

**CONTRA COSTA
COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY
INVESTMENT TRUST**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011
WITH
INDEPENDENT AUDITOR'S REPORT**

CONTRA COSTA COLLEGE FOUNDATION

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James Marta & Company
Certified Public Accountants

Accounting, Auditing, Tax, and Consulting

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Contra Costa Community
College District
Retirement Futuris Public
Entity Investment Trust
San Pablo, California

We have audited the accompanying statement of trust net assets of Contra Costa Community College District Retirement Futuris Public Entity Investment Trust (the Trust), a component unit of Contra Costa Community College District (the District) as of June 30, 2012, and the related statement of trust net assets for the year then ended. These financial statements are the responsibility of Contra Costa College District Retirement Futuris Public Entity Investment Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Trust as of June 30, 2011, were audited by other auditors whose report dated January 3, 2012, expressed an unqualified opinion on those statements.

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

As discussed in Note 1, the financial statements referred to above present only the Trust and do not purport to, and do not present the financial position of the Contra Costa Community College District as of June 30, 2012, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Contra Costa Community College District Retirement Futuris Public Entity Investment Trust as of June 30, 2012, and the change in trust net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

James Marta & Company
Certified Public Accountants
December 10, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012**

This section provides an overview and analysis of the financial activities of Contra Costa Community College District Authority Retirees' Other Post Employment Benefits Plan (Plan) for the fiscal year ended June 30, 2012. The Plan was established in July 2008 by the Governing Board of the District and assets held for Other Post Employment Benefits will be transferred periodically to an irrevocable trust. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

FINANCIAL HIGHLIGHTS

The net assets of Contra Costa Community College District Retirement Futuris Public Entity Investment Trust at the close of the fiscal years ended June 30, 2012 and 2011, were \$39,663,764 and \$30,316,221, respectively (net assets held in trust for retiree medical benefits). All of the net assets are available to meet the Plan's ongoing obligations to Plan participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. Over the past three years, the Trust has been funded by transfers of \$9.1 million in fiscal year 2009-10, \$9.1 million in fiscal year 2010-11 and \$8.8 million in fiscal year 2011-12. In addition, the District will fund another \$8.8 million in fiscal year 2012-13. These transfers, in conjunction with the District's pay-as-you-go system, have fully funded the actuarially determined annual required contribution.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Assets
2. Statement of Changes in Trust Net Assets
3. Notes to the Basic Financial Statements

The Statement of Trust Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Trust Net Assets, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standard Board Statements (GASB Pronouncements 34, 43 and 45). These pronouncements require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Assets and the Statement of Changes in Trust Net Assets report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012**

These two statements report the Trust's net assets held in an irrevocable trust account for retirees' medical benefits. Net assets, the difference between assets and liabilities, is one way to measure the trust's financial position. Over time, increase and decrease in net assets is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of fiscal year ended June, 30 2012.

| NET ASSETS | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------|----------------------|----------------------|----------------------|
| Cash and investments | \$ 39,592,640 | \$ 28,010,716 | \$ 9,764,442 |
| Interest receivable | 71,124 | 30,525 | - |
| Contributions receivable | - | 2,275,000 | 9,102,063 |
| Accounts payable | - | (20) | (2,063) |
| Net assets | <u>\$ 39,663,764</u> | <u>\$ 30,316,221</u> | <u>\$ 18,864,442</u> |

The changes to trust net assets during the fiscal year ended June 30, 2012 are as follows:

| CHANGES IN NET ASSETS | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|-----------------------|----------------------|----------------------|----------------------|
| Additions | \$9,460,898 | \$ 11,516,200 | \$ 18,864,442 |
| Deductions | (113,355) | (64,421) | - |
| Beginning balance | <u>30,316,221</u> | <u>18,864,442</u> | <u>-</u> |
| Net assets | <u>\$ 39,663,764</u> | <u>\$ 30,316,221</u> | <u>\$ 18,864,442</u> |

Contacting the Trust's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: Contra Costa Community College District, 500 Court Street, Martinez, California 94553.

BASIC FINANCIAL STATEMENTS

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF TRUST NET ASSETS**

JUNE 30, 2012

| | 2012 | 2011 |
|----------------------------------|---------------|---------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,350 | \$ 958 |
| Investments | 39,591,290 | 28,009,758 |
| Interest receivable | 71,124 | 30,525 |
| Contributions receivable | - | 2,275,000 |
| Total assets | \$ 39,663,764 | \$ 30,316,241 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Funds held for others | \$ - | \$ 20 |
| NET ASSETS | | |
| Net assets held in trust for | | |
| Other Postemployment Benefits | 39,663,764 | 30,316,221 |
| Total liabilities and net assets | \$ 39,663,764 | \$ 30,316,241 |

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF CHANGES IN TRUST NET ASSETS**

JUNE 30, 2012

| | 2012 | 2011 |
|--|---------------|---------------|
| ADDITIONS TO NET ASSETS ATTRIBUTED TO: | | |
| Contributions | | |
| Employer | \$ 8,800,000 | \$ 9,100,000 |
| Investment income, net of investment income | 660,898 | 2,416,200 |
| Total additions | 9,460,898 | 11,516,200 |
| DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO: | | |
| Administrative expenses | 113,355 | 64,421 |
| Total expenses | 113,355 | 64,421 |
| CHANGE IN NET ASSETS | 9,347,543 | 11,451,779 |
| NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR | 30,316,221 | 18,864,442 |
| NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR | \$ 39,663,764 | \$ 30,316,221 |

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2012

1. DESCRIPTION OF PLAN

The following information of the Contra Costa Community College District Retirement Futuris Public Entity Investment Trust (the Trust), a component unit of the Contra Costa Community College District (the District) provides only general information. Readers should refer to the trust agreement for a more complete description of the Trust's provisions.

A. GENERAL

The Other Postemployment Benefit Plan (the "Plan") is a contributory single-employer defined benefit healthcare plan trust administered by the Contra Costa Community College District. The Plan provides medical insurance benefits or cash in-lieu of benefits to eligible retirees and their spouses. Membership of the Plan consists of 700 retirees and 161 beneficiaries currently eligible to receive benefits, and 1,175 active plan members. The Plan is funded by an irrevocable trust known as the Retirement Futuris Public Entity Investment Trust that is a governmental plan that is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

B. CONTRIBUTIONS

Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the District and the United Faculty (UF), the Public Employees Union Local 1 (PEU), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, UF, PEU and the unrepresented groups. The District made annual contributions to the Trust in 2011 and 2012. Premiums will be funded from the contributions and interest earnings.

C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, investment returns, morality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2012

D. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the February 1, 2011, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 6.65 percent investment rate of return (net of administrative expenses). Healthcare cost trend rates were estimated at 4 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at February 1, 2011, was 27 years. The actuarial value of assets was \$23,373,801 at the time of the actuarial valuation.

E. INVESTMENT OPTIONS

Benefit Trust, the Asset Custodian, maintains the Trust's investments in various mutual funds, and is the record keeper and Morgan Stanley is the investment advisor. Funds allocated to the Asset Custodian are invested as directed by the Retirement Board in a combination of equity and fixed income investments.

F. TRUST TERMINATION

In the event of Trust termination, the net assets for the Trust would be allocated as prescribed in the Trust documents, generally to pay in the order indicated:

- District's remaining retiree medical benefit liabilities
- Reasonable expenses of administering the Trust

Any assets remaining in the Trust after paying off the above liabilities shall revert back to the District.

2. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The accompanying basic financial statements are presented on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed, pursuant to formal commitments as well as statutory or contractual commitments. Benefits and refunds of contributions are recognized when due and payable under the provisions of the Trust.

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2012

B. INVESTMENT VALUATION

Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. The fair market value of investments in securities of \$39,591,290 and \$28,009,758 at June 30, 2012 and 2011, respectively, were valued by the respective mutual fund management firms. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

C. NET APPRECIATION (DEPRECIATION) ON INVESTMENTS

Net appreciation (depreciation) on investments is comprised of unrealized and realized gains and losses. Unrealized appreciation (depreciation) adjusts investment carrying amounts to reflect current market values, based on quoted prices in an active market.

D. CASH AND EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

E. ADMINISTRATIVE EXPENSES

Certain internal costs of administering the Trust may be paid by the Trust. There is a monthly trustee and Futuris program fee paid by the trust.

F. BENEFITS

Benefits are recognized when paid.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

3. TAX STATUS

The Trust has received a Private Letter Ruling from the Internal Revenue Service certifying that the plan and related trust are designed in accordance with Section 115 of the Internal Revenue Code (the IRC).

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2012

4. INVESTMENTS

The Trust has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Trust has written investment policies regarding the type of investments that may be made specifically for the Trust and the amount, which may be invested in any one financial institution or amounts that may be invested in long-term instruments. Management believes the Trust has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

Investments as of June 30, were as follows:

| | <u>2012</u> | <u>2011</u> |
|-------------------|----------------------|----------------------|
| Common stocks | \$ 16,952,338 | \$ 11,661,303 |
| Fixed income | 22,638,952 | 16,348,455 |
| Total Investments | <u>\$ 39,591,290</u> | <u>\$ 28,009,758</u> |

During the fiscal years ended June 30, 2012 and 2011, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

| | <u>2012</u> | <u>2011</u> |
|------------------------------|-------------------|---------------------|
| Dividend and interest income | \$ 1,162,252 | \$ 705,439 |
| Realized gains | 491,108 | 367,687 |
| Unrealized gains | (992,462) | 1,147,518 |
| Other investment income | - | 195,556 |
| Net investment income | <u>\$ 660,898</u> | <u>\$ 2,416,200</u> |

Trust assets that exceeded 5% of the total assets are as follows:

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|----------------------|
| Metropolitan West Total Bond Fund | \$ 3,963,988 | \$ 2,749,380 |
| Western Asset Core Plus Bond Fund | 3,957,065 | 2,765,971 |
| Prudential Total Return Bond Fund | 3,937,926 | 2,782,616 |
| Delaware Diversified Income Fund | 3,925,546 | 2,775,381 |
| Templeton Global Advantage Fund | 3,437,963 | 2,634,970 |
| Oppenheimer International Bond Fund | - | 1,493,978 |
| Total Investments Exceeding 5% of Plan Assets | <u>\$ 19,222,487</u> | <u>\$ 15,202,296</u> |

5. CONTRIBUTIONS RECEIVABLE

The contributions receivable at June 30, 2011 consisted of a discretionary contribution made to the trust in the amount of \$2,275,000 to be used for future benefit costs. There was no receivable at June 30, 2012.

**CONTRA COSTA COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2012

6. ACTUARIALLY ACCRUED LIABILITY

The District is paying into the Trust to fund the Actuarially Accrued Liability (AAL) based on an actuarial valuation as of February 1, 2011. In that valuation, the AAL was \$198,640,665, the actuarial value of assets was \$23,373,801 and the Unfunded AAL was \$175,266,864. As of June 30, 2012, the value of assets in the trust was \$39,663,764.