

**PERALTA  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2006**

**AUDIT REPORT**

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**JUNE 30, 2012**

**PERALTA  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2006**

**FINANCIAL AUDIT**

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**JUNE 30, 2012**

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2006**

**JUNE 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees and  
Independent Citizens' Oversight Committee  
Peralta Community College District  
Oakland, California

We have audited the accompanying financial statements of the Measure A General Obligation Bonds' Fund (the Measure A Bonds' Fund) of Peralta Community College District (the District) as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 of the Notes to Financial Statements, the financial statements present only the Measure A Bonds' Fund and do not purport to, and do not, present fairly the financial position of the 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. Also, as discussed in Note 1 of the Notes to Financial Statements, the Measure A Bonds' Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position - modified accrual basis of the Measure A Bonds' Fund of Peralta Community College District as of June 30, 2012, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the District's internal control over financial reporting for the Measure A Bonds' Fund 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California  
January 15, 2013

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
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**BALANCE SHEET - MODIFIED ACCRUAL BASIS  
JUNE 30, 2012**

**ASSETS**

Investments	\$ 105,784,213
Due from other funds	3,643,303
Accounts receivable	5,809
<b>Total Assets</b>	<u><u>\$ 109,433,325</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 4,184,658
Due to other funds	30,954
<b>Total Liabilities</b>	<u><u>4,215,612</u></u>

**FUND BALANCE**

Restricted	105,217,713
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 109,433,325</u></u>

See the accompanying notes to financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2006**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**REVENUES**

Local revenues	\$ 547,991
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**EXPENDITURES**

Employee salaries	789,212
Employee benefits	431,998
Supplies and books	18,027
Services and operating expenditures	1,757,619
Capital outlay	<u>26,680,137</u>
<b>Total Expenditures</b>	<u>29,676,993</u>

<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(29,129,002)
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>134,346,715</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 105,217,713</u></u>

See the accompanying notes to financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

***NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES***

The accounting policies of Peralta Community College District (the District) Measure A General Obligation Bonds' Fund (the Measure A Bonds' Fund) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The Measure A Bonds' Fund accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges Chancellor's Office *Budget and Accounting Manual*.

**Financial Reporting Entity**

The audited financial statements include only the Measure A Bonds' Fund of Peralta Community College District used to account for the Proposition 39 projects. The Measure A Bonds' Fund was established to account for the expenditures of general obligation bonds issued under the Proposition 39 Measure A General Obligation Bonds. These financial statements are not intended to present fairly the financial position and the changes in financial position of Peralta Community College District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The operations of the Measure A Bonds' Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Basis of Accounting**

The Measure A Bonds' Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

**PERALTA COMMUNITY COLLEGE DISTRICT  
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ELECTION 2006**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The District's governing board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

**Fund Balance**

As of June 30, 2012, the fund balance of the Measure A General Obligation Bonds was classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Use of Estimates**

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - INVESTMENTS**

**Policies and Practices**

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



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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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.

**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	None	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

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Summary of Investments**

Investments as of June 30, 2012, consist of the following:

	Reported Amount
Alameda County Investment Pool	\$ 104,842,054
First American Treasury Obligation Funds	942,159
Total Investments	\$ 105,784,213

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Alameda County Investment Pool and First American Treasury Obligation Funds. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Cash and Investment Type	Fair Value	Weighted Average Maturity in Days
Alameda County Investment Pool	\$ 105,508,686	574
First American Treasury Obligation Funds	942,286	N/A
Total	\$ 106,450,972	

**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.

Cash and Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2012
Alameda County Investment Pool	\$ 105,508,686	None	Not Rated
First American Treasury Obligation Funds	942,286	None	Not Rated
Total	\$ 106,450,972		

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

***NOTE 3 - ACCOUNTS RECEIVABLE***

The accounts receivable in the amount of \$5,809 represents other local receivables that have yet to be received as of June 30, 2012. All amounts have been determined by management to be fully collectable.

***NOTE 4 - INTERFUND TRANSACTIONS***

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the periods in which transactions are executed. Interfund receivable and payable balances at June 30, 2012, are as follows:

Due from General Fund	\$	3,201,142
Due from Bond Measure B Fund		441,554
Due from Bond Measure E Fund		607
Total Due From Other Funds	<u>\$</u>	<u>3,643,303</u>
Due to General Fund	\$	25,182
Due to Special Reserve Fund		5,247
Due to Self-Insurance Fund		525
Total Due To Other Funds	<u>\$</u>	<u>30,954</u>

***NOTE 5 - ACCOUNTS PAYABLE***

The accounts payable balance at June 30, 2012, represents amounts owed to employees for accrued payroll and benefits and vendors for both ongoing and completed construction projects in the amount of \$4,184,658.

***NOTE 6 - FUND BALANCE***

The fund balance is composed of the following element:

Restricted		<u>\$ 105,217,713</u>
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

***NOTE 7 - COMMITMENTS AND CONTINGENCIES***

**Construction Commitments**

The District is involved with various long-term construction and renovation projects throughout the four college campuses and the District Office. The projects are in various stages of completion and are funded primarily through the voter-approved general obligation bonds.

**Litigation**

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



**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 and  
Independent Citizens' Oversight Committee  
Peralta Community College District  
Oakland, California

We have audited the accompanying financial statements of the Measure A General Obligation Bonds' Fund (the Measure A Bonds' Fund) of Peralta Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

As discussed in Note 1 of the Notes to Financial Statements, the financial statements present only the Measure A Bonds' Fund and do not purport to, and do not, present fairly the financial position of the 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. Also, as discussed in Note 1 of the Notes to Financial Statements, the Measure A Bonds' Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

Management of Peralta Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the District's Measure A Bonds' Fund'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 District's Measure A Bonds' Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's Measure A Bonds' Fund's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's Measure A Bonds' Fund'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*.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, and the Independent Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Time Day & Co., LLP.*

Rancho Cucamonga, California  
January 15, 2013

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
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**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2012**

None reported.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

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 Findings and Questioned Costs.

**2011-1    ACCOUNTS PAYABLE**

**Finding**

*Significant Deficiency* - The District's closing process for the year ended June 30, 2011, did not include adequate oversight and monitoring of cut-off procedures associated with the accounts payable accounts. As a result of the audit procedures applied to the cut-off process, an adjustment was proposed and accepted by management to decrease fund balance in the amount of \$378,927.

**Recommendation**

The District should develop and implement a year-end closing process that allows for the review of accounts payable for proper cut-off, accuracy, and reasonableness to mitigate post-closing adjustments to accounts payable and fund balance.

**Current Status**

Implemented.

**2011-2    INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE**

**Finding**

*Significant Deficiency* - During our review of the Independent Citizens' Oversight Committee minutes and through discussions with management, it was noted that the committee was unable to establish a quorum for numerous scheduled meetings during the year. Several planned oversight meetings did not occur due to a lack of attendance of committee members and, thus, resulted in the committee being limited in passing pertinent motions in a timely manner.

**Recommendation**

The Independent Citizens' Oversight Committee should specify which members should be present in order to establish a quorum. Attendance at the committee meetings should also be emphasized in order for Measure A matters to be addressed in a timely manner.

**Current Status**

Implemented.

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**MEASURE A GENERAL OBLIGATION BONDS  
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**PERFORMANCE AUDIT**

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**JUNE 30, 2012**

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
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**PERFORMANCE AUDIT**

**JUNE 30, 2012**

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**INDEPENDENT AUDITORS' REPORT  
ON PERFORMANCE AUDIT**

Board of Trustees and  
Independent Citizens' Oversight Committee  
Peralta Community College District  
Oakland, California

We were engaged to conduct a performance audit of Peralta Community College District (the District) Proposition 39 Measure A General Obligation Bonds' Fund (the Measure A Bonds' Fund) for the year ended June 30, 2012.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended the Proposition 39 Measure A General Obligation Bonds' Fund only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*Vavrinek, Trine, Day & Co., LLP.*

Rancho Cucamonga, California  
January 15, 2013

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
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**PERFORMANCE AUDIT  
JUNE 30, 2012**

***AUTHORITY FOR ISSUANCE***

The Measure A General Obligation Bonds were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code* and other applicable provisions of law.

The Bonds were authorized to be issued pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on July 25, 2006 (the District Resolution).

The District received authorization at an election held on June 6, 2006, to issue bonds of the District in an aggregate principal amount not to exceed \$390,000,000 to repair, renovate, construct, acquire, and equip classrooms, educational buildings, and college campuses in accordance with the ballot measure for the Bonds. The projects were approved by eligible voters within the District. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The first series of the authorized Bonds issued was in August 2006; the District issued Series A in the amount of \$75,000,000. The second series of authorized Bonds issued was in November 2007; the District issued Series B in the amount of \$100,000,000. The third series of authorized Bonds issued was in August 2009; the District issued Series C in the amount of \$100,000,000.

***PURPOSE OF ISSUANCE***

The net proceeds of the Bonds issued under the 2006 Authorization will be used for the purposes specified in the District bond proposition submitted at election, which will include the repair, renovation, construction, acquiring, and equipping of classrooms, educational buildings, and college campuses in accordance with the ballot measure for the Bonds.

***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in California *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

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2. Requires the community college district to list the specific school facilities projects to be funded in the ballot measure, and to certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Measure A Bonds' Fund have been made in accordance with the Bonds' project list approved by the voters through the approval of the Measure A General Obligation Bonds.
2. Determine whether salary transactions charged to the Measure A Bonds' Fund were in support of Measure A General Obligation Bonds and not for District general administration or operations.

***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2011 to June 30, 2012. The population of expenditures tested included all object and project codes associated with the Bonds' projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2012, were not reviewed or included within the scope of our audit or in this report.

***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2012, for the Measure A Bonds' Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Measure A General Obligation Bonds as to the approved Bonds' projects list. We performed the following procedures:

1. We verified that a separate fund of the District has been established to account for the receipt of Bonds' proceeds and expenditure of the funds for the period July 1, 2011 through June 30, 2012.

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2. We verified that the District did not receive any proceeds associated with the sale of general obligation bonds in the fiscal year ending June 30, 2012.
3. We reviewed construction expenditures totaling 54 percent of all expenditures from the detailed accounting of expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Our sample included transactions totaling \$16,080,900 of the total expenditures of \$29,676,993.
4. We selected a total of 54 percent of actual expenditures incurred through the Measure A Bonds' Fund and verified that the District's normal purchasing and accounts payable policies and procedures were complied with.
5. We selected all employees charged to the Measure A Bonds' Fund. For the employees selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of the Measure A Bonds' Fund. The District approves all employees charged to the Measure A Bonds' Fund and uses encumbrance accounting to ensure all approved disbursements have been budgeted and funds are available. Documentation to support payroll transactions included personnel files and payroll records.

***CONCLUSION***

The results of our tests indicated that, in all significant respects, Peralta Community College District has properly accounted for the expenditures held in the Measure A Bonds' Fund and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Measure A Bonds' Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

None reported.



**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS  
ELECTION 2006**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

None reported.