. This requirement also includes monitoring that no student receives more than 30 semester (45 quarter) units of credit for such classes.

Condition: Chabot and Las Positas
Colleges were unable to locate a written policy for the above compliance requirement.

Questioned Costs: There are no questioned costs associated with the above condition.

Context: The above condition was noted during the audit procedures prescribed under the Standards of Scholarship section of the State Controllers Audit Guide, May 2005.

Effect: The Colleges may be allowing students to attend a greater number of remedial courses than allowed to be funded by public funds.

Cause: Unknown

Recommendation: The Colleges should investigate the requirements and parameters of CCR 55756.5 in order to adopt a policy on the allowable limits of remedial coursework. With the adopted policy the Colleges should include a monitoring control that will allow testing of compliance with the State requirements.

Current Status
Implemented

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

2005-4 Standards of Scholarship – Course Repetition

Criteria or Specific Requirements: Under the California Code of Regulations, Title V, subsection 58161, specific criteria must be met for a District to claim repeated courses for State apportionment. Additionally, the regulations have placed a limit on the number of times a student repeating a course can be claimed for apportionment. These regulations require the District to identify and evaluate each repeating student and to reduce FTES for those amounts associated with students that have exceeded the apportionment limit of three repeats.

Condition: At Las Positas College certain classes allow students to repeat the course several times, as is allowable in various situations. However, in all cases there are a maximum number of times for which the course repeat may be claimed for apportionment. During our audit of the State Compliance requirements, we noted that the District is not reducing apportionment for the FTE's associated with repeated classes exceeding the maximum of three repeats allowable for apportionment purposes. The registration system is designed to allow the District to indicate if a class allows only the original course plus three repeats or an unlimited number of repeats, however there is no mechanism to reduce FTES apportionment for those students repeating a class more than three times.

Questioned Costs: Unknown due to no system tracking the number of repeats exceeding the three allowable repeats.

Context: The above condition was noted during the audit procedures prescribed under the Standards of Scholarship section of the State Controllers Audit Guide, May 2005.

Effect: Not deducting for unallowable repeats results in over reporting of FTES for State Apportionment, and thus resulted in the District having been over paid by the State.

Cause: The registration system is not tracking and removing repeat courses not allowed for apportionment purposes from totals reported for apportionment.

Recommendation: Maintaining a system to track and evaluate FTEs generated from repeatable course work is important in ensuring the correct reporting for the number of FTEs and therefore the calculation of state apportionment revenues. In order to comply with the State regulations, the College should implement a method of identifying and deducting repeats unallowable for apportionment purposes.

Current Status

Implemented.