



CHABOT-LAS POSITAS
COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

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, 2007 and 2006, as listed in the Table of Contents. These basic 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, 2007 and 2006, 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 the 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 March 31, 2008, 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
March 31, 2008

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of the CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT Chabot-Las Positas Community College District (the District) as of June 30, 2007. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

FINANCIAL HIGHLIGHTS

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

Financial and Enrollment Highlights

- As of June 30, 2007, the District's total net assets are \$125,385,016. Total net assets of the District increased \$13.8 million, or about 12.4%, over the previous year, due primarily to the net increase in capital assets 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 fiscal year 06-07 the District issued the remainder of the General Obligation Bonds authorized by Measure B in the amount of \$409.4 million dollars.
- The District's Budget was designed to fund faculty, staff, direct program expenditures and support services to serve 16,869 full-time equivalent students for General Apportionment purposes for the 2006-07 year. Due to a shift of 07-08 workload, the District reported 17,402 FTES for FY 2006-07.
- The District's salary expenses increased 12.8%, benefit expenses increased 10.6% and expenses for supplies, materials, capital outlay, student aid and other expenses and services increased 20.3%. Salary and benefit increases are primarily due to increases in salary schedules as a result of collective bargaining and increased internal staffing in support of the Measure B building program. The majority of the other cost increases are also primarily due to the activity associated with the Measure B building program.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

- **Cost-of-living adjustment:** The State budget provided a 5.92% cost-of-living (COLA) adjustment for apportionments and a reduced COLA for some state funded categorical programs (Matriculation, EOPS and DSPS).
- **Enrollment Fee:** During the 2006-07, the enrollment fees charged remained \$20 per unit.
- The District's General Fund Balance at the end of the fiscal year increased \$3.7 million dollars.

FULL-TIME EQUIVALENT STUDENT (FTES) ENROLLMENTS

YEAR	CHABOT	% Change	LPC	% Change	TOTAL	% Change
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	10,313	(0.5)	7,089	14.9	17,402	5.2
2007-2008 Projected	10,062	(2.4)	7,001	(1.2)	17,063	(1.9)

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 \$4.0 million, or about 3.6%, over the previous year, due primarily to the net increase in capital investments associated with the Measure B Bond fund.

ASSETS	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current Assets			
Cash and short-term investments	\$ 19,421,197	\$ 17,921,729	\$ 15,862,922
Receivables	14,351,198	17,211,739	14,790,351
Inventories, prepaid expenses and other	7,536,870	2,090,639	2,711,649
Total Current Assets	<u>41,309,265</u>	<u>37,224,107</u>	<u>33,364,922</u>
Non-current assets			
Cash and investment restricted	512,581,700	112,357,404	113,685,188
Capital assets, net	127,782,535	101,070,579	83,954,287
Total Noncurrent Assets	<u>640,364,235</u>	<u>213,427,983</u>	<u>197,639,475</u>
TOTAL ASSETS	<u>681,673,500</u>	<u>250,652,090</u>	<u>231,004,397</u>
LIABILITIES			
Current Liabilities			
Accounts payable, and accrued liabilities	18,620,209	11,128,966	11,606,821
Deferred revenues	5,738,443	5,934,889	5,419,601
Amounts held in trust	1,262,190	1,213,400	1,095,130
Long-term liabilities - current portion	14,154,670	9,511,769	7,011,024
Total Current Liabilities	<u>39,775,512</u>	<u>27,789,024</u>	<u>25,132,576</u>
Noncurrent Liabilities			
Long-term liabilities	516,512,972	111,293,711	103,222,288
TOTAL LIABILITIES	<u>556,288,484</u>	<u>139,082,735</u>	<u>128,354,864</u>
Net Assets			
Investment in capital assets, net of debt	86,519,758	79,374,369	73,563,079
Restricted	20,611,859	13,966,819	18,012,225
Unrestricted	18,253,399	18,228,167	11,074,229
TOTAL NET ASSETS	<u>\$ 125,385,016</u>	<u>\$ 111,569,355</u>	<u>\$ 102,649,533</u>

The primary components of cash and short-term investments are the general-fund ending balance, 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.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 \$5.0 million. Local grants and interest receivable by District is approximately \$5.8 million. The total owed to the District by the Federal government is an additional \$0.7 million, and student receivables is approximately \$2.8 million.

Inventories and prepaid items respectively represent inventory for the Bookstore, and prepayments for services and supplies ordered in FY 06-07 and received in FY 07-08 and the first half of principal and interest debt service payment for the District office Lease Revenue Bond.

Restricted cash and investment of \$512.6 million consists of funds related to the Measure B Bond Funds totaling \$486.1 million, associated required reserves of \$18.8 million which are deposited in a debt service fund held by Alameda County, and an additional \$7.7 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 2006-2007, for which payment would not be made until fiscal year 2006-2007. The accounts payable amount primarily represents debt on vendor invoices. Accrued liabilities principally represent vendor invoices in the amount of approximately \$11.7 million and deferred salaries and benefits payable for the months of June and July, which totals \$2.4 million.

Deferred revenues represent prepayments received by the District, for which the amounts have yet to be earned. For fiscal year 2006-2007, deferred revenues were \$5.7 million. Of this amount, \$2.8 million represents student tuition and registration fees, received during 2006-2007, for the 2006-2007 summer and fall terms. The other \$2.9 million represents funding for grants and contracts, whose terms and conditions extend beyond the 2006-2007 fiscal year.

Other current liabilities are composed of that portion of interest payable on bonds and the current portion of financing debt.

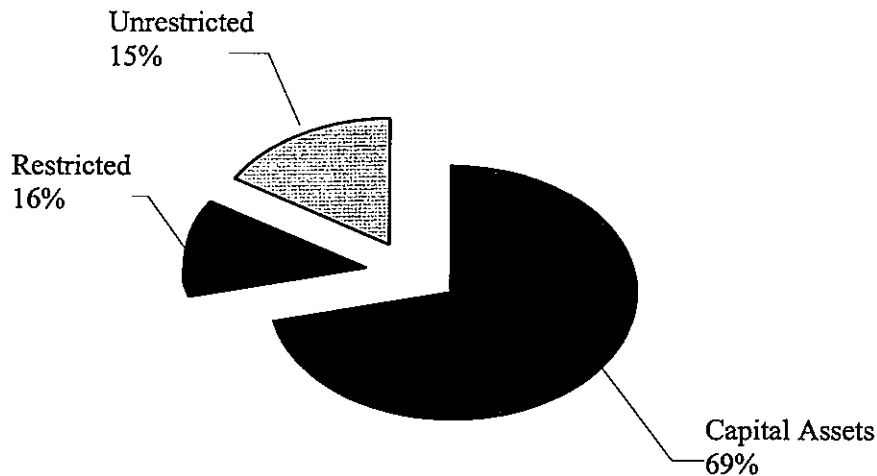
The District's long-term liabilities primarily consist of the accumulated liability for accrued employee compensated absences (\$1.8 million); the remaining debt on the Measure B Bond Fund (\$500.4 million); the remaining debt on the lease revenue bonds payable for the purchase of the District office and capitalized lease obligations for the purchase of various equipment throughout the District (\$30 thousand), and other long term liability including bond premiums of \$23.2 million.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

NET ASSETS – JUNE 30, 2007



The largest component of the District's "net assets" is the investment in capital assets (net of related debt), \$86.5 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 \$20.6 million, which is the District's "restricted assets" that represents assets whose use is earmarked for specific purposes, such as grant and construction projects. The remaining \$18.3 million is unrestricted assets, of this amount \$4.8 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 primary component of the 2006-2007 increase in net assets is due 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, 2007

The primary components of "tuition and fees" are the \$20 per unit enrollment fee that is charged to all students registering for classes, and the additional \$163 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 \$6.0 and \$1.3 million. Another \$.96 million is collected in the form of parking permits. The remainder is collected from an assortment of other student fees.

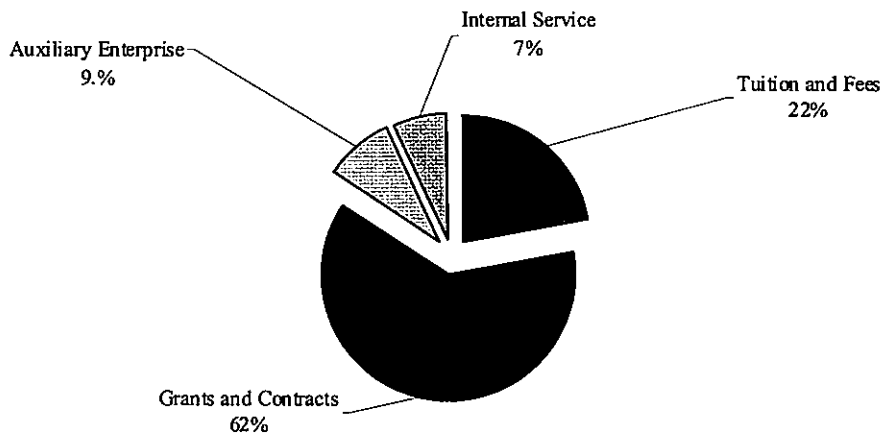
The largest component of the District's operating revenues is non-capital grants and contracts. Of these, the largest sub-components are from funding received from the Federal grants (\$9.0 million) to include funding for vocational training and higher education programs and State grants (\$12.2 million) for categorical programs, such as DSP&S, EOP&S, and Matriculation to name a few. Included in local grants and contracts (\$6.5 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 \$4.0 million and \$3.1 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, 2007



CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Statement of Revenues Expenses and Changes in Net Assets

OPERATING REVENUES	2007	2006	2005
Tuition and fees	\$ 10,112,966	\$ 10,295,151	\$ 9,718,844
Grants and contracts, noncapital	27,609,044	21,477,956	24,380,289
Auxiliary enterprises	3,981,335	3,900,303	4,114,302
Internal service charges	3,098,190	2,581,824	2,151,520
Total operating revenues	<u>44,801,535</u>	<u>38,255,234</u>	<u>40,364,955</u>
OPERATING EXPENSES			
Salaries and benefits	90,838,420	80,890,262	74,821,033
Supplies, materials and other operating	31,079,097	27,106,481	28,057,741
Equipment, maintenance and repairs	1,723,441	193,834	1,971,317
Depreciation	4,461,548	3,659,662	2,522,310
Total operating expenses	<u>128,102,506</u>	<u>111,850,239</u>	<u>107,372,401</u>
Operating loss	<u>(83,300,971)</u>	<u>(73,595,005)</u>	<u>(67,007,446)</u>
NON-OPERATING REVENUES			
(EXPENSES)			
State apportionments, noncapital	51,018,716	40,253,325	36,632,704
Local property taxes	35,876,087	36,660,457	35,514,690
State taxes and other revenue	3,449,379	2,952,660	1,774,015
Investment income	14,476,012	2,706,643	2,392,374
Other non-operating revenues and expenditures	<u>(11,727,205)</u>	<u>(8,174,323)</u>	<u>(1,480,804)</u>
Total non-operating revenues	<u>93,092,989</u>	<u>74,398,762</u>	<u>74,832,979</u>
Income before other revenues, expenses, gains or losses	9,792,018	803,757	7,825,533
State apportionments, capital	4,023,643	8,116,065	11,049,244
Increase/decrease in net assets	<u>13,815,661</u>	<u>8,919,822</u>	<u>18,874,777</u>
Net assets - beginning of year	111,569,355	102,649,533	83,774,756
Net assets - end of year	<u>\$ 125,385,016</u>	<u>\$ 111,569,355</u>	<u>\$ 102,649,533</u>

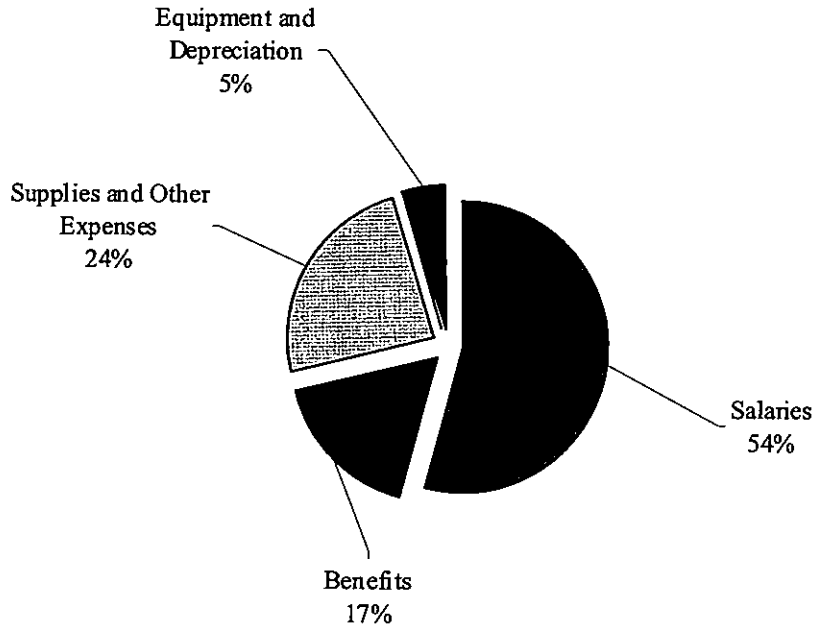
The largest component of the District's operating expense is the cost associated with salaries and benefits. Approximately 71% percent of the total expense is spent in this area. Supplies and other expenses account for an additional 24% of total expenses and depreciation and equipment maintenance and 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, 2007

OPERATING EXPENSES – JUNE 30, 2007



OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Operating Expenses by Function	<u>2007</u>	<u>2006</u>	<u>2005</u>
Instructional activities	\$ 53,053,622	\$ 46,565,724	\$ 44,611,863
Academic support	7,749,721	7,222,639	3,745,294
Student services	12,217,464	10,993,231	14,448,481
Operation and maintenance of plant	8,576,955	7,986,789	6,876,030
Institutional support	15,742,131	13,312,053	19,238,756
Community services and economic development	1,264,041	1,201,903	918,744
Ancillary services, auxiliary services	11,553,876	10,636,585	2,874,200
Student aid	8,099,086	8,805,847	9,194,992
Physical property	5,384,062	1,465,806	2,941,731
Depreciation	4,461,548	3,659,662	2,522,310
Total Operating Expenses by Function	<u>\$ 128,102,506</u>	<u>\$ 111,850,239</u>	<u>\$ 107,372,401</u>

The Functional Expense chart incorporates all District funds appropriations for fiscal year 2006-2007 and as required in accordance with GASB Statement No. 35, a depreciation expense has been added. In 2006-2007, the District granted salary increases of 8.0% for academic staff and 8.8% for classified staff. The largest expense in 2006-07 was in the area of instruction at 41%. 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

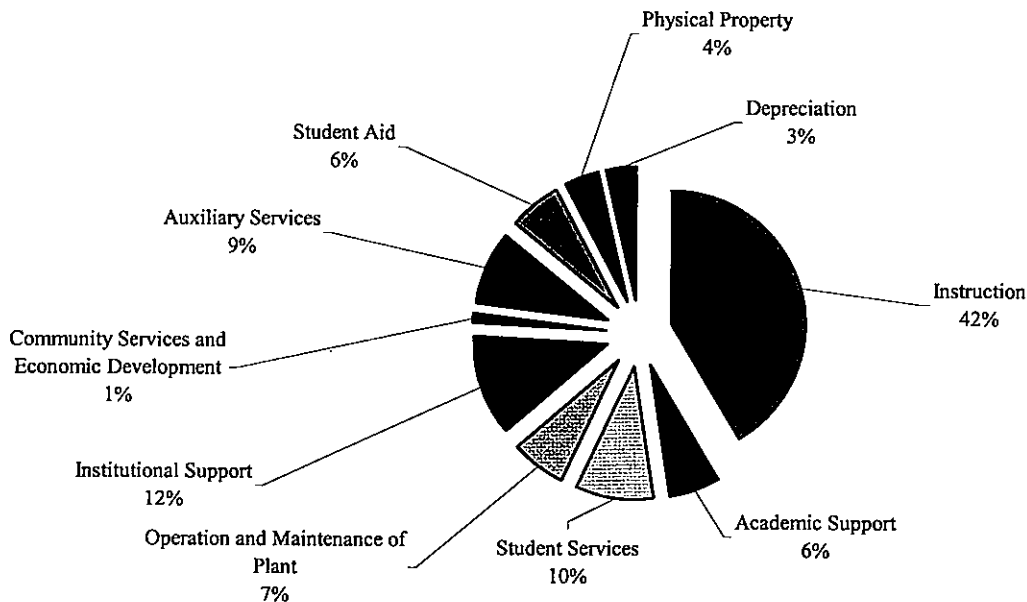
JUNE 30, 2007

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 6%.

The bulk of the ancillary services and auxiliary operations percentage (9%) 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 2004-05 and 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%. Physical property category (4%), and depreciation (3%) which consists of a number of building improvements and alterations that took place throughout the District.

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION - 2007



CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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.

	2007	2006	2005
Cash provided by (used in)			
Operating activities	\$ (80,585,124)	\$ (60,939,952)	\$ (58,827,676)
Non-capital financing activities	93,414,424	78,646,611	69,873,723
Capital and related financing activities	374,642,778	(19,019,449)	92,212,123
Investing activities	14,256,576	2,028,186	1,717,650
Net increase (decrease) in cash	401,728,654	715,396	104,975,820
Cash - beginning of year	129,839,004	129,123,608	24,147,788
Cash - end of year	\$ 531,567,658	\$ 129,839,004	\$ 129,123,608

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the District had a net \$127.8 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 \$26.7 million, or 26.4 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 \$530.7 million in debt outstanding versus \$120.8 million last year, a substantial increase, due to the issuance of the \$409.4 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 7 of the financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 77% of the District's total General Fund. 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.org.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,752,672	\$ 6,186,994
Investments	11,668,525	11,734,735
Accounts receivable	11,579,173	15,107,853
Student receivable, net	2,772,025	2,103,886
Deferred charges	5,533,640	1,144,754
Prepaid expenses	716,299	22,264
Stores inventories	1,041,904	887,022
Other current assets	245,027	36,599
Total Current Assets	<u>41,309,265</u>	<u>37,224,107</u>
Noncurrent Assets		
Restricted cash and cash equivalents	512,581,700	112,357,404
Nondepreciable capital assets	41,064,849	16,483,804
Depreciable capital assets, net of depreciation	86,717,686	84,586,775
Total Noncurrent Assets	<u>640,364,235</u>	<u>213,427,983</u>
TOTAL ASSETS	<u>681,673,500</u>	<u>250,652,090</u>
LIABILITIES		
Current Liabilities		
Deficit cash	453,619	4,490
Accounts payable	14,163,431	10,105,207
Interest payable, unrestricted	4,003,159	1,019,269
Deferred revenue	5,738,443	5,934,889
Amounts held in trust on behalf of others	1,262,190	1,213,400
Bonds payable - current portion	12,430,000	8,330,000
Lease revenue bond payable - current portion	155,000	150,000
Lease obligations - current portion	7,593	20,071
Other long-term liabilities - current portion	1,562,077	1,011,698
Total Current Liabilities	<u>39,775,512</u>	<u>27,789,024</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	1,769,386	1,516,917
Bonds payable - noncurrent portion	487,927,140	90,945,850
Lease revenue bond payable - noncurrent portion	4,990,000	5,145,000
Lease obligations - noncurrent portion	-	7,593
Other long-term liabilities - noncurrent portion	21,826,446	13,678,351
Total Noncurrent Liabilities	<u>516,512,972</u>	<u>111,293,711</u>
TOTAL LIABILITIES	<u>556,288,484</u>	<u>139,082,735</u>
NET ASSETS		
Invested in capital assets, net of related debt	86,519,758	79,374,369
Restricted for:		
Debt service	19,055,285	12,483,238
Capital projects	1,556,574	1,483,581
Unrestricted	18,253,399	18,228,167
TOTAL NET ASSETS	<u>\$ 125,385,016</u>	<u>\$ 111,569,355</u>

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 12,704,464	\$ 13,279,126
Less: Scholarship discount and allowance	<u>(2,591,498)</u>	<u>(2,983,975)</u>
Net tuition and fees	<u>10,112,966</u>	<u>10,295,151</u>
Grants and Contracts, noncapital:		
Federal	9,037,720	9,372,352
State	12,254,035	9,018,249
Local	6,317,289	3,087,355
Auxiliary Enterprise Sales and Charges	3,981,335	3,900,303
Internal Service Sales and Charges	<u>3,098,190</u>	<u>2,581,824</u>
TOTAL OPERATING REVENUES	<u>44,801,535</u>	<u>38,255,234</u>
OPERATING EXPENSES		
Salaries	68,980,016	61,127,956
Employee benefits	21,858,404	19,762,306
Supplies, materials, and other operating expenses and services	31,079,097	27,106,481
Equipment, maintenance, and repairs	1,723,441	193,834
Depreciation	<u>4,461,548</u>	<u>3,659,662</u>
TOTAL OPERATING EXPENSES	<u>128,102,506</u>	<u>111,850,239</u>
OPERATING LOSS	<u>(83,300,971)</u>	<u>(73,595,005)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	51,018,716	40,253,325
Local property taxes	35,876,087	36,660,457
State taxes and other revenues	3,449,379	2,952,660
Investment income, net	14,476,012	2,706,643
Interest expense on capital related debt	(13,654,255)	(9,503,576)
Interest income on capital asset-related debt, net	784,267	235,752
Transfer from agency fund	199,744	-
Transfer to agency fund	(118,401)	(3,250)
Other nonoperating revenue	<u>1,061,440</u>	<u>1,096,751</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>93,092,989</u>	<u>74,398,762</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>9,792,018</u>	<u>803,757</u>
State revenues, capital	4,023,643	7,741,238
Local revenues, capital	-	374,827
TOTAL INCOME BEFORE OTHER OTHER REVENUES AND EXPENSES	<u>4,023,643</u>	<u>8,116,065</u>
INCREASE IN NET ASSETS	13,815,661	8,919,822
NET ASSETS, BEGINNING OF YEAR	<u>111,569,355</u>	<u>102,649,533</u>
NET ASSETS, END OF YEAR	<u>\$ 125,385,016</u>	<u>\$ 111,569,355</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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 8,831,374	\$ 13,335,785
Non capital grants and contracts	27,626,100	25,743,819
Payments to vendors for supplies and services	(24,065,182)	(17,274,047)
Payments to or on behalf of employees	(89,925,632)	(80,621,249)
Payments to students for scholarships and grants	(7,508,283)	(8,754,657)
Auxiliary enterprise sales and charges:	4,407,709	6,512,127
Other operating receipts (payments)	48,790	118,270
Net Cash Flows From Operating Activities	<u>(80,585,124)</u>	<u>(60,939,952)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	52,519,405	37,571,229
Property taxes	35,876,087	36,660,457
State taxes and other apportionments	3,739,233	3,266,808
Other nonoperating	1,279,699	1,148,117
Net Cash Flows From Noncapital Financing Activities	<u>93,414,424</u>	<u>78,646,611</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(31,173,504)	(20,775,954)
Proceeds from capital debt	419,413,432	104,001,324
State revenue, capital projects	10,481,573	450,211
Deferred cost on issuance of debt	(4,388,886)	311,330
Principal paid on capital debt	(9,803,739)	(93,288,229)
Interest paid on capital debt	(10,670,365)	(9,938,256)
Interest received on capital asset-related debt	784,267	220,125
Net Cash Flows From Capital Financing Activities	<u>374,642,778</u>	<u>(19,019,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	14,256,576	2,028,186
Net Cash Flows From Investing Activities	<u>14,256,576</u>	<u>2,028,186</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	401,728,654	715,396
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>129,839,004</u>	<u>129,123,608</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 531,567,658</u>	<u>\$ 129,839,004</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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	<u>\$ (83,300,971)</u>	<u>\$ (73,595,005)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	4,461,548	3,659,662
Changes in Assets and Liabilities:		
Receivables, net	(3,202,456)	5,219,143
Inventories	(154,882)	45,761
Prepaid items	(902,463)	263,919
Accounts payable and accrued liabilities	4,557,378	(97,791)
Deferred revenue	(2,092,068)	3,446,089
Funds held for others	48,790	118,270
Total Adjustments	<u>2,715,847</u>	<u>12,655,053</u>
Net Cash Flows From Operating Activities	<u><u>\$ (80,585,124)</u></u>	<u><u>\$ (60,939,952)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	<u>\$ 7,752,672</u>	<u>\$ 6,186,994</u>
Investment, unrestricted, County Pool	<u>11,668,525</u>	<u>11,734,735</u>
Investment restricted - Guaranteed Investment Contract	403,516,581	-
Investment restricted - County Pool	<u>109,065,119</u>	<u>112,357,404</u>
Total Investments Restricted	<u>512,581,700</u>	<u>112,357,404</u>
Total Cash and Investments	532,002,897	130,279,133
Investment with fiscal agent	(435,239)	(440,129)
Total Cash and Cash Equivalents	<u><u>\$ 531,567,658</u></u>	<u><u>\$ 129,839,004</u></u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,470,968</u>	<u>\$ 1,336,829</u>

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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

The District has 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 District College Foundation, the Chabot College Foundation, the Las Positas College Foundation, and the Chabot – Las Positas Community College District Financing Corporation (Corporation) as potential component units. The District has elected not to present the Foundations as component units because the Foundations' assets, liabilities, and disbursements 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, 2007 AND 2006

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.

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.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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 for the years ended June 30, 2007 and 2006.

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.

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.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 – 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.

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.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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, 2007 and 2006, the District distributed \$1,328,008 and \$1,482,215 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. 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.
- **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.
- **GASB Statement No. 48:** In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is not effective until June 30, 2008. The Chabot-Las Positas Community College District has not determined its effect on the financial statements.
- **GASB Statement No. 49:** In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The Chabot-Las Positas Community College District has not determined its effect on the financial statements.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

- **GASB Statement No. 50:** In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is not effective until June 30, 2008. The Chabot-Las Positas Community College District has not determined its effect on the financial statements.
- **GASB Statement No. 51:** In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The Chabot-Las Positas Community College District has not determined its effect on the financial statements.

NOTE 2 – CASH AND INVESTMENT

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, 2007 AND 2006

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, 2007, are classified in the accompanying financial statements as follows:

Cash on hand and in banks	\$ 7,116,276
Cash in revolving	78,185
Cash awaiting deposit	558,211
Total Cash on hand and in banks	<u>7,752,672</u>
Investment with fiscal agent	435,239
Investment - cash and cash equivalent	523,814,986
Total Deposits and Investments	<u><u>\$ 532,002,897</u></u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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	\$ 435,239	N/A
Guaranteed Investment Contract	403,516,581	N/A
County Pool	120,298,405	1.03
Total	\$ 524,250,225	

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	Rating at Year End Unrated
Notes, mortgages, and contracts	\$ 435,239	None	N/A
Guaranteed Investment Contract	403,516,581	AA	AAA
County Pool	120,298,405	None	N/A
Total	\$ 524,250,225		

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Concentration of Credit Risk – The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent (5%) or more of the total investments are as follows.

Investment Type	Issuer	Reported Amount
Guranteed Investment Contract	Citigroup Global Markets Inc.	<u>\$ 403,516,581</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2007, \$7,466,000 of the District's bank balance of \$7,975,000 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 of accounts receivable at June 30, 2007 and 2006 may be uncollectible and has set up a corresponding allowance for doubtful accounts.

The accounts receivable are as follows:

	2007	2006
Federal Government		
Categorical aid	\$ 721,052	\$ 328,867
State Government		
Apportionment	3,199,129	2,804,196
Categorical aid	122,279	491,946
Lottery	508,406	478,618
Other State sources	1,207,924	7,665,854
Local Government		
Interest	1,645,059	1,425,623
Other local sources	4,175,324	1,912,749
Total	<u>\$ 11,579,173</u>	<u>\$ 15,107,853</u>
Student receivables	\$ 2,969,768	\$ 2,324,825
Less allowance for bad debt	(375,000)	(375,000)
Student loan receivables	177,257	154,061
Student receivables, net	<u>\$ 2,772,025</u>	<u>\$ 2,103,886</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2007, 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	14,396,346	24,581,045	-	38,977,391
Total Capital Assets Not Being Depreciated	<u>16,483,804</u>	<u>24,581,045</u>	<u>-</u>	<u>41,064,849</u>
Capital Assets Being Depreciated				
Buildings and improvements	104,839,692	3,314,952	-	108,154,644
Furniture and equipment	20,693,892	3,277,507	-	23,971,399
Total Capital Assets Being Depreciated	<u>125,533,584</u>	<u>6,592,459</u>	<u>-</u>	<u>132,126,043</u>
Total Capital Assets	<u>142,017,388</u>	<u>31,173,504</u>	<u>-</u>	<u>173,190,892</u>
Less Accumulated Depreciation				
Buildings and improvements	27,035,278	2,198,856	-	29,234,134
Furniture and equipment	13,911,531	2,262,692	-	16,174,223
Total Accumulated Depreciation	<u>40,946,809</u>	<u>4,461,548</u>	<u>-</u>	<u>45,408,357</u>
Subtotal Capital Assets Being Depreciated	<u>84,586,775</u>	<u>2,130,911</u>	<u>-</u>	<u>86,717,686</u>
Net Capital Assets	<u>\$ 101,070,579</u>	<u>\$ 26,711,956</u>	<u>\$ -</u>	<u>\$ 127,782,535</u>

Depreciation expense for the year was \$4,461,548.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

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>
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.

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2007	2006
Accrued payroll	\$ 2,444,313	\$ 1,783,994
Vendor	11,714,527	8,266,597
Federal categorical	-	54,616
State categorical	4,591	-
Total	<u>\$ 14,163,431</u>	<u>\$ 10,105,207</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 6 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

	2007	2006
Federal financial assistance	\$ -	\$ 47,975
State categorical aid	2,865,995	970,373
Enrollment fees	2,787,435	3,400,888
Other local	85,013	1,515,653
Total	<u>\$ 5,738,443</u>	<u>\$ 5,934,889</u>

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term Obligations Summary

The changes in the District's long-term obligations during the 2007 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/Accretion	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 99,275,850	\$ 409,411,290	\$ 8,330,000	\$ 500,357,140	\$12,430,000
Unamortized bond premiums	14,480,049	10,002,142	1,273,668	23,208,523	1,532,077
Subtotal general obligation bonds	113,755,899	419,413,432	9,603,668	523,565,663	13,962,077
Lease revenue bonds	5,295,000	-	150,000	5,145,000	155,000
Children center loan	210,000	-	30,000	180,000	30,000
Total Bonds and Notes Payable	<u>119,260,899</u>	<u>419,413,432</u>	<u>9,783,668</u>	<u>528,890,663</u>	<u>14,147,077</u>
Other Liabilities					
Compensated absences	1,516,917	252,469	-	1,769,386	-
Capital leases	27,664	-	20,071	7,593	7,593
Total Other Liabilities	<u>1,544,581</u>	<u>252,469</u>	<u>20,071</u>	<u>1,776,979</u>	<u>7,593</u>
Total Long-term Debt	<u>\$ 120,805,480</u>	<u>\$ 419,665,901</u>	<u>\$ 9,803,739</u>	<u>\$ 530,667,642</u>	<u>\$14,154,670</u>

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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 premium	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

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. In October 2006, the District issued Series B and Series C Bonds in the amount of \$229,159,710 and \$168,838,667, respectively. At June 30, 2007, \$500,357,140 was outstanding. Interest rates on the bonds are 3.500 to 5.100 percent. Payments on the general obligation bonds are paid by the Bond Interest and 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, 2007, \$5,145,000 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, 2007, \$180,000 was outstanding. The loans mature through December 2012. Payments of the loans are paid by Child Development Fund.

The accumulated unpaid compensated absences for the District at June 30, 2007, amounted to \$1,769,386. The accumulated unpaid compensated absences will be paid by the fund for which the employee worked.

The District has utilized capital leases purchase agreements to purchase primarily equipment. The current balance on lease purchase agreements is \$7,593 and will be paid through 2008.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds				Bonds Outstanding June 30, 2007
				Bonds Outstanding July 1, 2006	Issued	Accretion	Redeemed	
2004	2011	3.500-5.000%	\$ 100,000,000	\$ 10,000,000	\$ -	\$ -	\$ 7,380,000	\$ 2,620,000
3/2006	2021	3.500-5.000%	89,275,849	89,275,850	-	1,658,925	950,000	89,984,775
10/2006	2031	4.000-5.000%	229,159,710	-	229,159,710	3,175,801	-	232,335,511
10/2006	2046	4.090-5.100%	168,838,667	-	168,838,667	6,578,187	-	175,416,854
				<u>\$ 99,275,850</u>	<u>\$ 397,998,377</u>	<u>\$ 11,412,913</u>	<u>\$ 8,330,000</u>	<u>\$ 500,357,140</u>

The bonds mature through 2047 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 12,430,000	\$ 9,781,416	\$ 22,211,416
2009	6,340,000	9,842,700	16,182,700
2010	7,272,101	9,601,475	16,873,576
2011	8,082,805	9,331,400	17,414,205
2012	8,900,451	9,023,463	17,923,914
2013-2017	29,704,728	65,198,778	94,903,506
2018-2022	66,085,427	38,643,438	104,728,865
2023-2027	50,191,136	33,240,250	83,431,386
2028-2032	142,918,593	20,704,075	163,622,668
2033-2037	55,807,733	-	55,807,733
2038-2042	52,203,448	-	52,203,448
2043-2047	49,007,805	-	49,007,805
Total	<u>488,944,227</u>	<u>\$ 205,366,995</u>	<u>\$ 645,303,417</u>
Interest accreted to date	<u>11,412,913</u>		
Total including accreted interest	<u>\$ 500,357,140</u>		

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Lease Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
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	175,000	212,850	387,850
2013-2017	1,010,000	936,075	1,946,075
2018-2022	1,295,000	658,743	1,953,743
2023-2027	1,635,000	306,094	1,941,094
2028-2029	380,000	9,500	389,500
Total	<u>\$ 5,145,000</u>	<u>\$ 3,033,337</u>	<u>\$ 8,178,337</u>

Children's Center Loan

Fiscal Year	Principal
2008	\$ 30,000
2009	30,000
2010	30,000
2011	30,000
2012	30,000
2013	30,000
Total	<u>\$ 180,000</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, 2007, the District's liability on lease agreements with option to purchase is summarized below:

Year Ending June 30,	Lease Payment
2008	\$ 7,737
Less: Amount Representing Interest	144
Present Value of Minimum Lease Payments	<u>\$ 7,593</u>

Defeasance of Debt Obligations

In 2006, the District defeased \$90,000,000 general obligation bond issued in 2004 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, 2007, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$87,488,433.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 8 - 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, 2007 totaled 275. Payments for retired employees totaled \$2,779,489 for the year ended June 30, 2007 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 2007 (the most recent available), the Actuarial accrued liability as of December 31, 2006 was estimated to be approximately \$82 million. Funds set aside for funding purposes were \$3,063,928 at June 30, 2007.

NOTE 9 - 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, 2007, the District contracted with the 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, 2007 AND 2006

Workers' Compensation

For fiscal year 2006-2007, the District participated in the Protected Insurance Program for Schools JPA (PIPS), an insurance purchasing pool. 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 10 - 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.

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

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 2006-2007 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, 2007, 2006, and 2005, were \$2,694,125, \$2,447,924, and \$2,209,252, 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.

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 2006-2007 was 9.124 percent of annual payroll.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006, and 2005, were \$1,999,138, \$1,793,096, and \$1,496,120, 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 \$1,470,968 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2007. 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.

NOTE 11 - 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, 2007.

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, 2007.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Districtwide		
Program Level Services	\$ 1,302,645	Through June 08
Central Plant	26,268,898	October-08
Furniture, Fixture & Equipment	780,015	Through June 08
Other	226,073	Through June 08
Chabot		
Athletic Fields	257,782	July-08
Building 4000 Student Center/COUNS	876,197	July-08
Social Science/Language Arts	538,145	April-09
Building 800/900 Language Arts/HUMAN	182,245	June-08
Other	3,333,152	Through June 08
Las Positas		
Child Care Center	721,960	September-09
College Center-Arts	2,953,631	December-09
MD Building	60,920	December-07
Other	1,323,091	Through June 08
Total	<u>\$ 38,824,754</u>	

The projects are funded through general obligation bonds.

NOTE 12 - 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, 2007, the District made payments of \$769,274 to PIPS for its workers' compensation coverage and \$460,314 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, 2007

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>
Dr. Arnulfo Cedillo	President	2008
Mr. Carlo Vecchiarelli	Secretary	2008
Ms. Isobel Dvorsky	Trustee	2010
Mr. Donald Gelles	Trustee	2010
Dr. Hal Gin	Trustee	2010
Dr. Alison Lewis	Trustee	2008
Dr. Barbara Mertes	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 AWARD FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA 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	\$ 76,325
Total U.S. Department of Agriculture		<u>76,325</u>
U.S. DEPARTMENT OF LABOR		
Pass Through Programs From:		
County of Alameda		
Workforce Investment Board	17.259	84,294
Workforce Investment Act (WIA Title I)	17.262	372,609
Total U.S. Department of Labor		<u>456,903</u>
NATIONAL SCIENCE FOUNDATION		
Mathematical and Physical Sciences	47.049	191,193
Total National Science Foundation		<u>191,193</u>
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster ¹		
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	224,205
Federal Family Education Loans (FFEL)	84.032	1,328,008
Federal College Work Study Program (FWS)	84.033	178,557
Federal Pell Grant Program (PELL)	84.063	6,157,877
Federal College Academic Competitiveness Grant (ACG)	84.375	27,575
Total Student Financial Aid Cluster		<u>7,916,222</u>
TRIO - Talent Search	84.044	53,628
TRIO - Student Support Services	84.042A	234,616
Subtotal Direct Programs		<u>8,204,466</u>
Pass Through Programs From:		
California Community Colleges Chancellor's Office		
Vocational Education - Basic Grants to States	84.048	649,000
Alameda County PIC Job Training Partnership Agreement		
Tech-Prep Education	84.243	1,581
Subtotal Pass Through Programs		<u>650,581</u>
Total U.S. Department of Education		<u>8,855,047</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	72,368
California Department of Education		
Parent Infant/Toddler Caregivers (PITC)	93.575	129,342
Child, Family & Community Services - Head Start ¹	93.600	532,748
Child, Family & Community Services - Community Action to Reach Out to Infants (CARI) Program	93.658	24,532
Total U.S. Department of Health and Human Services		<u>758,990</u>
Total Expenditures of Federal Awards		<u>\$ 10,338,458</u>

¹ Tested as a major program

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program	Program Revenues					Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income	Accounts Payable	Total Revenue	
GENERAL FUND						
Lottery (Prop 20)	\$ 705,560	\$ -	\$ -	\$ -	\$ 705,560	\$ 611,602
EOPS	933,656	-	-	-	933,656	933,656
DSPS	1,666,824	-	-	-	1,666,824	1,666,824
CalWorks	398,053	5,680	-	4,591	399,142	399,142
TTIP	292,426	-	-	-	292,426	85,508
CARE	141,613	-	-	-	141,613	141,613
BFAP Financial Aid Admin	574,441	-	-	-	574,441	574,441
Matriculation	1,157,366	-	-	-	1,157,366	1,157,366
Matriculation, Non Credit	584	-	-	-	584	584
Faculty & Staff Development	75,401	-	-	-	75,401	75,401
Faculty & Staff Diversity	23,148	-	-	-	23,148	23,148
Instructional Equipment	318,692	-	-	-	318,692	46,726
Instructional Equipment -Block Grant	440,507	-	-	-	440,507	39,278
Nursing Care	133,912	-	-	-	133,912	133,765
Nursing Education	162,487	-	50,980	-	111,507	111,507
Basic Skills	367,642	-	367,642	-	-	-
Basic Skills - One Time Funds	354,888	-	320,579	-	34,309	34,309
Career Tech - One Time Funds	595,236	-	595,236	-	-	-
Instructional Material - One Time Funds	702,682	-	702,682	-	-	-
Scheduled Maintenance - One Time Fund	702,682	-	702,682	-	-	-
TANF, State Share	35,955	9,507	-	-	45,462	45,462
Foster Care, CC	67,173	26,826	-	-	93,999	106,005
Foster Care, LPC	79,393	15,647	-	-	95,040	95,040
Quick Start Allied Health Grant	175,677	-	114,720	-	60,957	60,957
BAY Project - CC	-	5,032	-	-	5,032	5,032
Bay Project - LPC	59,306	-	11,474	-	47,832	47,832
Workability III	92,464	-	-	-	92,464	92,464
TRDP, Americorps 04-05	706	-	-	-	706	-
TRDP, Americorps 05-06	-	10,925	-	-	10,925	10,033
Child Development Training Consortium-CC	19,686	-	-	-	19,686	17,386
Child Development Training Consortium-LPC	13,066	-	-	-	13,066	13,017
CARI Pre-Training, CC	5,724	-	-	-	5,724	5,274
Articulation Allocation Grant, CC	5,000	-	-	-	5,000	5,000
Articulation Allocation Grant, LPC	5,725	-	-	-	5,725	5,000
West Ed Personnel Prep Grant, CC	7,879	-	-	-	7,879	6,882
West Ed Early Intervention Grant, LPC	5,188	5,000	-	-	10,188	6,332
CACFP Food Program - State	4,268	-	-	-	4,268	4,268
State Preschool/Part Day	299,785	-	-	-	299,785	299,785
State Preschool/Wrap Around	357,118	-	-	-	357,118	357,118
Tri Cities Children's Center Grant	191,087	43,662	-	-	234,749	234,749
State Preschool Material Grant	2,266	-	-	-	2,266	2,266
State CDE Resource Grant	14,214	-	-	-	14,214	14,214
Total State Programs	\$ 11,189,480	\$ 122,279	\$ 2,865,995	\$ 4,591	\$ 8,441,173	\$ 7,468,986

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT – ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2007**

CATEGORIES	<u>Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2006)			
1. Noncredit	30	-	30
2. Credit	1,526	-	1,526
B. Summer Intersession (Summer 2007-Prior to July 1, 2007)			
1. Noncredit	-	-	-
2. Credit	920	-	920
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,712	-	11,712
(b) Daily Census Contact Hours	1,237	-	1,237
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	528	-	528
(b) Credit	666	-	666
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	783	-	783
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>17,402</u>	<u>-</u>	<u>17,402</u>
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	-	-	-
2. Credit	1,282	-	1,282
	<u>1,282</u>	<u>-</u>	<u>1,282</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, 2007**

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

	General	Cafeteria	Child Development	Bond Interest & Redemption	Capital Projects	Bond Construction	Bookstore Enterprise	Internal Service	Student Financial Aid
FUND BALANCE									
Balance, June 30, 2007, (CCFS-311)	\$ 19,587,330	\$ 3,637	\$ -	\$ 18,569,613	\$ 5,002,123	\$ 467,150,602	\$ 3,272,163	\$ 3,031,368	\$ 276,210
Decrease in:									
Cash in county treasury	(3,165,559)	(39)	-	-	-	-	-	-	-
Increase in:									
Cash in county treasury	-	-	8,041	485,672	229,596	13,807,970	-	32,560	217,727
Accounts payable	-	-	-	-	-	-	80,914	-	-
Balance, June 30, 2007, Fund Financial Statement	<u>\$ 16,421,771</u>	<u>\$ 3,598</u>	<u>\$ 8,041</u>	<u>\$ 19,055,285</u>	<u>\$ 5,231,719</u>	<u>\$ 480,958,572</u>	<u>\$ 3,353,077</u>	<u>\$ 3,063,928</u>	<u>\$ 493,937</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, 2007**

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

Total Fund Balance:

General Fund	\$16,421,771	
Special Revenue Funds	11,639	
Capital Project Funds	486,190,291	
Debt Service Funds	19,055,285	
Enterprise Funds	3,353,077	
Internal Service Funds	3,063,928	
Fiduciary Funds	493,937	
Total Fund Balance - All District Funds		528,589,928

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	173,190,892	
Accumulated depreciation is	(45,408,357)	
Less fixed assets already recorded in the enterprise funds	<u>(1,937,439)</u>	125,845,096

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. (4,003,159)

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. 5,620,793

Long-term liabilities at year end consist of:

Bonds payable	500,357,140	
Unamortized premium on general obligation bonds	23,208,523	
Capital leases payable	7,593	
Lease revenue bonds	5,145,000	
Compensated absences	1,769,386	
Children's center loan	180,000	(530,667,642)
Total Net Assets		\$ 125,385,016

See accompanying note to supplementary information.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

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.

Programs Passed-Through County of Alameda

Of the Federal and State expenditures presented in the schedule, the District has following programs that were passed-through County of Alameda:

<u>Contract Number</u>	<u>Amount</u>	<u>Contract Period</u>
C02-421 HEO6-260	\$ 125,000	6/1/06 - 8/31/06
C95-0187 SEO7-004a	\$ 2,404,008	7/1/2006 - 6/30/08

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

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

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

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.

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 financial statements of Chabot-Las Positas Community College District (the District) of Chabot-Las Positas Community College District as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated March 31, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Chabot-Las Positas Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chabot-Las Positas Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chabot-Las Positas Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies 2007-1 through 2007-6 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 to 2007-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chabot-Las Positas Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

We also noted certain matters that we reported to management of Chabot-Las Positas Community College District in a separate letter dated March 31, 2008.

Chabot-Las Positas Community College District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Chabot-Las Positas Community College District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, 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.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
March 31, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2007. Chabot-Las Positas Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Chabot-Las Positas Community College District's management. Our responsibility is to express an opinion on Chabot-Las Positas Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Chabot-Las Positas Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chabot-Las Positas Community College 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, 2007.

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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chabot-Las Positas Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, 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
March 31, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the Chabot-Las Positas Community College District (the District) for the years ended June 30, 2007 and 2006, and have issued our report thereon dated March 31, 2008.

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

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 436: Minimum Conditions - Standards of Scholarship

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

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 for findings 2007-7 through 2007-11 as described in the accompanying 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, 2007.

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

Yavinek, Trine, Day & Co LLP

Pleasanton, California
March 31, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies 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>
Significant deficiencies 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>
84.007, 84.032, 84.033, 84.063, 84.375	Student Financial Aid Cluster
93.600	Child, Family & Community Services - Head Start
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 310,154</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies 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, 2007

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2007-1 County Cash Clearing Account Reconciliation

Criteria or Specific Requirement: Industry standards and general best practices emphasize recording transactions in a clear concise manner to provide for the transparency of the items being recorded. Transactions should be posted in a timely manner and reconciled periodically throughout the year.

Condition: County cash transactions were not reconciled to the Banner Accounting software system in a timely manner. The county cash account reconciliation was not completed until February 2008, with outstanding items dating back to June 2005. The differences not reconciled as of June 30, 2007 included approximately \$595,000 for entries from June 2005 to June 2007.

Context: The District-wide budget encompasses approximately \$150 million in revenues and expenditures. Many of the funding sources note specific expenditure criteria that are required to be reconciled to the periodic expenditure reports to outside agencies. The majority of these expenditures flow through the county cash account.

Effect: In order to post and correct errors and omissions in the financial transaction reporting, frequent journal entries are required. This results in a transaction trail of evidence that is not as clear as it would otherwise be, and increases the possibility that material errors may occur and not be prevented or detected in a timely manner. Additionally, the delayed reconciliations and reviews of financial reports impacts the ability of the District to provide accurate, timely, reporting to outside agencies of the activities during the period.

Recommendation: The reconciliation of the general ledger to account totals and to the cash balances should be completed each month. The reconciliation should be reviewed by a supervisory accountant and maintained to support the transactions charged to the various departments, programs, and funds of the District. Additional analysis of the accurate accounts should be performed to ensure that all goods received and services rendered prior to June 30 of each year have been properly accounted for. In addition, the District should review the outstanding unreconciled items over one year old to determine whether write off is necessary.

District Response: The District concurs. During the last 18 months the District Office Staff has reviewed, documented and implemented best business practices that meet the recommendations as stated with full implementation in February 2008. The only outstanding transactions that are not reconciled are payroll adjustments and exceptions.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007

2007-2 Payroll Suspense Accounts

Criteria or Specific Requirement: Industry standards and general best practices emphasize recording transactions in a clear concise manner to provide for the transparency of the items being recorded. Transactions should be posted in a timely manner and reconciled periodically throughout the year.

Condition: During our review of the District financial records, we noted there is a payroll suspense account for approximately \$231,000 that represents unreconciled payroll related accounts. Some of these accounts have not been reconciled for several years.

Context: District's payroll and benefits contains over \$90 million, or 63% of total District-wide expenditures. Many of the funding sources note specific expenditures criteria that are required to be reconciled to the periodic expenditure reports to outside agencies.

Effect: By not reconciling payroll related accounts in a timely manner, errors and/or misuse of accounts could occur and not be detected in timely manner. In addition, the delayed reconciliations and reviews of payroll accounts can impact the ability of the District to provide timely and accurate reporting to outside agencies of the activities during the period.

Recommendation: The District should ensure that the processing, posting, and reconciliation of payroll as well as other transactions through the general ledger system occurs in a timely manner. The detail of the payroll suspense account should be reviewed and the transaction detail should be validated through methods such as payroll exception reports designed to catch errors in entries prior to posting of the amounts to the general ledger. For example, exception reports can be used for various purposes, including but not limited to determine if retirement withholding or other liability amounts are being posted to non-existent general ledger accounts, or if student payroll is coded to a certificated salary account, etc.

District Response: The District concurs. The District Business Office will work with the Human Resources/Payroll Staff and IT to develop new process edit tools and other procedures that will identify exception transactions prior to payroll processing, which will minimize payroll posting errors that will facilitate account reconciliation.

2007-3 District Interfund Transactions

Criteria or Specific Requirement: Industry standards and general best practices emphasize recording transactions in a clear concise manner to provide for the transparency of the items being recorded. Transactions should be posted in a timely manner and reconciled periodically throughout the year.

Condition: During our review of the District's interfund transactions, we noted the Due To/Due From and Operating Transfer In/Out were not balanced.

Context: Total due from was \$6,239,628 and due to was \$5,826,356, off by \$413,272. Total operating transfer in was \$1,146,856 and transfer out was \$1,234,009, off by \$87,153.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007

Effect: The accuracy of the incorrect interfund balances affects the accuracy of the cash position between funds. By not reconciling the interfund balances, it is difficult to determine whether various cash balances were recorded properly.

Recommendation: Any Interfund transactions dated back prior to 2007 should be reviewed to determine whether actual cash transfers should be made or adjusted. Consideration should be given to the feasibility of using direct receipt posting for apportionment revenue and for Associated Student Funds rather than posting to one fund and preparing interfund transfers to re-allocate to the various funds. Interfund transfers are typically only for situations that occur at year end where the county cash closing date has passed and cash cannot be transferred until the following year.

District Response: The District concurs. The District Business Office will implement new procedures that will minimize the use of Due To/Due From and Operating Transfer In/Out entries.

2007-4 Las Positas Co-Curriculum Bank Reconciliation

Criteria or Specific Requirement: General best accounting practices emphasize the importance of strong internal controls. Internal controls include reconciliations to ensure cash balances are accurately stated.

Condition: Las Positas College was unable to provide bank reconciliation and bank statement to support the Co-Curriculum cash balance as of June 30, 2007.

Context: Las Positas College recorded a cash balance of \$698,317 in the Co-Curriculum account.

Effect: Internal controls over the monitoring of bank account activities are not operating effectively. By not providing bank reconciliations and bank statements, there is no method to determine whether the cash balance was recorded properly at year end.

Recommendation: The District should work with the College to ensure that policies and procedures address reconciling of all bank accounts in a timely manner and that these policies and procedures are adhered to by all departments of the District.

District Response: The College concurs with the recommendation and will implement procedures to ensure that bank reconciliations for co-curricular accounts are completed in a timely manner.

2007-5 Workload Banking

Criteria or Specific Requirement: General best accounting practices emphasize the importance of strong internal controls. Internal controls include maintaining adequate records and audit trail to ensure workload banking is accurately stated.

Condition: Chabot College was unable to provide supporting document and explanation for the changes made to the workload banking beginning balance.

Context: Chabot College recorded a workload banking balance of \$759,167 as of June 30, 2007.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007

Effect: The workload banking liability is related to additional assignments duties performed by eligible faculty members. By not maintaining an adequate record to track the use and/or gain of these hours, it is difficult to determine whether the liabilities were recorded accurately in the District financial statements.

Recommendation: The District should work with the College to establish policy and procedures to ensure that workload banking system is monitored through the contract process and is completed in accordance with the allowable terms of what qualifies as workload banking.

District Response: The College concurs with this recommendation. The latest faculty contract document was approved by the Chabot-Las Positas Community College District on March 18, 2008. This document serves as the fundamental policy agreement regarding workload banking. Chabot College Vice Presidents of Academic Services and Administrative Services shall develop a set of procedures that accurately calculates workload banking balances by June 30, 2008.

2007-6 Bookstore Accounting

Criteria or Specific Requirement: Industry standards and general best practices suggest a system of internal control over bookstore operations that will provide for both the safeguarding of District-owned assets and the proper recordkeeping of each account balance.

Condition: During our review of the Bookstore accounting records, we noted the accounts receivable and payable details did not agree with amounts reported in trial balance. In addition, the revolving cash, accounts receivable and payable, and due to/due from accounts contains items that are dated back several years.

Context: Bookstore operation accounts for approximately \$5 million in total assets including Facility Improvement and Equipment and over \$1 million in liabilities. The accounting for these assets is required by accounting principles generally accepted in the United States of America and procedures should include timely and accurately posting and reconciling of account balances throughout the year.

Effect: By not maintaining proper support and reconciling asset and liabilities in a timely manner, it results in a transaction trail of evidence that is not clear as it would otherwise be and increases the possibility that errors may occur and not be prevented or detected in a timely manner.

Recommendation: The accounting for the bookstore operation should be integrated within the normal accounting processes and calendar of the Business Office. Frequent monitoring of the bookstore transactions will enhance the ability of the District to accurately account for the assets and liabilities maintained by the bookstore. In addition, District Business Office should work with the Bookstore to review transactions for outstanding items that exceeds one year.

District Response: The College concurs with this recommendation. A proposed reorganization plan is under review by the Chabot-Las Positas Community College District Administration to integrate the accounting activities of the bookstore with Chabot and CLPCCD business services. Accounting staff will be trained to update its knowledge, skills, and abilities of generally accepted accounting principles; this is an ongoing task.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

None reported.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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

2007-7 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 in effect during 2003/04 academic year.

Condition: As noted in prior year, during our testing for State Compliance of non-credit Courses, we noted that as of June 30, 2007, the district had not reviewed their practices and procedures relative to the non-credit courses on an annual basis, or submitted a report on the results of the review. Additionally, non-credit self assessment checklists were not prepared. As a result, we are required to follow up with this compliance finding in fiscal year 2006-2007.

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: As of June 30, 2007, the campuses had not performed the self assessment checklists for non-credit courses required by regulations in effect during 2003-2004 academic year.

Recommendation: We recommend the District investigate the requirements and parameters of CCR, Title 5 Sections 5002(c), 55150, and 58050 and consider the need to 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: Chabot College – Chabot College completed the self-assessment during the fall semester 2007 and submitted the results to the District Office of Vice Chancellor of Educational Services and Planning. We agree that the two Colleges work with the District Office of Educational Services and Planning to ensure compliance with the Title 5 regulations.

Las Positas College – Las Positas College completed self assessments in January 2008 and issued them to the District. These self assessments will be completed and forwarded to the District regularly. We agree with this recommendation and suggest that both Colleges work with the District Office of Educational Services and Programs to ensure compliance with Title 5 in monitoring regulations governing the terms of non credit courses.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

2007-8 Instructional Materials Fees

Criteria or Specific Requirements: Per Education Code Section 76355, 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: As noted in prior year, 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.

District Response: Chabot College – We concur with this recommendation. The College will work with the District Business Services Office to develop a method to track costs for instructional materials compared to fees charged to students to demonstrate that the District provides such materials at a fee rate that is no more than the District's costs.

Las Positas College – We concur with this recommendation. The College will work District Business Services office to develop a method to track costs for instructional materials compared to fees charged to students to demonstrate that the District provides such materials at a fee rate that is no more than the District's costs.

2007-9 Health Fees

Criteria or Specific Requirements: Education Code Section 76355 requires that all community college districts include information regarding exemptions from health fees, including all apprenticeship students, be contained within the student catalog, class schedule, and website.

Condition: Chabot College failed to describe health fee exemptions in the class catalog.

Questioned Cost: None.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Context: By not including a description of health fee exemptions in the class catalog, the District is not in compliance with requirements set by the Education Code Section 76355.

Effect: Students may not be aware of the requirements for health fees and related waivers. The District is at risk of non compliance with the stated Education Code Section and requirements of the State Chancellor's Office.

Recommendation: The Instructional Services department should review the student catalog each year prior to publishing to ensure all required disclosures are included within the catalog.

District Response: Chabot College – We concur with this recommendation. This item has been addressed. Student Health Fees information section of the Summer/Fall 2008 class schedules and the Chabot catalogue have been amended to clearly include the required disclosure. The course schedules and the catalogues will be printed and distributed in May 2008. The Chabot Website has been updated regarding the health fee disclosures.

2007-10 CalWORKS - TANF

Criteria or Specific Requirements: CalWORKS Program Handbook Section V (Eligibility Determination) and requirements of the State Chancellor's Office requires certain eligibility documents to be obtained and included within student files as support for eligibility determinations.

Condition: The District does not have a procedure in place to document and maintain the required eligibility documentation through the County Welfare Department for each academic term the recipient was served. In addition, the eligibility of CalWORKS program is not verified at each academic term.

Questioned Cost: Program funding is approximately \$45,000 from state and \$72,000 from federal sources.

Context: 14 out of 25 CalWORKS students tested at Chabot College and all 25 tested at Las Positas College did not have Welfare to Work Plan in the student files.

Effect: The District may be at risk of providing services to individuals who are not eligible to receive the specific services from the CalWORKS and/or TANF programs.

Recommendation: Documentation to support the eligibility of all individuals receiving services through the CalWORKS and TANF programs should be maintained in one central program area and maintained to support that services are properly provided.

District Response: Chabot College – We concur with this recommendation. An intake process is in place at Chabot College and is periodically updated. Community Colleges located in Alameda County along with the Social Services Agency of Alameda County have collaborated to develop a common "Student Eligibility Update form". This document will be completed by the County each term to verify a student's eligibility for CalWORKS.

Las Positas College – The Colleges are in agreement with this recommendation and a procedure is being developed to ensure compliance in this area.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

2007-11 Apportionment for Instructional Services Agreement (ISA)

Criteria or Specific Requirements: Education Code Section 84752 requires community college districts that offer ISAs to comply with following regulations in order to claim FTES for state funding:

- Program must be approved by the State Chancellor's Office and courses must be part of those approved programs or the colleges must received delegated authority to separately approve those courses,
- Courses must be open to all admitted students who meet any approved prerequisites for the courses,
- Students must be under the immediate supervision of a district employee,
- The district employee must possess valid credentials or meet the minimum qualifications required for the assignment, and
- The district and public or private agency, individual, or group of individuals with who the district has an ISA may not receive full compensation for the direct education costs for conduct of the class from any other source.

Condition: During our review of the ISAs for Basic Law Enforcement and Ad Hoc Specialty Law Enforcement courses, we noted the following:

- Course approval documentation was not available
- Ad Hoc classes were not published in the college catalog
- Documentation showing instructors which met the minimum qualifications was not available.

Questioned Cost: The program generates approximately 384 FTES valued at approximately \$1,676,000.

Context: Documentation was not provided to show that either of the 2 ISA programs reviewed were approved or that instructors met the minimum qualifications. The Ad Hoc class was not published in the college catalog.

Effect: The District may at risk of noncompliance with Education Code Section 84752 and requirements of State Chancellor's Office.

Recommendation: All documentation and agreements to support the ISA programs claimed for FTES state funding should be maintained on file.

District Response: Las Positas College – The Office of Academic Services is the repository of information regarding the curriculum approval and course outlines for all course and programs claimed for FTES state funding. AJ99.97 Sheriff's Academy is regularly published in the College catalog and is open to all admitted students who meet the approved prerequisite. Sheriff's Academy instructors are District adjunct faculty and are hired through District hiring approval processes and do meet minimum qualifications.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

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.

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.

Current Status: Not Implemented, see current year finding at 2007-7.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

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.

Current Status: Implemented.

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.

Current Status: Not implemented. See current year finding at 2007-8.

CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

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.

Current Status: Implemented.