



**PERALTA COMMUNITY  
COLLEGE DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2013**

# PERALTA COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Peralta Community College District  
Oakland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Peralta Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2013, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Changes in Accounting Principles**

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 18. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 14 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 55 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.

### *Other Information*

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, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, 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, 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* in considering the District's internal control over financial reporting and compliance.

*Varvick Dine, Day & Co. LLP*

Rancho Cucamonga, California  
December 5, 2013



# Peralta Community College District

333 East Eighth Street · Oakland, California 94606 · (510) 466-7200

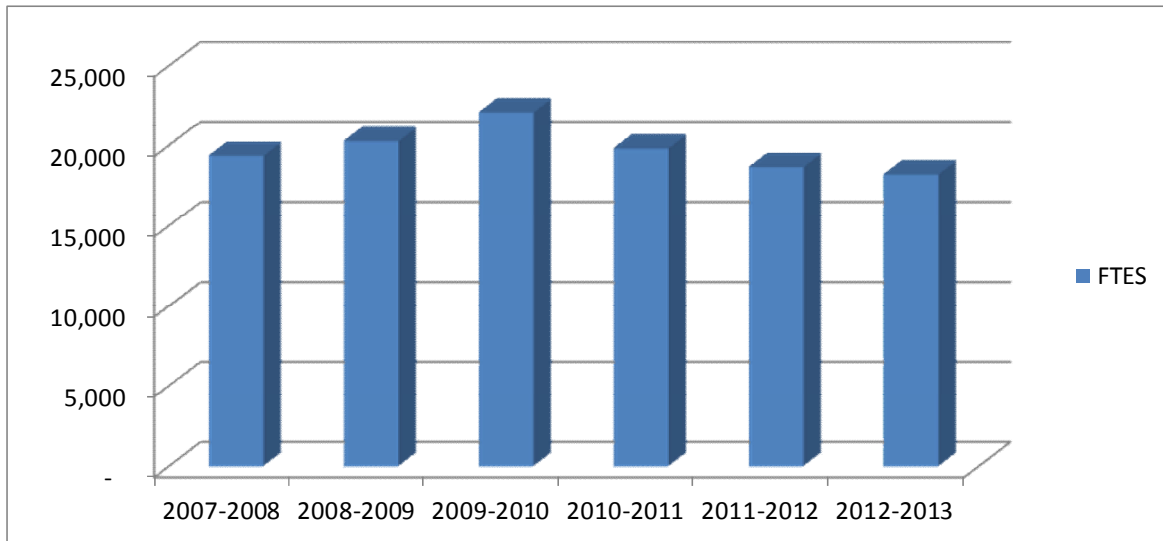
## Introduction

The following discussion and analysis provides an overview of the financial position and activities of Peralta Community College District (the District) for the year ended June 30, 2013. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

The Peralta Community College District was founded in 1964, and serves six cities in the East Bay Area, including Albany, Alameda, Berkeley, Emeryville, Oakland, and Piedmont. The colleges are Berkeley City College, College of Alameda, Laney College, and Merritt College. The District has a reputation for developing effective approaches to serving the varied interests and needs of its vibrant community. The District serves over 25,000 students a semester, and is one of the top community college districts in California in transferring students into the UC system. Currently, the District has about 750 full-time employees and over 1,535 part-time faculty and staff.

## Selected Highlights

- The District's primary funding source is based upon apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the fiscal year 2012-2013, FTES was 18,264 (including credit and noncredit FTES), as compared to 18,712 in the fiscal year 2011-2012. This represents a 2.39 percent decrease. FTES is generated at the District's four colleges: Berkeley City College, College of Alameda, Laney College, and Merritt College.



	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Full-Time Equivalent Students	19,414	20,322	22,144	19,871	18,712	18,264
Percentage Increase/(Decrease)		4.68%	8.97%	-10.26%	-5.83%	-2.39%

Berkeley City College • College of Alameda • Laney College • Merritt College

# PERALTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2013**

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- Unrestricted General fund revenues for the year were \$110.0 million, an increase of two percent from prior year's revenue of \$108.1 million.
- Medical benefits for both employees and retirees decreased three percent over the prior year. The District continues to provide retirees who were hired prior to July 1, 2004, with lifetime medical benefits. For employees hired after July 1, 2004, medical benefits upon retirement are provided until age 65 or Medicare eligibility. The actuarial accrued liability at a seven percent discount rate for the District as of June 30, 2013, is \$174.7 million. In December 2005, the District issued \$153 million in Other Postemployment Benefits (OPEB) Bonds. The proceeds of the bonds have been placed in a revocable trust fund, which may be used only to pay or reimburse the District for payment of retiree health benefit costs or related debt service. In January 2006, the bond proceeds were invested in a strategic allocation that mirrors the asset allocation of CalPERS.
- The District is using Measures A and E bonds to pay for various capital improvements to our educational facilities. They include, but are not limited to, the following:
  - Investment in our technology infrastructure District-wide.
  - Renovate and construct classrooms and facilities to enhance the community outreach capabilities of the District among the numerous ethnic communities living in and served by the District.
  - District-wide safety systems including disaster preparedness, campus security, and hazardous and toxic waste handling.
  - Technological infrastructure for distance learning.
  - Renovation of student service buildings and facilities at Laney College, Merritt College, and College of Alameda.
  - Landscape improvements at Merritt College.
  - Improvements in laboratories and power supplies District-wide.
  - Cabling and power upgrade for technology.
  - Construction of a six story urban campus for Berkeley City College in Berkeley.
- The District is using Measure B, special parcel tax, as approved by the voters in June 2012 in the following manner:
  - Restore and maintain core academic programs such as Math, Science, and English.
  - Train students for careers.
  - Prepare students to transfer to four-year universities.

### **Statement of Net Position**

The Statement of Net Position presents the assets, liabilities, and net position of the District as of the end of the fiscal year and was prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the reader a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, liabilities, and net position.

# **PERALTA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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From the data presented, the reader of the Statement of Net Position is able to determine the assets available to continue operations of the District. The reader is also able to determine how much the District owes to vendors and employees. Finally, the Statement of Net Position provides a picture of the assets and their availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost, less accumulated depreciation.

The net position is divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted assets; these assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, which is available to the District for any lawful purpose of the District.



**PERALTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

A summary of the Statement of Net Position as of June 30, 2013 and June 30, 2012, is presented below:

**NET POSITION  
As of June 30,**

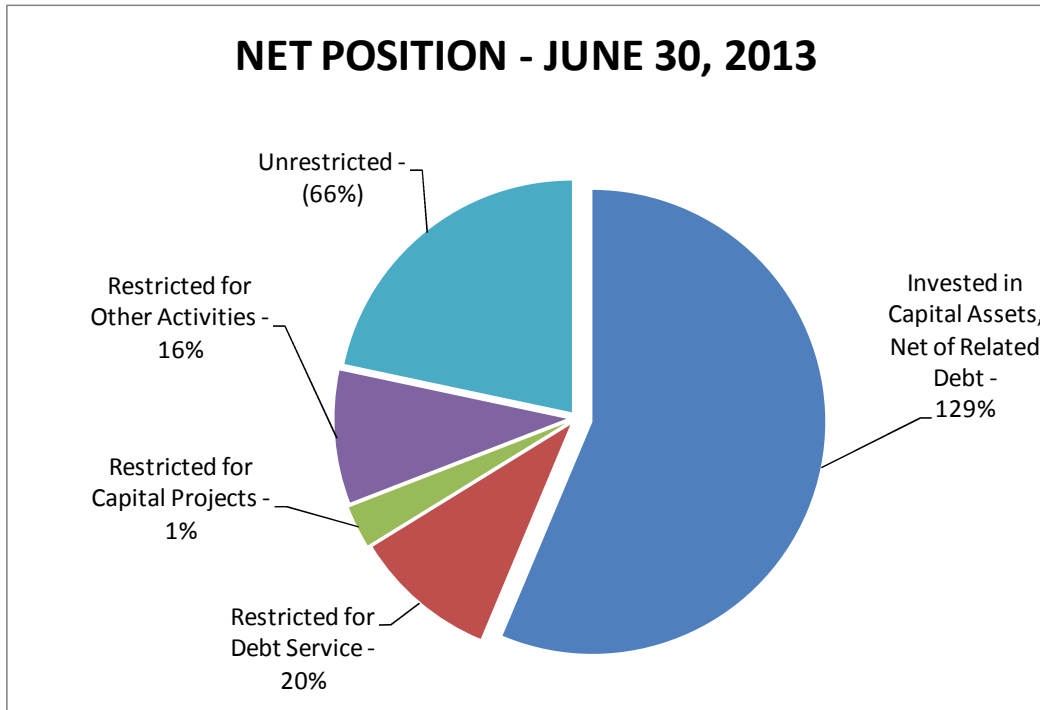
(in thousands)

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 384,958	\$ 363,512	\$ 21,446	5.9%
Accounts receivable	35,217	40,700	(5,483)	-13.5%
Other current assets	1,100	2,648	(1,548)	-58.5%
Total Current Assets	<u>421,275</u>	<u>406,860</u>	<u>14,415</u>	<u>3.5%</u>
Noncurrent Assets				
Deferred costs on issuance	15,454	16,294	(840)	-5.2%
Capital assets (net of depreciation)	400,414	384,728	15,686	4.1%
Total Noncurrent Assets	<u>415,868</u>	<u>401,022</u>	<u>14,846</u>	<u>3.7%</u>
<b>TOTAL ASSETS</b>	<u>837,143</u>	<u>807,882</u>	<u>29,261</u>	<u>3.6%</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued liabilities	32,663	24,317	8,346	34.3%
Deferred revenue	3,365	4,927	(1,562)	-31.7%
Other current liabilities	31,089	35,600	(4,511)	-12.7%
Current portion of long-term obligations	13,467	11,447	2,020	17.6%
Total Current Liabilities	<u>80,584</u>	<u>76,291</u>	<u>4,293</u>	<u>5.6%</u>
Noncurrent Liabilities				
Bonds payable	629,535	635,635	(6,100)	-1.0%
Other long-term liabilities	35,184	30,747	4,437	14.4%
Long-term obligations	<u>664,719</u>	<u>666,382</u>	<u>(1,663)</u>	<u>-0.2%</u>
<b>TOTAL LIABILITIES</b>	<u>745,303</u>	<u>742,673</u>	<u>2,630</u>	<u>0.4%</u>
<b>DEFERRED INFLOWS OF RESERVES</b>				
Interest rate SWAPs	<u>11,760</u>	<u>-</u>	<u>11,760</u>	<u>100.0%</u>
<b>NET POSITION</b>				
Net investment in capital assets	79,568	80,252	(684)	-0.9%
Restricted for:				
Debt service	13,973	10,257	3,716	36.2%
Capital projects	4,108	511	3,597	703.9%
Other activities	13,027	8,454	4,573	54.1%
Unrestricted	(30,596)	(34,265)	3,669	10.7%
<b>TOTAL NET POSITION</b>	<u>\$ 80,080</u>	<u>\$ 65,209</u>	<u>\$ 14,871</u>	<u>22.8%</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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- Approximately 89 percent of the cash balance is cash deposited in the Alameda County Treasury Pool and approximately 11 percent is cash deposited in local financial banking institutions. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash, and the net decrease in cash during fiscal years 2012-2013 and 2011-2012.
- The majority of the accounts receivable balance is from Federal and State sources for apportionment, grant and entitlement programs, and student receivables. Receivables totaling approximately \$18.3 million for the June 2013 apportionment and categorical deferrals, approximately \$6.1 million for reimbursements from Federal and State agencies related to grant awards, and \$4.3 million for student receivables.
- Capital assets had a net increase of \$15.7 million. The District had additions of \$29.9 million related to construction in progress. Depreciation expense of \$15.3 million was recognized during 2012-2013. The capital asset section of this discussion and analysis provides greater detail.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2013. Total accounts payable are \$22.7 million; \$8.0 million of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay. Two million dollars is for amounts due to or on behalf of employees for wages and benefits.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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- The District's noncurrent liabilities primarily consist of bonds payable, related to the issuance of Series B, C, and D of the District General Obligation Bonds; Election 2000 Series A and B of the District General Obligation Bonds; Election 2005 Series A, B, and C of the District General Obligation Bonds; Election 2006 District General Obligation Bonds; and Election 2009 and Other Postemployment Benefit Bonds. The face value of these bonds at the time of initial sale totaled \$683 million and \$431.4 million represents the remaining long-term debt to satisfy these obligations.

#### **Statement of Revenues, Expenses, and Change in Net Position**

The Statement of Revenues, Expenses, and Change in Net Position presents the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and nonexchange. Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. For example, tuition fees paid by the student are considered an exchange for instructional services. The receipt of State apportionments and property taxes, however, do not include this exchange relationship between the payment and receipt of specified goods or services. These revenues and related expenses are classified as nonoperating activities. It is because of the methodology used to categorize between operating and nonoperating, combined with the fact that the primary source of funding that supports the District's instructional activities comes from State apportionment and local property taxes, results in a net operating loss for the District's operations.

# PERALTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013 and June 30, 2012, is summarized below:

### Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30,

(in thousands)

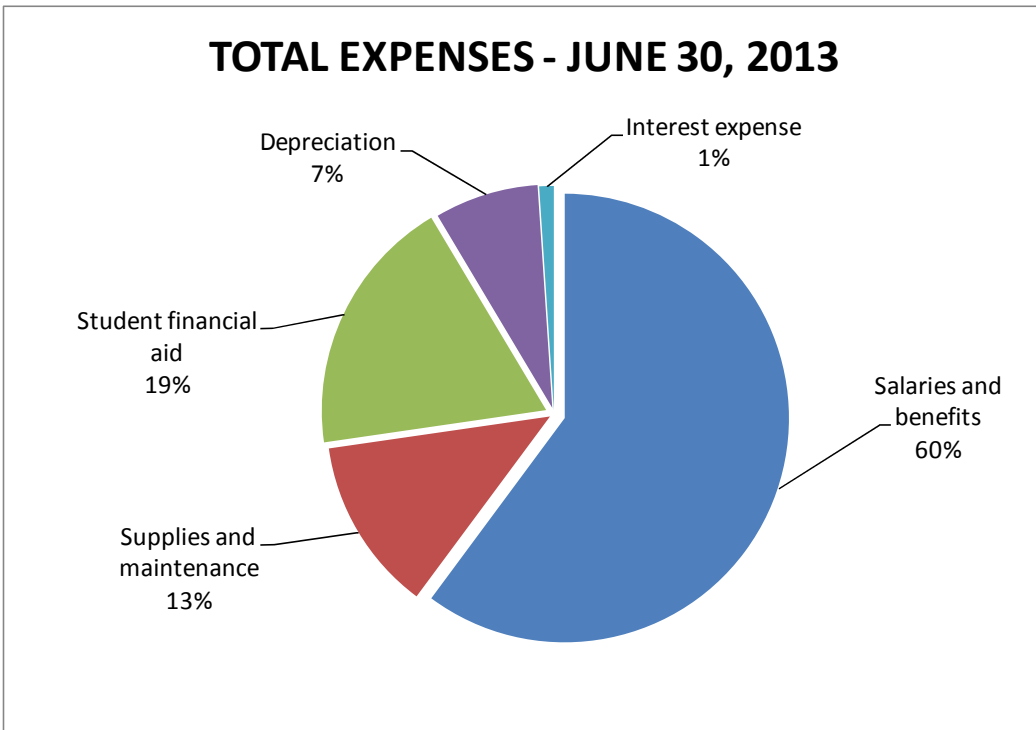
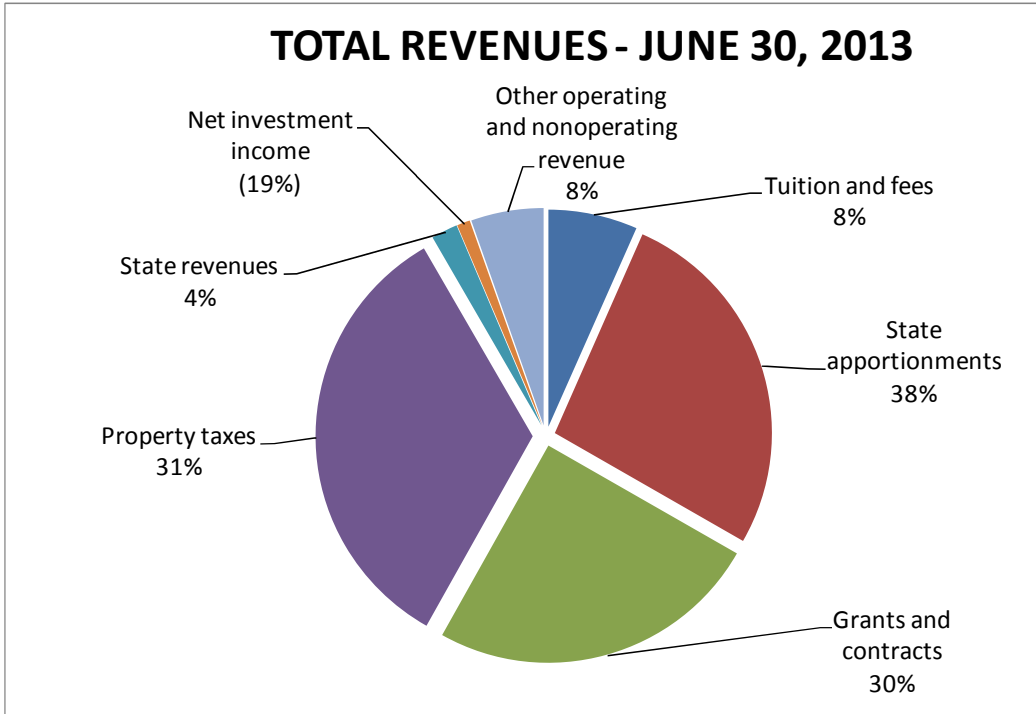
	2013	2012*	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	\$ 14,557	\$ 13,709	\$ 848	6.2%
Other revenues	1,853	1,636	217	100%
Total Operating Revenues	<u>16,410</u>	<u>15,345</u>	<u>1,065</u>	<u>6.9%</u>
Operating Expenses				
Salaries and benefits	123,037	117,759	5,278	4.5%
Supplies and maintenance	25,679	26,570	(891)	-3.4%
Student financial aid	38,326	36,458	1,868	5.1%
Depreciation	15,348	15,530	(182)	-1.2%
Total Operating Expenses	<u>202,390</u>	<u>196,317</u>	<u>6,073</u>	<u>3.1%</u>
Loss on Operations	<u>(185,980)</u>	<u>(180,972)</u>	<u>(5,008)</u>	<u>-2.8%</u>
Nonoperating Revenues and (Expenses)				
State apportionments	58,547	67,695	(9,148)	-13.5%
Grants and contracts	54,592	52,727	1,865	3.5%
Property taxes	73,572	53,788	19,784	36.8%
State revenues	5,122	4,874	248	5.1%
Net investment income	(2,147)	(32,904)	30,757	-93.5%
Other nonoperating revenues and transfers	10,038	13,344	(3,306)	-24.8%
Total Nonoperating Revenues (Expenses)	<u>199,724</u>	<u>159,524</u>	<u>40,200</u>	<u>25.2%</u>
Other Revenues				
State and local capital income	1,127	1,402	(275)	-19.6%
Total Other Revenues	<u>1,127</u>	<u>1,402</u>	<u>(275)</u>	<u>-19.6%</u>
Net Increase (Decrease) in Net Position	<u>\$ 14,871</u>	<u>\$ (20,046)</u>	<u>\$ 34,917</u>	<u>174.2%</u>

\* As restated.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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**PERALTA COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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- The primary components of tuition and fees are the \$46 per unit enrollment fee that is charged to all students registering for classes and the additional \$190 per unit fee that is charged to all non-resident students.
- Personnel costs account for 61 percent of operating expenses in fiscal year 2013 compared to 51 percent in 2012. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, equipment, maintenance, and depreciation expense.
- The principal components of the District's nonoperating revenue are: noncapital Federal and State grants, State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income, the majority of this revenue is received to support the District's instructional activities. The amount of State general apportionment received by the District is dependent upon the number of FTES generated and reported to the State, less amounts received from enrollment fees and local property taxes. Increases in either of the latter two revenue-categories lead to a corresponding decrease in apportionment.
- A schedule of functional expenses is displayed below:

	Salaries and Benefits	Supplies, Material, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 60,735,434	\$ 1,971,839	\$ -	\$ -	\$ 62,707,273
Academic support	6,560,053	500,144	-	-	7,060,197
Student services	11,255,670	2,321,967	-	-	13,577,637
Plant operations and maintenance	29,948,066	14,782,601	-	-	44,730,667
Instructional support services	10,428,586	185,383	-	-	10,613,969
Community services and economic development	258,655	49,140	-	-	307,795
Ancillary services and auxiliary operations	2,870,090	3,421,551	-	-	6,291,641
Student aid	-	-	38,326,487	-	38,326,487
Physical property and related acquisitions	980,196	2,445,928	-	-	3,426,124
Unallocated expense	-	-	-	15,347,535	15,347,535
<b>Total</b>	<b>\$ 123,036,750</b>	<b>\$ 25,678,553</b>	<b>\$ 38,326,487</b>	<b>\$ 15,347,535</b>	<b>\$ 202,389,325</b>

# PERALTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities. It deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Cash Flows for the fiscal years ended June 30, 2013 and June 30, 2012, is summarized below:

### **Statement of Cash Flows for the Years Ended June 30,**

(in thousands)

	<u>2013</u>	<u>2012</u>
Cash From		
Operating activities	\$ (160,175)	\$ (161,680)
Noncapital financing activities	176,361	166,093
Capital financing activities	(30,313)	(26,369)
Investing activities	9,439	(15,786)
Net Change in Cash	<u>(4,688)</u>	<u>(37,742)</u>
Cash, Beginning of Year	166,015	203,757
Cash, End of Year	<u>\$ 161,327</u>	<u>\$ 166,015</u>

- Cash receipts from operating activities are from student tuition. Use of cash is for payments to employees, vendors, and students related to the instructional program.
- State apportionment received based on the workload measures generated by the District accounts for 39 percent and 31 percent of noncapital financing for both fiscal years 2013 and 2012, respectively. Cash receipts from Federal and State grants represent 31 percent in 2013 and 33 percent in 2012. Cash received from property taxes accounts for 25 percent in fiscal year 2013 and 23 percent in fiscal year 2012 of the cash generated in this section.
- The majority of the activity in the capital and related financing activities is for the purchase of capital assets (buildings, building improvements, and equipment).
- Cash from investing activities is purchase of investments and investment income for interest earned on cash in bank and cash invested through the Alameda County pool, and on investments with local banking institutions. Approximately \$0.4 million and \$0.8 million were received from the Alameda County pool for fiscal years 2013 and 2012.

# **PERALTA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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### **Other Postemployment Benefits Obligation**

Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Standards No. 43 and No. 45 are for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. The District had an actuarial study performed in 2013 to identify the cost and amount needed to fund on an annual basis retiree health benefits. This study determined the District's Unfunded Actuarial Accrued Liability to be \$174 million.

### **Economic Factors that May Affect the Future**

In contrast to recent budgets, the District enters its fiscal year 2013-2014 with optimism. This sense of optimism stems from both new revenues included in the 2013-2014 budget, parcel tax revenue, and enrollment growth (access) revenue, as well as the absence of workload reductions and threats of mid-year reductions. As a result of efforts and difficult decisions made during the previous three years, the District is now positioned to restore the necessary cuts needed to balance the budget and focus on restoring access and improving services to our students and community. Due to the passage of the parcel tax and Proposition 30 in the prior year, the District has been able to restore 41 faculty positions, 15 classified positions, 4 dean positions, and created 1 new position at each college to assist with the associated student body organizations, student clubs, and trusts. This is in addition to ensuring sufficient part-time faculty budgets existed to support the colleges' course offerings to students. The District is confident that as the State's economy improves, so will the ability to continue these restoration efforts.

For fiscal year 2013-2014, it is expected that the District will be compensated for serving 18,229 full-time equivalent students. Should the District serve only those students which it is funded for, this would equate to a 1.63 percent increase as compared to the prior fiscal year. In November of 2013, the Legislative Analyst Office released a report projecting that the State will end its 2013-2014 fiscal year with a \$2.2 billion operating surplus and further projects an operating surplus of \$3.2 billion during the 2013-2014 fiscal year.

As the fiscal year 2013-2014 progresses, the District is exercising diligence in monitoring all budgets and continues to spend within its parameters. As the budget development begins for fiscal year 2014-2015, the District will carefully watch and evaluate the Governor's January budget proposal, as well as any changes contained with the May revision. Working through the shared governance structures, the 2014-2015 budget will contain plans to ensure the institution remains financially strong and maintains the ability to carry out its core mission to educating students.

### **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 demonstrate the District's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the District at: Peralta Community College District, 333 East 8<sup>th</sup> Street, Oakland, California 94606.



**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT  
JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 17,779,411
Investments	1,481,952
Restricted investments	353,936,214
Interest rate SWAP	11,759,892
Accounts receivable	30,956,166
Student receivables, net	4,260,394
Due from fiduciary funds	7,966
Prepaid expenses	72,184
Deferred costs on issuance - current portion	348,372
Deferred costs on refunding - current portion	490,515
Inventories	181,431

**Total Current Assets**

421,274,497

**NONCURRENT ASSETS**

Deferred costs on issuance - noncurrent portion	7,115,563
Deferred costs on refunding - noncurrent portion	8,338,755
Nondepreciable capital assets	108,120,191
Depreciable capital assets, net of depreciation	292,293,724

**Total Capital Assets**

400,413,915

**Total Noncurrent Assets**

415,868,233

**TOTAL ASSETS**

837,142,730

**LIABILITIES**

**CURRENT LIABILITIES**

Deficit cash in county treasury	21,095,819
Accounts payable	22,724,390
TRANS payable	8,935,000
Accrued interest payable	9,939,227
Due to other funds	4,400
Deferred revenue	3,364,591
SWAP liability	1,053,371
General obligation bonds payable - current portion	11,800,000
Other postemployment benefits bonds - current portion	1,667,217

**Total Current Liabilities**

80,584,015

**NONCURRENT LIABILITIES**

Claims liability	2,795,135
Load banking	1,832,325
Compensated absences payable - noncurrent portion	3,394,795
General obligation bonds payable - noncurrent portion	419,613,433
Other postemployment benefits bonds - noncurrent portion	209,921,601
Other postemployment benefits obligation - noncurrent portion	27,161,293

**Total Noncurrent Liabilities**

664,718,582

**TOTAL LIABILITIES**

745,302,597

**DEFERRED INFLOWS OF RESOURCES**

Interest rate SWAPs	11,759,892
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**NET POSITION**

Net investment in capital assets	79,568,087
Restricted for:	
Debt service	13,973,122
Capital projects	4,108,301
Other activities	13,027,195
Unrestricted	(30,596,464)

**TOTAL NET POSITION**

\$ 80,080,241

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

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

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<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 31,661,555
Less: Scholarship discount and allowance	(17,104,985)
Net tuition and fees	<u>14,556,570</u>
Other Operating Revenues	<u>1,853,103</u>
<b>TOTAL OPERATING REVENUES</b>	<u>16,409,673</u>
<b>OPERATING EXPENSES</b>	
Salaries	75,402,147
Employee benefits	47,634,603
Supplies, materials, and other operating expenses and services	25,678,553
Student financial aid	38,326,487
Depreciation	15,347,535
<b>TOTAL OPERATING EXPENSES</b>	<u>202,389,325</u>
<b>OPERATING LOSS</b>	<u>(185,979,652)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	58,547,385
Federal grants and contracts	44,861,988
State grants and contracts	9,729,712
Local property taxes, levied for general purposes	42,288,630
Taxes levied for other specific purposes	31,283,589
State taxes and other revenues	5,121,810
Interest income	7,956,199
Net unrealized gain on investments	16,719,358
Interest expense on capital related debt	(26,822,810)
Investment income on capital asset-related debt, net	31,442
Transfer to agency fund	(511,316)
Other nonoperating revenue	10,517,415
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>199,723,402</u>
<b>INCOME BEFORE OTHER REVENUES</b>	<u>13,743,750</u>
Local revenues, capital	<u>1,127,185</u>
<b>CHANGE IN NET POSITION</b>	14,870,935
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED (see Note 18)</b>	<u>65,209,306</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 80,080,241</u>

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

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 14,558,090
Other operating income	1,853,103
Payments to or on behalf of employees	(119,109,655)
Payments made to students from financial aid	(19,149,842)
Payments to vendors for supplies and services	<u>(38,326,487)</u>
<b>Net Cash Flows From Operating Activities</b>	<b><u>(160,174,791)</u></b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State apportionments	68,884,079
Federal and State grants and contracts	54,006,712
Property taxes - nondebt related	44,589,884
Other State revenues	5,615,233
Other nonoperating revenues	<u>3,265,608</u>
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b><u>176,361,516</u></b>

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Local capital grants	1,127,185
Taxes levied for debt repayment	31,283,589
Accretion of bonds	7,654,407
Acquisition and construction of capital assets	(28,897,252)
Principal paid on capital debt	(11,734,036)
Deferred costs of issuance	162,318
Interest paid on capital debt and leases	<u>(29,909,603)</u>
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<b><u>(30,313,392)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(15,268,210)
Investment income	<u>24,706,999</u>
<b>Net Cash Flows From Investing Activities</b>	<b><u>9,438,789</u></b>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

**CASH AND CASH EQUIVALENTS, END OF YEAR**

(4,687,878)
<u>166,015,251</u>
<b><u>\$ 161,327,373</u></b>

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

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS  
FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (185,979,652)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	15,347,535
Changes in Operating Assets and Liabilities:	
Receivables, net	575,252
Inventories	(44,378)
Prepaid expenses	1,600,037
Accounts payable and accrued liabilities	4,969,164
Deferred revenue	(1,079,010)
Compensated absences	544,679
Claims liability	17,135
Load banking	94,538
Other postemployment benefits	3,779,909
Total Adjustments	<u>25,804,861</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (160,174,791)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:**

Cash in banks	\$ 17,779,411
Investment in county treasury	143,547,962
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 161,327,373</u></u>

**NONCASH TRANSACTIONS**

On behalf payments for benefits	<u><u>\$ 2,227,750</u></u>
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The accompanying notes are an integral part of these financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013**

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	<u>Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 484,148	\$ 1,088,265
Investments	620,621	-
Accounts receivable	194	-
Due from other funds	4,400	-
Fixed assets	2,555	-
<b>Total Assets</b>	<u>1,111,918</u>	<u>\$ 1,088,265</u>
<b>LIABILITIES</b>		
Accounts payable	202,612	\$ -
Due to other funds	7,966	-
Due to student groups	11,145	1,088,265
<b>Total Liabilities</b>	<u>221,723</u>	<u>\$ 1,088,265</u>
<b>NET POSITION</b>		
Unreserved	890,195	
<b>Total Net Position</b>	<u>\$ 890,195</u>	

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

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Trust Funds</b>
<b>ADDITIONS</b>	
Local revenues	<u>\$ 222,158</u>
<b>DEDUCTIONS</b>	
Classified salaries	36,756
Employee benefits	1,480
Services and operating expenditures	120,571
Capital outlay	47,844
<b>Total Deductions</b>	<u>206,651</u>
<b>OTHER FINANCING SOURCES</b>	
Operating transfers in	<u>511,316</u>
<b>Total Other Financing Sources</b>	<u>511,316</u>
<b>Change in Net Position</b>	526,823
<b>Net Position - Beginning</b>	<u>363,372</u>
<b>Net Position - Ending</b>	<u><u>\$ 890,195</u></u>

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

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### **NOTE 1 - ORGANIZATION**

Peralta Community College District (the District) was established in 1964 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of 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 of Trustees 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 four college campuses located in Alameda, Oakland, and Berkeley, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

Peralta Community College District and the Golden West Financing Authority, as represented by the 2005 General Obligation Revenue Bonds, Series B, have a financial and operational relationship that meets the reporting definition antenna of GASB Statement No. 14, *The Financial Reporting Entity*, for the inclusion of the related debt. Therefore, the related debt has been included in the financial statements of the District.

The following entity does not meet the above criteria for inclusion as a component unit of the District.

- **Peralta Colleges Foundation, Inc.**

Peralta Colleges Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors. Because the amount of receipts from the Foundation is insignificant to the District as a whole, the Foundation is not considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. Financial statements for the Foundation can be obtained from the Foundation's Business Office at 333 East 8<sup>th</sup> Street, Oakland, California 94606.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

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



# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

### **Cash and Cash Equivalents**

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

### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### **Restricted Assets**

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

### **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.

### **Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2013.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### **Inventories**

Inventories consist primarily of operating supplies. 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 \$49,999 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 to 40 years; equipment, 5 to 20 years; vehicles, 5 to 10 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, Refunding Costs, Premiums, and Discounts**

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

### **Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

### 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.

### Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, claims payable, load banking, and OPEB obligations with maturities greater than one year.

### Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

**Restricted:** Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**Unrestricted:** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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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. At June 30, 2013, the District reported \$31,108,618 in restricted net position.

### **State Apportionments**

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

### **Property**

Secured property taxes attach as an enforceable lien on property as of January 1. The Alameda 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 in the unrestricted General Fund when received.

The voters of the District passed a general obligation bond in 2006 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and set aside for repayment to the bond holders in the Bond Interest and Redemption Fund.

The voters of the District passed a Parcel Tax on June 5, 2012, for the general revenues of the District. The parcel tax levys \$48 per parcel for eight years to provide for core academic programs, training, and education of students attending the District and transferring to university. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

### **Board of Governors Grants (BOGG) and Fee Waivers**

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

### **Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. 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*.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement Systems (CalPERS) on behalf of all community colleges in California.

### 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.

### Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 18 for more information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### *NOTE 3 - DEPOSITS AND INVESTMENTS*

#### **Policies and Practices**

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

**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 (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Alameda County Treasurer, which is recorded on the amortized cost basis.

#### **Other Investments**

The District maintains investments outside the Alameda County Treasurer as allowed by the District's investment policy. The District relies on a third party investment firm to manage the investment portfolio. The investments are stated at fair value as determined by quoted market prices in *The Wall Street Journal* at June 30, 2013.



**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**General Authorizations**

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	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

**Summary of Deposits and Investments**

Deposits and investments of the primary government as of June 30, 2013, consist of the following:

Cash on hand and in banks - unrestricted	\$ 7,998,435
Cash in revolving - unrestricted	55,000
Cash on hand and in banks - restricted	9,725,976
Total Cash and Cash Equivalents	<u>\$ 17,779,411</u>
Investment in county treasury - unrestricted	\$ (21,095,819)
Investment in county treasury - restricted	164,643,781
Investments - restricted	190,774,385
Total Investments	<u>\$ 334,322,347</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Deposits and investments of the fiduciary funds as of June 30, 2013, consist of the following:

Cash on hand and in banks	<u>\$ 1,572,413</u>
Investment in county treasury	<u>\$ 620,621</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and having the pool purchase 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.

Additionally, OPEB bond proceeds have been invested in other instruments which equate to the CalPERS investment strategy.

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
County Pool - Alameda	\$ 143,650,876	525
JP Morgan Prime Money Market Fund	98,240	N/A
Money Market Funds	3,324,329	N/A
U.S. Governments and Agencies	15,182,816	N/A
Mortgage Backed Securities	14,106,024	N/A
Collateralized Mortgage Obligations	3,347,728	N/A
Municipal Bonds	66,952	N/A
Domestic Corporate Bonds	13,061,243	N/A
Mutual Funds - Fixed Income	15,857,166	N/A
Common Stock - Domestic	82,310,097	N/A
Common Stock - Foreign	11,540,691	N/A
Master Limited Partnerships	61,085	N/A
Mutual Funds - Equities	22,796,896	N/A
Exchange Traded Funds - Equity	9,021,118	N/A
	<u>\$ 334,425,261</u>	

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2013. 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.

<u>Investment Type</u>	Total <u>Fair Value</u>	<u>Rating</u>
County Pool - Alameda	\$ 143,650,876	Not Rated
JP Morgan Prime Money Market Fund	98,240	[1]
Money Market Funds	3,324,329	[1]
U.S. Governments and Agencies	15,182,816	[1]
Mortgage Backed Securities	14,106,024	[1]
Collateralized Mortgage Obligations	3,347,728	[1]
Municipal Bonds	66,952	[1]
Domestic Corporate Bonds	13,061,243	[1]
Mutual Funds - Fixed Income	15,857,166	[1]
Common Stock - Domestic	82,310,097	[1]
Common Stock - Foreign	11,540,691	[1]
Master Limited Partnerships	61,085	[1]
Mutual Funds - Equities	22,796,896	[1]
Exchange Traded Funds - Equity	9,021,118	[1]
	<u>\$ 334,425,261</u>	

[1] Investment ratings range from Aaa to Caa according to Moody's Investors Service.

### 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 for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance of \$7,203,796 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.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted primarily of intergovernmental grants, entitlements, and other local sources.

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 4,166,272
State Government	
Apportionment deferral	18,274,903
Categorical aid	848,860
Lottery	1,037,159
Local Sources	
Other local sources	6,628,972
Total	<u>\$ 30,956,166</u>
Student receivables, net	<u>\$ 4,260,394</u>

**NOTE 5 - DEFERRED COSTS ON ISSUANCE AND REFUNDING**

The following table summarizes certain costs related to bond issuances that are required to be amortized over the life of the bonds issued. Amortization is calculated using the straight-line method.

Unamortized issuance costs are as follows:

Other Postemployment Benefits Bonds 2005 Issuances	\$ 2,697,175
Other Postemployment Benefits Bonds 2011 Refunding	659,191
General Obligation Bonds 2000, Series D	273,649
General Obligation Bonds 2005, Refunding	314,155
General Obligation Bonds 2006, Series A	777,094
General Obligation Bonds 2006, Series B	1,047,915
General Obligation Bonds 2006, Series C	789,600
General Obligation Bonds 2009, Refunding	467,070
General Obligation Bonds 2012, Refunding	438,086
Total	<u>\$ 7,463,935</u>
Deferred costs on issuance - current portion	\$ 348,372
Deferred costs on issuance - noncurrent portion	7,115,563
Total	<u>\$ 7,463,935</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Unamortized costs on refunding are as follows:

Other Postemployment Benefits Bonds 2009, Refunding - current portion	\$ 490,515
Other Postemployment Benefits Bonds 2009, Refunding - noncurrent portion	8,338,755
Total	<u>\$ 8,829,270</u>

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the primary government for the fiscal year ended June 30, 2013, was as follows:

	*Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 11,913,296	\$ -	\$ -	\$ 11,913,296
Construction in progress	105,202,939	29,923,146	38,919,190	96,206,895
Total Capital Assets Not Being Depreciated	<u>117,116,235</u>	<u>29,923,146</u>	<u>38,919,190</u>	<u>108,120,191</u>
Capital Assets Being Depreciated				
Buildings	271,798,751	-	-	271,798,751
Site improvements	93,873,135	39,920,188	-	133,793,323
Software and IT development	31,276,496	109,000	-	31,385,496
Machinery and equipment	40,702,184	-	-	40,702,184
Total Capital Assets Being Depreciated	<u>437,650,566</u>	<u>40,029,188</u>	<u>-</u>	<u>477,679,754</u>
Total Capital Assets	<u>554,766,801</u>	<u>69,952,334</u>	<u>38,919,190</u>	<u>585,799,945</u>
Less Accumulated Depreciation				
Buildings	95,679,409	5,417,263	-	101,096,672
Site improvements	11,187,760	4,413,823	-	15,601,583
Software and IT development	26,759,340	3,019,223	-	29,778,563
Machinery and equipment	36,411,986	2,497,226	-	38,909,212
Total Accumulated Depreciation	<u>170,038,495</u>	<u>15,347,535</u>	<u>-</u>	<u>185,386,030</u>
Net Capital Assets	<u>\$ 384,728,306</u>	<u>\$ 54,604,799</u>	<u>\$ 38,919,190</u>	<u>\$ 400,413,915</u>

\* As restated. See Note 18 for more information.

Depreciation expense for the year was \$15,347,535.

Interest expense on capital related debt for the year ended June 30, 2013, was \$32,432,857. Of this amount, \$5,610,047 was capitalized.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

	Primary Government
Apportionment	\$ 4,170,667
Accrued payroll and benefits	2,046,125
Construction contractors	8,016,783
Vendors and supplies	8,490,815
Total	<u>\$ 22,724,390</u>

**NOTE 8 - DEFERRED REVENUE**

Deferred revenue consisted of the following:

	Primary Government
Federal categorical aid	\$ 160,340
State categorical aid	886,612
Enrollment fees	1,997,075
Other local	320,564
Total	<u>\$ 3,364,591</u>

**NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES PAYABLE**

The District issued two Tax and Revenue Anticipation Notes (TRANS) during the current fiscal year. One was issued on August 8, 2012, which matured on June 28, 2013. The District issued another TRAN on March 1, 2013, which has a maturity date of December 31, 2013. See current year activity below:

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2012 2.00% TRANS	\$ -	\$ 22,000,000	\$ 22,000,000	\$ -
2013 2.00% TRANS	-	8,935,000	-	8,935,000
Total	<u>\$ -</u>	<u>\$ 30,935,000</u>	<u>\$ 22,000,000</u>	<u>\$ 8,935,000</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 10 - INTERFUND TRANSACTIONS**

**Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2013, the amounts owed between the primary government and the fiduciary funds were \$4,400 and \$7,966, respectively.

**Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2013 fiscal year, the District transferred \$511,316 between the primary government and the fiduciary funds.

**NOTE 11 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the fiscal year 2013 consisted of the following:

	Beginning Balance	Additions	(Amortization) Accretion	Deductions	Ending Balance	Due in One Year
General obligation bonds	\$ 443,075,253	\$ -	\$ -	\$ (11,661,820)	\$ 431,413,433	\$ 11,800,000
2005 Taxable Limited Obligation						
OPEB Bonds	139,939,962	-	7,654,407	-	147,594,369	-
2006 OPEB Bond modification and restructuring	10,561,665	-	-	(72,216)	10,489,449	72,217
2011 Taxable Refunding bonds	53,505,000	-	-	-	53,505,000	1,595,000
Total Bonds Payable	<u>647,081,880</u>	<u>-</u>	<u>7,654,407</u>	<u>(11,734,036)</u>	<u>643,002,251</u>	<u>13,467,217</u>
Other liabilities						
Postemployment benefits obligation	23,381,384	11,471,921	-	(7,692,012)	27,161,293	-
Claims liability	2,778,000	17,135	-	-	2,795,135	-
Load banking	1,737,787	94,538	-	-	1,832,325	-
Compensated absences	2,850,116	544,679	-	-	3,394,795	-
Total Long-Term Obligations	<u>\$ 677,829,167</u>	<u>\$ 12,128,273</u>	<u>\$ 7,654,407</u>	<u>\$ (19,426,048)</u>	<u>\$ 678,185,799</u>	<u>\$ 13,467,217</u>

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Description of Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. Debt service payments on the Other Postemployment Benefits (OPEB) Bonds will be made from the Unrestricted General Fund. Workers' compensation claims liability is an estimate based on an actuarial study completed by a third party specialist. Actual claims paid will be made from the Self-Insurance Fund.

Management is responsible to evaluate the adequacy of the change in value. The Postemployment Benefits Obligation is funded through payments for benefits and is reported within the fund the employees' salaries are charged. The compensated absences will be paid by the fund for which the employee worked. Load banking obligations are the responsibility of the General Fund in the year the employee utilizes the banked leave time.

### Bonded Debt

#### General Obligation Bonds, Election 2000, Series C

In May 2004, the District issued, in the amount of \$40,000,000, the Peralta Community College District General Obligation Bonds, Election 2000, Series C (the 2000 Series C Bonds) to finance the acquisition, construction, and rehabilitation of school facilities. The bonds mature beginning August 1, 2005 through August 1, 2034, with interest yield rates ranging from 1.60 to 5.20 percent.

#### General Obligation Bonds, Election 2000, Series D

In July 2005, the District issued, in the amount of \$55,700,000, the Peralta Community College District General Obligation Bonds, Election 2000, Series D (the 2000 Series D Bonds) to finance the acquisition, construction, and rehabilitation of school facilities. The bonds mature beginning August 1, 2006 through August 1, 2035, with interest yield rates ranging from 2.51 to 4.18 percent.

#### 2002 Refunding General Obligation Bonds

In October 2002, the District issued, in the amount of \$7,310,000, the 2002 Refunding General Obligation Bonds to refund the Peralta Community College District, General Obligation Bonds, Election of 1992, Series A (the 1993 Bonds). The bonds mature beginning February 1, 2003 through August 1, 2014, with interest rates ranging from 2.00 to 4.00 percent.

#### 2005 General Obligation Revenue Bonds, Series A

In June 2005, the Golden West Schools Financing Authority issued, in the amount of \$7,285,000, the 2005 General Obligation Revenue Bonds, Series A (Peralta Community College District Refunding) to finance the acquisition of the outstanding Peralta Community College District General Obligation Bonds, Election of 1992, Series C. The bonds are repaid through tax assessments on property located within the District boundaries. The bonds mature beginning August 1, 2006 through August 1, 2021, with interest yield rates ranging from 3.00 to 4.00 percent.



# **PERALTA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **2005 General Obligation Revenue Bonds, Series B**

In August 2005, the Golden West Schools Financing Authority issued, in the amount of \$32,975,000, the 2005 General Obligation Revenue Bonds, Series B (Peralta Community College District Refunding) to finance the acquisition of the callable Peralta Community College District General Obligation Bonds, Election of 1992, (the 1992D Bonds), the callable General Obligation Bonds, Election 1992, Series E, (the 1992E Bonds), the callable General Obligation Bonds, Election 1996, Series A, (the 1996A Bonds), and a portion of the callable General Obligation Bonds, Election 2000, Series A (the 2000A Bonds) in the amount of \$32,410,000. Concurrent with the issuance of the bonds, the District issued 2005 General Obligation Refunding Bonds. The bonds are repaid through tax assessments on property located within the District boundaries. The bonds mature beginning on August 1, 2006 through August 1, 2025, with interest rates ranging from 3.00 to 5.00 percent.

### **2006 General Obligation Bonds, Series A**

In August 2006, the District issued \$75,000,000 of General Obligation Bonds, Election of 2006, Series A. Voters authorized \$390,000,000 in June of 2006. The bonds are being issued to finance the acquisition, construction, and rehabilitation of District facilities. The bonds mature beginning August 1, 2007 through August 1, 2031, with interest yield rates ranging from 4.00 to 5.00 percent.

### **2006 General Obligation Bonds, Series B**

In November 2007, the District issued \$100,000,000 of General Obligation Bonds, Election of 2006, Series B. The bonds are being issued to finance the acquisition, construction, and rehabilitation of District facilities. The bonds mature beginning August 1, 2009 through August 1, 2037, with interest yield rates ranging from 5.00 to 5.25 percent.

### **2006 General Obligation Bonds, Series C**

In August 2009, the District issued \$100,000,000 of General Obligation Bonds, Election of 2006, Series C. The bonds are being issued to finance the acquisition, construction, and rehabilitation of District facilities. The bonds mature beginning August 1, 2012 through August 1, 2039, with interest yield rates ranging from 2.00 to 5.50 percent.

### **2009 Refunding General Obligation Bonds**

In December 2009, the District issued, in the amount of \$39,080,000, the Refunding General Obligation Bonds to advance refund the Peralta Community College District, General Obligation Bonds, Election 2000, Series A, a portion of Series B, and 2001 Refunding General Obligation Bonds. The bonds mature beginning August 1, 2010 through August 1, 2031, with interest yield rates ranging from 2.00 to 5.50 percent.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**2012 Refunding General Obligation Bonds**

In March 2012, the District issued, in the amount of \$59,005,000, the Refunding General Obligation Bonds to refund portions of the District's prior bonds. Funds have been placed in an irrevocable escrow account for the future redemption of these bonds. At June 30, 2012, the balance of these funds on the escrow account was \$63,442,590. As the advance refunding has met the requirements of an in-substance defeasance, the debt obligations of \$160,240,000 for the bonds have been removed as long-term obligations of the District. The bonds mature beginning August 1, 2012 through August 1, 2034, with interest yield rates ranging from 2.00 to 5.00 percent.

The outstanding general obligation debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 1, 2012	Issued/ Amortized	Redeemed	Outstanding June 30, 2013
2000 C	5/27/2004	8/01/2034	1.60%-5.20%	40,000,000	1,880,000	-	920,000	960,000
2000 D	7/21/2005	8/01/2035	2.51%-4.18%	55,700,000	33,350,000	-	1,165,000	32,185,000
Subtotal Election of 2000								33,145,000
2002	10/24/2002	8/01/2014	2.00%-4.00%	7,310,000	1,030,000	-	505,000	525,000
2005 A	6/01/2005	8/01/2021	3.00%-4.00%	7,285,000	4,735,000	-	360,000	4,375,000
2005 B	8/17/2005	8/01/2025	3.00%-5.00%	32,975,000	29,975,000	-	1,225,000	28,750,000
Subtotal 2005 Refinancings								33,125,000
2006 A	8/10/2006	8/01/2031	4.00%-5.00%	75,000,000	64,595,000	-	2,055,000	62,540,000
2006 B	11/15/2007	8/01/2037	5.00%-5.25%	100,000,000	95,000,000	-	1,835,000	93,165,000
2006 C	8/26/2009	8/01/2039	2.00%-5.50%	100,000,000	99,180,000	-	-	99,180,000
Subtotal Election of 2006								254,885,000
2009	12/17/2009	8/01/2031	2.00-5.50%	39,080,000	35,205,000	-	1,940,000	33,265,000
2012	3/28/2012	8/01/2034	2.00-5.00%	59,005,000	59,005,000	-	775,000	58,230,000
Subtotal General Obligation Bonds								413,175,000
Premiums (net)					19,120,253	-	881,820	18,238,433
Total General Obligation Bonds (Net)					<u>\$ 443,075,253</u>	<u>\$ -</u>	<u>\$ 11,661,820</u>	<u>\$ 431,413,433</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**General Obligation Bond - 2000 Election**

The 2000 general obligation bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,170,000	\$ 1,636,750	\$ 3,806,750
2015	1,260,000	1,548,750	2,808,750
2016	-	1,485,750	1,485,750
2017	-	1,485,750	1,485,750
2018	-	1,485,750	1,485,750
2019-2023	-	7,428,750	7,428,750
2024-2028	6,590,000	7,110,000	13,700,000
2029-2033	13,385,000	4,508,250	17,893,250
2034-2036	9,740,000	989,750	10,729,750
Total	<u>\$ 33,145,000</u>	<u>\$ 27,679,500</u>	<u>\$ 60,824,500</u>

**General Obligation Bond - 2002 Refunding**

The 2002 general obligation bonds mature through 2014 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 525,000	\$ 18,375	\$ 543,375
Total	<u>\$ 525,000</u>	<u>\$ 18,375</u>	<u>\$ 543,375</u>

**General Obligation Revenue Bonds - 2005 Refunding**

The general obligation revenue bonds mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,390,000	\$ 1,629,998	\$ 4,019,998
2015	2,530,000	1,506,980	4,036,980
2016	2,635,000	1,376,830	4,011,830
2017	2,770,000	1,239,611	4,009,611
2018	2,905,000	1,094,650	3,999,650
2019-2023	14,210,000	3,133,514	17,343,514
2024-2026	5,685,000	346,869	6,031,869
Total	<u>\$ 33,125,000</u>	<u>\$ 10,328,452</u>	<u>\$ 43,453,452</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**General Obligation Bond - 2006 Series A, B, and C**

The general obligation bonds mature through 2040 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 5,440,000	\$ 12,616,013	\$ 18,056,013
2015	6,220,000	12,378,738	18,598,738
2016	7,050,000	12,105,488	19,155,488
2017	6,710,000	11,771,438	18,481,438
2018	7,020,000	11,452,406	18,472,406
2019-2023	40,620,000	51,580,644	92,200,644
2024-2028	52,110,000	39,910,725	92,020,725
2029-2033	61,630,000	25,116,925	86,746,925
2034-2038	55,425,000	11,031,125	66,456,125
2039-2040	12,660,000	1,560,000	14,220,000
Total	<u>\$ 254,885,000</u>	<u>\$ 189,523,502</u>	<u>\$ 444,408,502</u>

**General Obligation Bond - 2009 Refunding**

The 2009 general obligation bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,275,000	\$ 1,645,700	\$ 2,920,700
2015	1,320,000	1,590,200	2,910,200
2016	1,395,000	1,524,200	2,919,200
2017	1,440,000	1,479,950	2,919,950
2018	1,495,000	1,407,950	2,902,950
2019-2023	7,690,000	6,053,413	13,743,413
2024-2028	12,615,000	3,569,106	16,184,106
2029-2032	6,035,000	783,706	6,818,706
Total	<u>\$ 33,265,000</u>	<u>\$ 18,054,225</u>	<u>\$ 51,319,225</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**General Obligation Bond - 2012 Refunding**

The 2012 general obligation bonds mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 2,649,906	\$ 2,649,906
2015	1,545,000	2,649,906	4,194,906
2016	2,915,000	2,603,556	5,518,556
2017	2,970,000	2,516,106	5,486,106
2018	3,085,000	2,397,306	5,482,306
2019-2023	14,335,000	9,849,781	24,184,781
2024-2028	11,505,000	6,224,281	17,729,281
2029-2033	17,710,000	3,294,169	21,004,169
2034-2035	4,165,000	275,189	4,440,189
Total	<u>\$ 58,230,000</u>	<u>\$ 32,460,200</u>	<u>\$ 90,690,200</u>

**Taxable 2005 Limited Obligation Other Postemployment Benefits Bonds**

In December 2005, the District issued \$153,749,832 aggregate principal amount of Taxable 2005 Limited Obligation OPEB (Other Postemployment Benefits) Bonds to fund the District's obligation to pay certain health care benefits for certain retired District employees and pay certain costs of issuance. The bonds consisted of \$20,015,000 principal amount of fixed rate bonds, and \$133,734,832 initial principal amount of Convertible Auction Rate Securities. The Convertible Auction Rate Securities accrete to matured principal amount of \$394,225,000. Interest rates on the bonds range from 4.71 percent to 5.52 percent.

The bonds mature through 2050 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Interest	Total
2014	\$ -	\$ -	\$ -	\$ -
2015	-	-	-	-
2016	-	-	-	-
2017	4,225,719	2,649,281	1,995,555	8,870,555
2018	4,502,311	2,822,689	1,638,743	8,963,743
2019-2023	22,324,859	18,050,141	6,554,970	46,929,970
2024-2028	18,425,477	25,799,523	8,280,645	52,505,645
2029-2033	16,169,522	32,730,478	9,631,343	58,531,343
2034-2038	13,693,194	41,456,806	15,057,488	70,207,488
2039-2043	10,289,115	41,235,885	21,190,770	72,715,770
2044-2048	11,077,506	57,872,494	20,992,253	89,942,253
2049-2050	5,936,387	31,013,613	2,919,375	39,869,375
Subtotal	<u>106,644,090</u>	<u>253,630,910</u>	<u>88,261,142</u>	<u>448,536,142</u>
Accumulated accretion	40,950,279	(40,950,279)	-	-
Total	<u>\$ 147,594,369</u>	<u>\$ 212,680,631</u>	<u>\$ 88,261,142</u>	<u>\$ 448,536,142</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**2006 Limited Obligation Other Postemployment Benefits Bonds Modification**

The OPEB Bonds issued in 2005 were subject to an amendment wherein Lehman Brothers purchased three maturities (2006, 2007, and 2008 except \$135,000) in 2006. This is outlined in the "Supplement to the Official Statement" dated as of October 25, 2006, relating to the Taxable 2005 Limited Obligation OPEB Bonds. The purpose of the amendment was to convert 2006, 2007, and 2008 original maturities into bonds maturing August 5, 2049. The vehicle used was a capital accretion type financing that the supplement indicates would fully accrete by August 5, 2009, and would have bonds that mature through August 1, 2049. This is a unique financing structure that was developed to accommodate District wishes to reduce debt service in the initial years of the financing.

The bonds mature through 2050 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Interest	Total
2014	\$ 72,217	\$ 653,334	\$ 725,551
2015	78,235	648,632	726,867
2016	84,253	643,554	727,807
2017	90,271	638,101	728,372
2018	96,289	632,271	728,560
2019-2023	577,732	3,060,551	3,638,283
2024-2028	794,382	2,848,039	3,642,421
2029-2033	1,077,230	2,557,480	3,634,710
2034-2038	1,474,420	2,161,794	3,636,214
2039-2043	2,022,062	1,619,982	3,642,044
2044-2048	2,756,264	878,258	3,634,522
2049-2050	1,366,094	86,696	1,452,790
Total	<u>\$ 10,489,449</u>	<u>\$ 16,428,692</u>	<u>\$ 26,918,141</u>

**2011 Taxable Refunding Bonds**

In October 2011, the District refunded the District's outstanding 2009 Taxable OPEB Refunding Bonds. The refunding was a current legal defeasance of the previously issued bonds. The new refunding bonds carry interest rates ranging from 3.47 percent to 6.91 percent and mature annually through August 1, 2031. The proceeds of the refunding were used to refinance all of the District's outstanding obligation 2009 Taxable OPEB Refunding Bonds and paying costs of issuing.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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The bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,595,000	\$ 3,517,404	\$ 5,112,404
2015	2,590,000	3,462,057	6,052,057
2016	2,265,000	3,359,001	5,624,001
2017	-	3,257,869	3,257,869
2018	1,095,000	3,257,869	4,352,869
2019-2023	9,120,000	15,003,279	24,123,279
2024-2028	15,785,000	11,187,788	26,972,788
2029-2032	21,055,000	4,206,330	25,261,330
Total	<u>\$ 53,505,000</u>	<u>\$ 47,251,597</u>	<u>\$ 100,756,597</u>

### Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$11,228,305, and contributions made by the District during the year were \$7,692,012. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,578,243 and \$(1,334,627), respectively, which resulted in an increase to the net OPEB obligation of \$3,779,909. As of June 30, 2013, the net OPEB obligation was \$27,161,293. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### Claims Liability

At June 30, 2013, the liability for claims liability was \$2,795,135. See Note 14 for additional information.

### Compensated Absences

At June 30, 2013, the liability for compensated absences was \$3,394,795.

### Load Banking

At June 30, 2013, the liability for load banking agreements was \$1,832,325.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### **NOTE 12 - INTEREST RATE SWAPS**

#### **2005 Limited Obligation Other Postemployment Benefits Bonds**

*Objective of the Morgan Stanley Interest Rate SWAP.* The District entered into a series of six forward starting floating-to-fixed rate interest rate swaps to manage interest rate risk associated with its 2005 Taxable Limited Obligation Other Postemployment Bonds. The OPEB Bonds included six series of bonds that were initially issued at a fixed rate of interest, converting to a variable rate (auction rate) on separate dates and continuing in that mode until maturity of the individual series of bonds. In order to effectively convert the variable rate to a fixed rate for each of the six series of bonds in November 2006, the District entered into separate swap transactions with Morgan Stanley corresponding to each of the individual variable rate periods. Because the swap obligation only arises during the variable rate interest period for each series of bonds, the District does not become obligated to make swap payments until those periods arrive for each series of bonds. As of June 30, 2013, the 2005 Series B-1 through B-6 has a fair market value of \$12,813,263. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 4.90 percent, 5.16 percent, 5.28 percent, 5.21 percent, 5.06 percent, and 4.94 percent, respectively.

*Terms.* Under the swap agreement, the District pays a fixed rate of percent (as noted above) and the counterparty pays the District a floating rate option of 100 percent of London Interbank Offered Rate (LIBOR) with designated maturity of one month.

*Credit Risk.* As of June 30, 2013, the District was not exposed to credit risk because the swap had a negative fair value. Ongoing swap risks lay if the counterparty defaults and the District incur cost to obtain replacement swap at the same economic terms.

*Basis Risk.* Adverse changes in the District's or credit providers' financial strength could result in basis risk.

*Termination Risk.* The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract.

#### **Derivative Instrument Types**

*Hedge Effectiveness.* As of June 30, 2013, derivative instrument B-1 under governmental activities no longer meets the criteria for effectiveness and, thus, is considered to be an investment derivative instrument. Accordingly, the accumulated changes in its fair value in fiscal year 2013 of \$976,108 are reported within the investment revenue classification for the year ended June 30, 2013. The other interest rate swaps, B-2 through B-6, are considered to be hedging derivative instruments and are identified above as fair value hedges, change in market values are shown as deferred cash out flows on the Statement of Net Position.

The District used the dollar-offset method to evaluate hedge effectiveness for the interest rate swaps and rate cap. This method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item.



# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### Fair Values

Fair values for the District's derivative instruments were estimated using the following methods:

*Interest Rate Swaps.* Fair values for the interest rate swaps were estimated using the zero-coupon method, which calculates the future net settlement payments, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Trade ID	Trade Date	Effective Date	Maturity Date	Currency	Original Notional	Market Value	Fixed Rate
AUF3X	November 28, 2006	August 5, 2039	August 5, 2049	USD	\$ 134,475,000	\$ (1,053,371)	4.90%
AUF3W	November 28, 2006	August 5, 2031	August 5, 2039	USD	86,650,000	(3,152,758)	5.16%
AUF3V	November 28, 2006	August 5, 2025	August 5, 2031	USD	57,525,000	(1,196,694)	5.28%
AUF3U	November 28, 2006	August 5, 2020	August 5, 2025	USD	43,175,000	(1,314,334)	5.21%
AUF3T	November 28, 2006	August 5, 2015	August 5, 2020	USD	38,450,000	(2,429,666)	5.06%
AUF3S	November 28, 2006	August 5, 2010	August 5, 2015	USD	33,950,000	(3,666,440)	4.94%

### ***NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATION***

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

#### **Plan Description**

The plan is a single-employer defined benefit healthcare plan administered by Peralta Community College District. The plan provides medical and dental insurance benefits and life insurance to eligible retirees and their spouses. Eligible benefits plan features are based on retirees' retirement date and current employees most recent hire date in accordance with collective bargaining unit agreements.

#### **Funding Policy**

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The plan is currently funded on a pay-as-you-go basis. For fiscal year 2012-2013, the District contributed \$7,692,012 to the plan, comprised on premiums paid for medical insurance, claims expense, eligible Medicare reimbursements, and life insurance premiums for eligible plan members.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 11,228,305
Interest on net OPEB obligation	1,578,243
Adjustment to annual required contribution	<u>(1,334,627)</u>
Annual OPEB Cost	11,471,921
Contributions made	<u>(7,692,012)</u>
Increase in net OPEB obligation	3,779,909
Net OPEB obligation, beginning of year	<u>23,381,384</u>
Net OPEB obligation, end of year	<u><u>\$ 27,161,293</u></u>

**Trend Information**

Trend information for the annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the past three years is as follows:

Year Ended <u>June 30,</u>	<u>Annual OPEB Costs</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 13,217,137	\$ 8,190,235	62%	\$ 18,269,394
2012	13,005,505	7,893,515	61%	23,381,384
2013	11,471,921	7,692,012	67%	27,161,293

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Funding Status and Funding Progress**

Actuarial Accrued Liability (AAL)	\$ 174,703,920
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 174,703,920</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-
Covered Payroll	<u>\$ 43,077,857</u>
UAAL as Percentage of Covered Payroll	<u>406%</u>

The above noted actuarial accrued liability was based on the March 2013 actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the March 2013, actuarial valuation, the entity age normal method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), based on assets invested in the District's retiree health benefits program. Healthcare cost trend rates ranged from an initial 12 percent and 13 percent for Kaiser and Core Source, respectively, with an ultimate rate of 5.0 percent. The UAAL is being amortized at a level percent of payroll method (same as CalPERS). The initial UAAL is being amortized over a closed 30 year period. There is no actuarial value of assets because funds have not been placed in an irrevocable trust. The District has an active investment portfolio funded through the issuance of bonds and has earmarked funds held in the County Treasury for funding of the OPEB obligation, but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of plan assets.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 14 - RISK MANAGEMENT**

**Insurance Coverage**

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 the fiscal year ended June 30, 2013, the District contracted with the Alliance of Schools for Cooperative Insurance Program (ASCIP) Joint Powers Authority (JPA) for property and liability 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.

**Claims Liabilities**

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2011 to June 30, 2013:

	Workers' Compensation
Liability Balance, July 1, 2011	\$ 2,778,000
Net claims and changes in estimates	-
Liability Balance, June 30, 2012	2,778,000
Net claims and changes in estimates	17,135
Liability Balance, June 30, 2013	\$ 2,795,135

At June 30, 2013, the Internal Service Fund had retained deficits in the amount of \$1,007,632.

**Employee Medical Benefits**

The District has contracted with the Alameda County Schools Insurance Group (ACSIG) Joint Powers Authority (JPA) to provide employee medical and surgical benefits. The JPA is a shared risk pool comprised of schools in Alameda County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Trustees has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

**NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of CalSTRS and classified employees are members of CalPERS.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### CalSTRS

#### Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

#### Funding Policy

Active members are required to contribute 8.00 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$3,172,810, \$3,161,222, and \$3,338,029, respectively, and equal 100 percent of the required contributions for each year.

### CalPERS

#### Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

#### Funding Policy

Active plan members are required to contribute 7.00 percent of their salary (7.00 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 2012-2013 was 11.417 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were \$2,638,078, \$2,442,569, and \$2,624,203, respectively, and equaled 100 percent of the required contributions for each year.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, which amounted to \$2,227,750, \$2,072,446, and \$1,538,968, respectively, (5.176 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2013, 2012, and 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### ***NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Schools Excess Liability Fund (SELF), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Alameda County Schools Insurance Group (ACSIG), and Golden West Financing Authority Joint Powers Authorities (JPAs). SELF, ASCIP, and ACSIG provide property and liability insurance and health insurance. Golden West Financing Authority provides assistance related to school facilities financing. The relationship between the District and the JPAs is such that they are not component units 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, 2013, the District made payments of \$40,029, \$611,926, and \$924,413 to the Schools Excess Liability Fund (SELF), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the Alameda County Schools Insurance Group (ACSIG), respectively.

### ***NOTE 17 - COMMITMENT AND CONTINGENCIES***

#### **Deferral of State Apportionments and Reductions in Funding**

The cash flow to the District of certified apportionment payments has been altered due to the current economic crisis at the California State level. As a result, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2012-2013 fiscal year have been deferred to the 2013-2014 fiscal year. The total amount of cash payments deferred into the 2013-2014 fiscal year was \$18,021,558. As of October 2013, this amount had been received by the District. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Parking Mitigation**

The District has set aside funds to mitigate the impact of parking at Berkeley City College. These funds have been requested by the City of Berkeley as part of the development of the area surrounding Berkeley City College. At June 30, 2013, the total amount that has been deposited in a separate account owned by the District is \$4,002,622. A formal agreement has not yet been finalized as to the actual mitigation project parameters. The funds that have been set aside are from general obligation bonds sold specifically for the construction of the Berkeley City College Campus.

**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.

***NOTE 18 - RESTATEMENT OF PRIOR YEAR NET POSITION***

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$13,386,836.

<b>Primary Government</b>	
Net Position - Beginning	\$ 51,822,470
Restatement of capital assets for implementation of GASB Statement No. 62	<u>13,386,836</u>
Net Position - Beginning, as Restated	<u><u>\$ 65,209,306</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entity Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
12/11/2008	\$ -	\$ 106,785,000	\$ 106,785,000	\$ -	\$ 52,887,000	202%
4/30/2009	-	130,503,000	130,503,000	-	40,378,023	323%
3/21/2011	-	221,198,000	221,198,000	-	42,690,375	518%
3/1/2013	-	174,703,920	174,703,920	-	43,077,857	406%

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*SUPPLEMENTARY INFORMATION*

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# PERALTA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2013

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Peralta Community College District was established in 1964 by the electorates of six Alameda County school districts: Alameda, Albany, Berkeley, Emeryville, Oakland, and Piedmont. The District consists of the following two-year community colleges: College of Alameda, Laney College, Merritt College, and Berkeley City College. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Cy Gulassa	President	2016
Mr. Abel Guillén	Vice President	2014
Ms. Meredith Brown	Member	2016
Dr. Nicky González Yuen	Member	2016
Ms. Linda Handy	Member	2014
Dr. William Riley	Member	2014
Mr. Bill Withrow	Member	2016
Ms. Wai Li	Student Trustee	2014
Ms. Sharon Clegg	Student Trustee	2014

### ADMINISTRATION

Dr. José M. Ortiz	Chancellor
Dr. Jannett Jackson	Interim President, College of Alameda
Dr. Deborah Budd	President, Berkeley Community College
Dr. Norma Ambriz-Galaviz	President, Merritt Community College
Dr. Elñora Webb	President, Laney College
Mr. Ronald P. Gerhard, MBA, CPA	Vice Chancellor, Finance and Administration
Dr. Michael Orkin	Interim Vice Chancellor, Educational Services
Dr. Sadiq Ikharo	Vice Chancellor, General Services
Ms. Trudy Largent, Esq.	Vice Chancellor for Human Resources
Ms. Thuy Thi Nguyen, Esq.	General Counsel

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Pell Grants	84.063		\$ 30,398,190
Federal Supplemental Education Opportunity Grants	84.007		1,255,878
Federal Work Study Program	84.033		963,860
Federal Direct Student Loans	84.268		5,136,052
Total Student Financial Assistance Cluster			<u>37,753,980</u>
Higher Educational Institutional Aid - Strengthening Institutions Program, Title III	84.031A		368,153
Higher Educational Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success	84.031A		348,019
Higher Educational Institutional Aid - AANIPISI Initiative	84.031L		301,036
Trio Support Services	84.042A		424,431
Carl D. Perkins - Career and Technical Education Act (CTEA)			
Career and Technical Education Act (CTEA) Title I, Part C	84.048	10-C01-041	846,377
Career and Technical Education Act (CTEA) Transitions	84.048	11-139-340	161,159
Vocational Rehabilitation Cluster			
Passed through the California Department of Rehabilitation			
State Vocational Rehabilitation Services - Workability	84.126A	27372	524,553
State Vocational Rehabilitation Services - College 2 Career Program	84.126A	28146	250,000
Total Vocational Rehabilitation Cluster			<u>774,553</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>40,977,708</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the California Department of Education			
Child Care and Adult Food Program	10.558	1912-4A	81,666
<b>U.S. DEPARTMENT OF LABOR</b>			
Advance Manufacturing Jobs and Innovation Program	17.268		20,882
Passed through Los Medanos College			
Trade Adjustment Assistance Community College and Career Training	17.282	[1]	155,661
WIA Community Based Job Training Grants	17.269		1,303,093
Passed through San Mateo County Community College District			
WIA Community Based Job Training Grants - Bay CEC	17.269	[1]	6,159
Workforce Investment Act (WIA) Cluster			
Passed through Marin County Workforce Investment Board			
Marin Employment Connection	17.258	[1]	2,730
Passed through the State of California, EDD			
Adult - Green Jobs SFP	17.258	K183469	273,560
WIA Adult - Clean Energy Project	17.258	K076833	63,121
Passed through the City of Richmond			
WIA Adult - Clean Energy Workforce Training Program	17.258	21000666	18,881

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR, Continued</b>			
Passed through the Oakland Private Industry Council WIA Adult - Medical Device Technology	17.258	10-11-AC-LAN-MD	\$ 71,720
Passed through the County of Alameda WIA Adult - One Stop Career Center Total Workforce Investment Act (WIA) Cluster	17.258	900050	<u>285,818</u> <u>715,830</u>
Passed through the Oakland Workforce Investment Board East Bay Green Jobs Project	17.261	[1]	54,460
Passed through the Spanish Speaking Unity Council Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	[1]	<u>355,529</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>2,611,614</u>
<b>U.S. DEPARTMENT OF STATE</b>			
Passed through the Institute of International Education Academic Exchange Programs - Fullbright Gateway Orientation Program	19.400	[1]	43,930
<b>NATIONAL SCIENCE FOUNDATION</b>			
Educating Technicians for Building Automation and Sustainability*	47.076		390,576
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Associate Degree in Nursing Program	98.887		278,857
Regents of the UC Program	93.859		44,688
Passed through the Foundation for California Community Colleges Temporary Assistance for Needy Families - Child Development Careers	93.558	1012-24	187,732
Passed through the Yosemite Community College District, Child Development Training Consortium Child Care and Development Block Grant - CDTC	93.575	11-12-4170	9,919
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>521,196</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Center for Public Safety	16.753		74,060
<b>U.S. DEPARTMENT OF VETERAN AFFAIRS</b>			
Veterans Administration Fees	64.032		3,838
<b>U.S. DEPARTMENT OF COMMERCE</b>			
MANEX Program	11.619		12,732

[1] Pass-Through Entity Identifying Number not available.

\* Research and Development grant.

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Americorp - National Service Awards	94.006		\$ 108,147
Passed through the Local Initiatives Support Corporation			
Social Innovation Fund	94.019	[1]	<u>51,781</u>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u>159,928</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><u>\$ 44,877,248</u></u> [2]

[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of \$15,260 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Program</u>	<u>Program Entitlements</u>		
	<u>Current Year</u>	<u>Prior Year</u>	<u>Total Entitlement</u>
Alameda County Department	\$ 720	\$ -	\$ 720
Song Brown RN Program	-	161,032	161,032
Staff Diversity	8,862	49,482	58,344
CARE	362,947	-	362,947
EOPS	1,847,146	-	1,847,146
Career Advancement	-	55,107	55,107
SFAA/BFAP	1,267,245	-	1,267,245
DSPS	1,546,741	-	1,546,741
Matriculation	902,130	-	902,130
FCC Youth Empowerment YESS	22,500	-	22,500
CalWORKs	613,931	-	613,931
Nursing Capacity Grant	260,687	-	260,687
Lottery	2,821,559	-	2,821,559
Career Ladders Project	-	32,551	32,551
Job Development Incentive Funds	31,063	-	31,063
Faculty Entrepreneurship Program	11,250	2,798	14,048
CTE Community Collaborative	-	539,314	539,314
CAA/Contra Costa	305,000	-	305,000
Child Care - Department of Education	762,915	-	762,915
Child Care - Tax Bailout	370,194	-	370,194
Cal Grant B/C	1,425,947	-	1,425,947
WIA - Richmond Works/EastBay Works	-	75,522	75,522
Basic Skills	360,000	386,062	746,062
Industry Driven Regional College	129,283	-	129,283
Electronic Transcript Mini Grant	49,650	-	49,650
	<u>\$ 13,099,770</u>	<u>\$ 1,301,868</u>	<u>\$ 14,401,638</u>

See accompanying note to supplementary information.

**Program Revenues**

<b>Cash Received</b>	<b>Accounts Receivable (Payables)</b>	<b>Deferred Revenue</b>	<b>Flex Transfers</b>	<b>Total Revenue</b>	<b>Program Expenditures</b>
\$ 720	\$ -	\$ 305	\$ -	\$ 415	\$ 415
161,032	-	131,555	-	29,477	29,476
58,344	-	48,170	-	10,174	10,174
362,947	-	-	-	362,947	362,947
1,848,737	(3,852)	-	-	1,844,885	1,844,892
55,107	-	-	-	55,107	55,107
1,267,245	-	-	-	1,267,245	1,267,245
1,549,804	-	-	1,157,655	2,707,459	2,707,469
902,130	-	-	-	902,130	902,130
6,388	15,711	-	-	22,099	22,099
613,097	(7,807)	-	-	605,290	605,290
218,977	(17,510)	-	-	201,467	201,467
117,374	460,609	-	-	577,983	437,532
32,551	-	10,793	-	21,758	21,758
24,233	5,715	-	-	29,948	29,948
14,048	-	11,298	-	2,750	2,750
539,314	-	271,214	-	268,100	268,100
-	288,470	-	-	288,470	279,748
761,660	1,255	-	-	762,915	762,915
370,194	-	-	-	370,194	370,194
1,421,533	4,415	-	-	1,425,948	1,428,073
75,522	-	-	-	75,522	75,522
746,062	-	413,277	-	332,785	332,784
-	62,335	-	-	62,335	62,335
-	10,350	-	-	10,350	10,350
<u>\$ 11,147,019</u>	<u>\$ 819,691</u>	<u>\$ 886,612</u>	<u>\$ 1,157,655</u>	<u>\$ 12,237,753</u>	<u>\$ 12,090,720</u>



**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2013**

<b>CATEGORIES</b>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2012 only)</b>			
1. Noncredit*	19	-	19
2. Credit	2,093	-	2,093
<b>B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)</b>			
1. Noncredit*	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,752	-	13,752
(b) Daily Census Contact Hours	891	-	891
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	73	-	73
(b) Credit	189	-	189
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,046	-	1,046
(b) Daily Census Contact Hours	201	-	201
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>18,264</u>	<u>-</u>	<u>18,264</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	90	-	90
2. Credit	903	-	903

\* Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 16,233,586	\$ -	\$ 16,233,586	\$ 16,233,586	\$ -	\$ 16,233,586
Other	1300	12,268,133	-	12,268,133	12,268,133	-	12,268,133
<b>Total Instructional Salaries</b>		<b>28,501,719</b>	<b>-</b>	<b>28,501,719</b>	<b>28,501,719</b>	<b>-</b>	<b>28,501,719</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	8,054,309	-	8,054,309
Other	1400	-	-	-	1,383,058	-	1,383,058
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,437,367</b>	<b>-</b>	<b>9,437,367</b>
<b>Total Academic Salaries</b>		<b>28,501,719</b>	<b>-</b>	<b>28,501,719</b>	<b>37,939,086</b>	<b>-</b>	<b>37,939,086</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	16,431,112	-	16,431,112
Other	2300	-	-	-	1,254,646	-	1,254,646
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>17,685,758</b>	<b>-</b>	<b>17,685,758</b>
<b>Instructional Aides</b>							
Regular Status	2200	1,220,772	-	1,220,772	1,220,772	-	1,220,772
Other	2400	703,759	-	703,759	703,759	-	703,759
<b>Total Instructional Aides</b>		<b>1,924,531</b>	<b>-</b>	<b>1,924,531</b>	<b>1,924,531</b>	<b>-</b>	<b>1,924,531</b>
<b>Total Classified Salaries</b>		<b>1,924,531</b>	<b>-</b>	<b>1,924,531</b>	<b>19,610,289</b>	<b>-</b>	<b>19,610,289</b>
Employee Benefits	3000	20,978,405	-	20,978,405	36,834,507	-	36,834,507
Supplies and Material	4000	-	-	-	610,709	-	610,709
Other Operating Expenses	5000	-	-	-	8,517,270	-	8,517,270
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>51,404,655</b>	<b>-</b>	<b>51,404,655</b>	<b>103,511,861</b>	<b>-</b>	<b>103,511,861</b>

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 4,615,222	\$ -	\$ 4,615,222	\$ 4,615,222	\$ -	\$ 4,615,222
Student Health Services Above Amount Collected	6441	-	-	\$ -	-	-	-
Student Transportation	6491	-	-	-	766,001	-	766,001
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,076,814	-	3,076,814
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 2,316,077	\$ -	\$ 2,316,077
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	2,316,077	-	2,316,077
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	293,220	-	293,220
<b>Total Exclusions</b>		4,615,222	-	4,615,222	11,067,334	-	11,067,334
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 46,789,433	\$ -	\$ 46,789,433	\$ 92,444,527	\$ -	\$ 92,444,527
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		50.61%		50.61%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 46,222,264		\$ 46,222,264

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT (CCFS-311) WITH AUDITED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<u>General Fund</u>	<u>Bond Interest and Redemption</u>
June 30, 2013, Annual Financial and Budget Report (CCFS-311) Reported Fund Balance*	<u>\$ 16,974,689</u>	<u>\$ 55,437,066</u>
Adjustments to Increase (Decrease) Fund Balance		
Cash on hand	121,341	-
Accounts receivable	(1,093,096)	-
Accounts payable	(3,755,837)	-
Deferred revenue	(50,535)	-
Due from other funds	-	-
Due to other funds	4,000,000	-
Principal expense	-	(10,780,000)
Interest expense	-	(19,742,994)
Difference CCFS-311 to general ledger	-	(1,001,723)
Net Adjustments	<u>(778,127)</u>	<u>(31,524,717)</u>
Audited Fund Balance	<u>\$ 16,196,562</u>	<u>\$ 23,912,349</u>

\* As amended November 6, 2013.

See accompanying note to supplementary information.

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Special Reserve	Capital Projects	Revenue Bond Project	Self Insurance
\$ 13,243,435	\$ 5,316,459	\$ 112,167,480	\$ 1,492,368
-	-	-	-
-	(1,208,158)	-	-
-	-	(1,599,875)	-
-	-	-	-
(1,500,000)	-	-	(2,500,000)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(1,500,000)	(1,208,158)	(1,599,875)	(2,500,000)
\$ 11,743,435	\$ 4,108,301	\$ 110,567,605	\$ (1,007,632)

**PERALTA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Proceeds:	8630				\$ 15,325,161
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 15,325,161			\$ 15,325,161
					-
					-
					-
					-
					-
<b>Total Expenditures for EPA</b>		\$ 15,325,161	-	-	\$ 15,325,161
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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

**Total Fund Balance, Retained Earnings, and Due to Student Groups:**

General Funds	\$ 18,372,193
Special Revenue Funds	1,283,760
Debt Service Fund	35,655,784
Capital Projects Funds	114,675,906
Internal Service Fund	(1,007,632)
Fiduciary Funds	<u>(18,102,791)</u>

**Total Fund Balance and Retained Earnings -  
All District Funds**

\$ 150,877,220

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	585,799,945	
Accumulated depreciation is	(185,386,030)	
Subtotal		400,413,915

Governmental funds report cost of issuance associated with the issuance of debt when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Cost of issuance at year end (less Deferred Comp Trust Fund) amounted to:	4,107,570
Amounts held in trust on behalf of others (Trust and Agency Funds)	(1,989,605)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(8,473,642)

In governmental funds, expenses related to Interest Rate SWAPs are recognized in the period in which they are due. On the government-wide financial statements, the SWAP liability is recognized when it is incurred.

(1,053,371)

Long-term obligations at year end consist of:

General obligation bonds payable	413,175,000	
Premium on debt	18,238,433	
Load banking	1,832,325	
Other postemployment benefits obligation (OPEB)	27,161,293	
Compensated absences	<u>3,394,795</u>	
Subtotal		<u>(463,801,846)</u>
<b>Total Net Position</b>		<b><u>\$ 80,080,241</u></b>

See accompanying note to supplementary information.



**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**District Organization**

This schedule provides information about the District's governing board members and administration members.

**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.

**Subrecipients**

On the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
WIA Community Based Job Training Grants	17.269	<u>\$ 1,331,537</u>

**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. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

**Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance**

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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

**Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation**

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

# **PERALTA COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013**

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### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Fund Balance**

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

### **Proposition 30 Education Protection Act (EPA) Expenditure Report**

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

### **Reconciliation of Governmental Funds to the Statement of Net Position**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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***INDEPENDENT AUDITORS' REPORTS***

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**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  
Peralta Community College District  
Oakland, California

We have audited, 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, the basic financial statements of Peralta Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2013.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 18. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-1 and 2013-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-3 to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated December 5, 2013.

### **Peralta Community District's Responses to the Findings**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Warrick, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
December 5, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Peralta Community College District  
Oakland, California

**Report on Compliance for Each Major Federal Program**

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

**Basis for Qualified Opinion on Major Federal Programs**

As described in the table below and the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding:

<u>Compliance Requirement</u>	<u>Program Name and Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Finding Number</u>
Allowable Costs	U.S. Department of Education (DOE), Higher Education Institutional Aid - Strengthening Institutions Program, Title III (CFDA #84.031A), Higher Education Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success (CFDA #84.031A), Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)	2013-4
Equipment and Real Property Management	U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)	2013-5
Special Test - COD Reporting	U.S. Department of Education (DOE), Student Financial Assistance Cluster - U.S. Department of Education (DOE), Federal Pell Grant Program (CFDA #84.063) and Federal Direct Student Loans (CFDA #84.268)	2013-6
Special Test - Return to Title IV	U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA #84.007, #84.268, #84.033, #84.063)	2013-7
Special Test - Direct Loan Reconciliations	U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA #84.007, #84.268, #84.033, #84.063)	2013-8

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

**Qualified Opinion on Major Federal Programs**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material impact on the programs noted above for the year ended June 30, 2013.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-9. Our opinion on each major Federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-4 through 2013-8 that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Vaurick Dine, Day & Co. LLP*

Rancho Cucamonga, California  
December 5, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Peralta Community College District  
Oakland, California

### Report on State Compliance

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

### Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding 425 Residency Determination for Credit Courses, 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses, 433 CalWORKS, 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE), and 475 Disabled Student Programs and Services (DSPS). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

### Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.

## Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

## Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

The District did not receive any monies from Proposition 1D State bond funds; therefore, the compliance tests within this section were not applicable.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

*Varvick Dine, Day & Co. LLP*

Rancho Cucamonga, California  
December 5, 2013

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified?	<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?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>

Unmodified for all major programs except for the following programs which were qualified:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Higher Educational Institutional Aid - Strengthening Institutions Program, Title III
	Higher Educational Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success
<u>84.031A, 84.031L</u>	<u>Higher Educational Institutional Aid - AANIPISI Initiative</u>
<u>84.063, 84.007, 84.033, 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>84.048</u>	<u>Career and Technical Education Act (CTEA), Title I, Part C</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>Yes</u>
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.063, 84.007, 84.033, 84.268</u>	<u>Student Financial Assistance Cluster</u>
	Higher Educational Institutional Aid - Strengthening Institutions Program, Title III
	Higher Educational Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success
<u>84.031A, 84.031L</u>	<u>Higher Educational Institutional Aid - AANIPISI Initiative</u>
<u>84.042A</u>	<u>Trio Student Support Services</u>
<u>84.048</u>	<u>Career and Technical Education Act (CTEA), Title I, Part C</u>
<u>17.258</u>	<u>Workforce Investment Act (WIA) Cluster</u>
	WIA Community Based Job Training Grants
<u>17.269</u>	<u>WIA Community Based Job Training Grants - Bay CEC</u>
	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
<u>17.275</u>	<u>Placement in High Growth and Emerging Industry Sectors</u>
<u>47.076</u>	<u>Educating Technicians for Building Automation and Sustainability</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</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?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

# PERALTA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013

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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*.

### 2013-1 FINANCIAL RECONCILIATION PROCESS

#### Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges *Budget and Accounting Manual* (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

#### Condition

*Material Weakness* - Many errors were made within the closing process of the District's financial records during the current fiscal year. Material adjustments and reclassifications were required to conform to the BAM. Errors were found in several accounts including, but not limited to:

##### Suspense Accounts:

The District has a number of suspense accounts associated with their receivables and liabilities. The purposes of a suspense account is to be used as a temporary recording of information as the accounting could not be determined or does not appear reasonable at the time that the transaction is recorded. When the proper account is determined, the amount should be removed from the suspense account to the proper account. Suspense accounts should be cleared out regularly; they are for temporary use only. The District is not properly reconciling these accounts. These suspense accounts have balances at year end that are not reconciled.

##### Student Accounts Receivable:

The student accounts receivable account balance as of year end had activity accounted for in the student accounts receivable account, as well as their deferred revenue account for activity related to the following fiscal year. These amounts were not reconciled.

##### Campus Accounts:

Several of the District's cash accounts being held at the campus locations were not being actively monitored during the year. Reconciliations were not performed during the year, and the accounts showed several errors. There appears to be a lack of oversight over the various cash accounts held at the individual campuses.

##### Cash Accounts:

Bank reconciliations for all bank accounts are not being obtained by the District Office on a monthly basis.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Effect**

Many material adjustments to the general ledger were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented fairly.

#### **Cause**

The oversight controls over the closing process appear not have been adhered to, resulting in adjustments and a material weakness.

#### **Recommendation**

The District needs to develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled. The number of suspense accounts used should be examined, and the accounts should be cleared out on a monthly basis. The District should ensure monthly review of campus accounts to ensure that all information is being accounted for completely and accurately.

#### **Management's Response and Corrective Action Plan**

Due to the departure of an employee in the key position within the District Office in the middle of the closing and annual audit, the oversight controls over the closing process had some challenges. There were misunderstandings between the exiting person and the remaining staff as to what steps had been completed and which still needed to be completed. The year-end closing checklist has been modified to include the areas of concern, and will be jointly owned by all of the financial staff.

Suspense Accounts are used to record the liabilities for payroll related items. The account balances will be reconciled on a regular basis.

The year-end closing checklist has been modified to include the journal entry to adjust the Student Accounts Receivables and Deferred Revenue accounts.

The District will require monthly cash reconciliations for all cash accounts held at the campus locations.

All bank accounts reconciliations will be completed and held at the District Office.

#### **2013-2 DEFERRED COMPENSATION FUND**

##### **Criteria or Specific Requirement**

The Fiduciary Funds Group is used to account for assets held by the District in a trustee or agency capacity for individuals, private organizations, other governmental units, and or/other funds. Fiduciary funds are accounted for on the full-accrual basis.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013

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### **Condition**

*Material Weakness* - The District is not correctly accounting for the activity within the Deferred Compensation Fund. Long-term debt and investment account balances were not accurately accounted for within the fund. All associated debt related transactions were not accurately accounted for within the fund including refunding and posting prior year transactions. The beginning balance did not agree to prior year ending balance per audited financial statements. The District continues to show debt balances and investment balances for debt that has been refunded in prior years.

### **Effect**

Material adjustments were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were fairly stated.

### **Cause**

The District does not have an individual responsible for accounting for all the transactions within the fund. There was no review process over the accounting for the fund during the year.

### **Recommendation**

The District should assign the responsibility of posting and reconciling all Deferred Compensation Fund activity. This should include the investment and debt activities. All postings should be reviewed on a regular basis by an individual other than the preparer who has knowledge of the activities accounted for within the fund.

### **Management's Response and Corrective Action Plan**

The prior year transactions that were not recorded will be recorded this year as audit adjustments bringing the beginning and ending balances in alignment. By doing this, the activity in this fund will be accounted for correctly. This account is reconciled on a monthly basis by one of the accounting staff in the finance department, and reviewed by the Director of Fiscal Services.

## **2013-3 ANNUAL FINANCIAL AND BUDGET REPORT**

### **Criteria or Specific Requirement**

The Annual Financial and Budget Report (CCSF-311) is used primarily as an "internal" financial report for use within the Community College System for comparing financial results across California community college districts. Districts are required to submit four quarterly reports to the State Chancellor's Office including the final CCSF-311.

### **Condition**

*Significant Deficiency* - The District's CCSF-311 report was not completed accurately. There were several differences from the District's general ledger to the CCSF-311.



## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Effect**

The District was required to re-submit their CCFS-311 report to correct the inaccuracies throughout the report.

#### **Cause**

The District did not have an adequate review procedure over the submitting of the CCFS-311 report.

#### **Recommendation**

The District should ensure that once the CCFS-311 report is completed, an individual other than the preparer reviews the report by agreeing the information to the general ledger prior to submittal. The individual should verify for consistencies throughout the report, as well as classifications.

#### **Management's Response and Corrective Action Plan**

The program used to extract the data for input into the State Chancellor's Office for the Annual Financial and Budget Report (CCSF-311) was not extracted correctly. The staff in finance has worked with the Information Technology staff to develop a report that accurately extracts the data for future use. This new report was used to key the corrected information into the State Chancellor's web page. The year-end closing schedule has been modified to include a separate review by the Vice Chancellor of Finance and Administration.

## PERALTA COMMUNITY COLLEGE DISTRICT

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

#### 2013-4 TIME AND EFFORT REPORTING

##### **Federal Program Affected**

U.S. Department of Education (DOE), Higher Educational Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success (CFDA #84.031A)  
Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)  
U.S. Department of Labor (DOL), Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (CFDA #17.275)

##### **Criteria or Specific Requirement**

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule, OMB Circular A-110 (2 CFR Section 215.27), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. Cost principles are contained in:

**OMB Circular A-21, "Cost Principles for Educational Institutions" (2 CFR part 220)** - All institutions of higher education are subject to the cost principles contained in OMB Circular A-21.

##### **Condition**

*Significant Deficiency* - Individuals working within the program did not timely or accurately certify the actual time spent working within the Federal programs. Time studies were completed incorrectly for individuals who work either full-time or part-time on the program as required by OMB.

##### **Questioned Costs**

No questioned costs are noted; the District was able to provide support showing the employees were working on the Federal program.

##### **Context**

A significant amount of the Federal expenditures related to these programs are derived from payroll costs. Further, there does not appear to be adequate policies and procedures to ensure that the certifications are completed accurately, reviewed, and submitted timely.

##### **Effect**

Without the accurate time studies and certifications, the District is not able to effectively monitor payroll charges applied to applicable grants, as well as to ensure compliance with the appropriate OMB Circular requirements.

## PERALTA COMMUNITY COLLEGE DISTRICT

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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#### **Cause**

Time certifications were not completed or reviewed in a timely manner.

#### **Recommendation**

The District should have all individuals working on any Federal program certify their time as required by OMB in a timely manner and be reviewed by an appropriate individual.

#### **Management's Response and Corrective Action Plan**

The District revised its procedure to request time and effort certifications in a timely manner. The District will continue to work with the programs listed in this finding to ensure time and effort certifications are completed, reviewed, and submitted timely and accurately.

#### **2013-5 EQUIPMENT MANAGEMENT**

##### **Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)

##### **Criteria or Specific Requirement**

OMB Circular A-110, Subpart C, Section 34 (3) and (4) requires a physical inventory of equipment purchased with Federal grant dollars every two years and requires a system of internal controls to adequately safeguard the equipment and prevent loss or damage to the equipment.

##### **Condition**

*Significant Deficiency* - While the District does conduct physical inventories every two years, it has not maintained an inventory control system that specifically identifies equipment purchased with Federal funds to satisfy the compliance criteria noted above.

##### **Questioned Costs**

None.

##### **Context**

During the current fiscal year, the District spent approximately \$124,000 from the CTEA Title I, Part C funding on capital outlay.

##### **Effect**

Equipment purchased through the program may not be properly safeguarded and maintained for use within the program.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Cause**

The District has not implemented policies and procedures to ensure compliance with Federal requirements.

#### **Recommendation**

Written procedures should be prepared that provide evidence of appropriate controls over inventory. The inventory results should be assessed by appropriate administrators to ensure that equipment purchased through the Federal programs is safeguarded and accounted for.

#### **Management's Response and Corrective Action Plan**

The District made modification to the purchasing process to allow for the tracking of all equipment purchases made with Federal funds. As of February 2013, the process to accurately tag and track all Federal equipment purchases with State and Federal funds was implemented. An additional asset tag is being placed on the items. These tags are tracked and maintained in the Purchasing Office of the District.

## **2013-6 COMMON ORIGINATION AND DISBURSEMENT (COD) REPORTING**

### **CAMPUS: MERRITT COLLEGE**

#### **Federal Programs Affected**

Student Financial Assistance Cluster - U.S. Department of Education (DOE), Federal Pell Grant Program (CFDA #84.063), and Federal Direct Student Loans (CFDA #84.268)

#### **Criteria or Specific Requirement**

34 CFR Section 690.83: Submission of reports, Disbursements To or On Behalf of Students A-133  
Compliance Supplement: Student Financial Assistance Cluster:

Schools submit Pell origination records and disbursements records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. The disbursement records reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Condition**

During our review of the requirements for disbursement to or on behalf of students processed at the District, it was observed that the process dates reported in the COD files were more than 30 calendar days after the disbursement dates reported in the COD files in the District's financial records.

#### **Questioned Costs**

None noted.

#### **Context**

The condition was identified as a result of reviewing the District's compliance requirements for disbursements to or on behalf of students.

#### **Effect**

The District is not in compliance with the Federal requirements described in the A-133 Compliance Supplement.

The District can potentially face future financial sanctions or penalties from DOE if the District fails to take corrective actions to remedy the condition identified.

#### **Recommendation**

It is recommended that the District implement procedures to ensure that the student data is reported to the COD within the required 30 calendar days.

#### **Management's Response and Corrective Action Plan**

The District has provided and will continue to provide the necessary training and guidance to Merritt College staff to ensure all Pell and Direct Loan payments are reported to COD within the 15 day timeframe. Currently, all Pell payment records are transmitted in batches on a weekly basis using our financial aid software system. Beginning in 2014-2015, the District will migrate to a new financial aid software system. With the enhanced features of our new software and the usage of TD client, all transmissions of Pell Origination and Disbursement records will be automated and scheduled on a weekly basis. This will ensure compliance with the Department of Education. Additionally, the District has hired an Internal Auditor to review and maintain compliance issues. The internal auditor will be working with the District director in ensuring best practices and maintaining compliance.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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### 2013-7 SPECIAL TESTS AND PROVISIONS – RETURN TO TITLE IV

#### CAMPUS: MERRITT COLLEGE

##### Program

U.S. Department of Education (ED), Student Financial Assistance Cluster (CFDA #84.007, #84.268, #84.033, and #84.063)

##### Federal Programs Affected

CFDA #84.007, #84.268, #84.033, and #84.063

##### Criteria or Specific Requirement

A-133 Compliance Supplement, 34 CFR Section 668.22(j):

Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

##### Condition

*Significant Deficiency* - During our review of the requirements for Return of Title IV funds, we were not able to determine when Merritt College had returned the required funds.

##### Questioned Costs

Total questioned costs are \$1,362. Merritt College was unable to provide documentation proving that the funds were returned within the required time frame.

##### Context

There were four students out of a population of thirty-five where the campus was not able to provide supporting documentation that the funds were returned within the 45 day requirement.

##### Effect

The District is not in compliance with the Federal requirements described in A-133 Compliance Supplement 34 CFR section 668.22(j).

##### Cause

The District has not implemented policies and procedures to monitor the Return of Title IV funds.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Recommendation**

It is recommended that the District implement procedures to ensure that the Return of Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes. In addition, the District needs to ensure that all amounts owed are returned.

#### **Management's Response and Corrective Action Plan**

In response to the 2012-2013 audit finding, Merritt College will have the following policy in place for 2013-2014 and moving forward:

- 1) A report is run each week that indicates students who withdrew from all coursework and have received Federal financial aid funds from Merritt.
- 2) Based on the report provided, Merritt financial aid staff will determine if the student has received his/her financial aid disbursement.
- 3) If the student has picked up the financial aid payment, the financial aid office will immediately initiate a return to Title IV (R2T4) calculation to determine how much the student owes back to the institution.
- 4) Once the calculation is performed, the institution will back out funds from COD. This process will be completed before the 45 day requirement. According to Federal regulations, this process must be completed within 45 days. The institution is liable for the amount the student is owed.
- 5) The financial aid office will contact the student via mail and phone call to notify the student that he/she must return the funds back to the institution.
- 6) The financial aid office will input a service indicator into the student PeopleSoft account to prevent enrollment from the student until the student resolves the Federal overpayment.
- 7) Once the overpayment is returned to the institution, the indicator will be lifted and the funds will refund back into a district account.
- 8) The District director has provided a training guide to Merritt College financial aid staff for R2T4 procedures.
- 9) The District has hired an internal auditor to review and maintain compliance issues. The internal auditor will be working with the District director in ensuring best practices and maintaining compliance.

#### **2013-8 SPECIAL TESTS AND PROVISIONS - DIRECT LOAN RECONCILIATIONS**

##### **CAMPUS: LANEY COLLEGE, COLLEGE OF ALAMEDA, AND MERRITT COLLEGE**

#### **Program**

U.S. Department of Education (DOE), Student Financial Assistance Cluster (CFDA #84.007, #84.268, #84.033, and #84.063)

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Federal Programs Affected**

U.S. Department of Education (DOE), Federal Direct Student Loans, CFDA #84.268

#### **Criteria or Specific Requirement**

According to the OMB Circular A-133 and 34CFR sections 685.102(b), 685.301, and 685.303, Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month.

#### **Condition**

*Significant Deficiency* - During our review of the direct loans, it was noted that the District did not have adequate documentation to show that they were reconciling the SAS data file and the Loan Detail records to the institution's financial records on a monthly basis.

#### **Questioned Costs**

No questioned costs.

#### **Context**

The District disbursed direct loan funds during the entire 2012-2013 fiscal year.

#### **Effect**

Without proper monitoring of Direct Loan disbursements, the District risks noncompliance with 34 CFR sections 685.102(b), 685.301, and 303.

#### **Cause**

The District has not implemented policies and procedures to verify that the SAS data file and the Loan Detail records per the COD are reconciled to the institution's financial records.

#### **Recommendation**

It is recommended that the District implement procedures to ensure that the SAS data file and the Loan Detail records per the COD are reconciled to the institution's financial records.



## PERALTA COMMUNITY COLLEGE DISTRICT

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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#### Management's Response and Corrective Action Plan

In the past, the campuses were reconciling direct loan disbursements on a weekly basis. Beginning in the 2013-2014 award year and moving forward, the colleges are now reconciling monthly using the Direct Loan SAS report. The District has and will continue provided guidance and training to designated staff at each of the campuses to ensure reconciliation is performed on a monthly basis to comply with Federal regulations. Additionally, the District has hired an internal auditor to review and maintain compliance issues. The internal auditor will be working with the District director in ensuring best practices and maintaining compliance.

#### 2013-9 FINANCIAL REPORTING

##### Federal Program Affected

National Science Foundation, Educating Technicians for Building Automation and Sustainability (CFDA #47.076)

##### Criteria or Specific Requirement

The District is required to report to the oversight agency, on a quarterly basis, the activity for the National Science Foundation, Educating Technicians for Building Automation and Sustainability.

##### Condition

*Significant Deficiency* - The District did not submit their fourth quarter report to the awarding agency for the program.

##### Questioned Costs

None.

##### Context

Financial reporting to the awarding agency is a requirement and is the basis of review by the agency.

##### Effect

Allocations of Federal funds through the oversight agency may be impacted when reports are incomplete, inaccurate, or untimely.

##### Cause

The District's controls over reporting for this program were not operating effectively.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Recommendation**

Controls should be implemented to ensure all reports are completed for the program.

**Management's Response and Corrective Action Plan**

The District is reinstating a Grant Manager position to oversee the entire grant application, allocation, and reporting process. One of the position's responsibilities will be to ensure all reports to all outside agencies are submitted in a timely manner.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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

#### **2013-10 425 RESIDENCY DETERMINATION FOR CREDIT COURSES**

##### **Criteria or Specific Requirement**

Each district must act to ensure that only the attendance of California residents is claimed for State support of credit classes.

##### **Condition**

*Significant Deficiency* - The residence verification process used by the District during the year was not being followed at the Colleges. Students who had a questionable residency were not being followed up by the College personnel and were automatically recorded as resident rather than nonresidents. Also, testing for students participating in organized competitive sports could not be accomplished as they were not able to provide Athletics Form 1. Therefore, residency could not be verified to the form as required by the compliance guide.

##### **Questioned Costs**

None. All students marked with a #2 in the CCC Applied system should be assessed nonresident fees.

##### **Effect**

Students that did not meet the definition of residency were included in the Annual CCFS-320 Attendance Report as California residency in error; therefore, the District adjusted their Annual CCFS-320 Attendance Report to properly reflect those students who were recorded as residents and assess the proper enrollment fees.

##### **Cause**

The District did not have a control in place to ensure that all students marked #2 in the system were being properly verified as residents.

##### **Recommendation**

The District needs to record all students who were coded #2 in the CCC Applied system as a nonresident. If the student provides proof of residency, then they can be changed back.

##### **Management's Response and Corrective Action Plan**

In April 2013, the District implemented the process to correct the default of unverified students as nonresident. The District modified the software program, changing the default status of all students marked #2 as nonresident, notifying those students via email that if this status is incorrect, they must take action with the admissions and records office of the District.

## PERALTA COMMUNITY COLLEGE DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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#### 2013-11 427 CONCURRENT ENROLLMENT FOR K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT

##### Criteria or Specific Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with the following criteria:

- *Education Code* Sections 48800-48802, 76000-76002, and 84752.
- CCR, Title 5, Sections 51004, 51006, 51021, 53410, 55002, 55100, 58100-58108, 58050, 58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, and 59300 et seq.
- Legal Opinions M 98-17 and M 02-20 issued by the Chancellor's Office, California Community Colleges.
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent Enrollment" - issued January 5, 2005 by the Chancellor's Office, California Community Colleges.

##### Condition

*Significant Deficiency* - Errors in accounting for concurrently enrolled students were noted as follows:

- Out of 25 students tested, four concurrent enrollment forms could not be located at Merritt College. Therefore, it was impossible to identify if the District was in compliance with the requirements of the form.
- The District is involved with two programs (ASTI and Gateway) in which the students attend the College of Alameda (ASTI) and Laney College (Gateway). They typically take more than 12 units. The contract with the Colleges indicates that the fees above 12 units will be paid by the organization. The Colleges were not able to provide documentation that those fees were reimbursements to the Colleges.

##### Questioned Costs

None. The fees over 11 units for all students involved in the ASTI and GATEWAY programs need to be assessed.

##### Effect

The FTES generated for concurrently enrolled high school students is improperly identified. The District is at risk of noncompliance with the Education Codes related to concurrently enrolled students.

## PERALTA COMMUNITY COLLEGE DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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#### **Cause**

The District implemented a procedure to ensure the costs were being properly charged, but it does not appear the procedure is operating effectively.

#### **Recommendation**

The District should implement a process within Admissions and Records that will ensure documents supporting the special admit status are maintained and stored.

#### **Management's Response and Corrective Action Plan**

The District is in the process of implementing a change in the admission of concurrently enrolled students. The process will include students who are in a concurrently enrolled status to re-enroll each year until they no longer qualify for the concurrently enrolled status.

#### **2013-12 CALWORKS - REPORTING**

##### **Criteria or Specific Requirement**

Reports of expenditures within the CalWORKs program are required to be submitted to the State Chancellor's Office by September 30 following year end.

##### **Condition**

*Significant Deficiency* - Alameda College did not submit their year-end expenditure report prior to the September 30 deadline.

##### **Questioned Costs**

There are no questioned costs associated with this finding. There were no questioned expenses during testing.

##### **Effect**

The District did not meet the State requirements for submitting the expenditure report by the required date for one campus.

##### **Cause**

The District's control over reviewing and submitting the reports was not operating effectively.

##### **Recommendation**

The District should implement a control procedure to review and reconcile all amounts reported on the CalWORKs expenditure report and verify that the reports are submitted in a timely manner.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Management's Response and Corrective Action Plan**

The College submitted the report to the District Office in a timely manner. The report was not post marked by the District Office by September 30th, although it was delivered for mailing prior to that date.

The District is reinstating a Grant Manager position to oversee the entire grant allocation and reporting process. One of the position's responsibilities will be to ensure all reports to all outside agencies are submitted in a timely manner.

**2013-13 DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)**

**Criteria or Specific Requirement**

*Education Code* Section 56006 DSPS Implementing Guidelines

**Condition**

The District has not complied with the above guidance at the following Colleges:

Laney College:

- Two out of fifteen students who were on the list of students served did not have a student file available.
- Twelve out of fifteen students did not have a Student Educational Plan signed by the counselor.
- Two out of fifteen students did not have academic accommodations to describe the service provided.

Merritt College:

Twelve out of fifteen students did not have a Student Education Plan on file.

**Questioned Costs**

None.

**Effect**

Each College is at risk of claiming inactive students in the MIS report that is submitted to the State.

**Cause**

The listing of students served does not appear to be routinely updated. All files are not being reviewed to ensure necessary information is maintained.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Recommendation**

The District should implement consistent procedures to ensure the MIS list of students served is accurate. For instance, implementing the use of a checklist and going through each student's file to verify completeness of the file toward the end of the semester.

#### **Management's Response and Corrective Action Plan**

According to the State Chancellor's Office DSPS Compliance regulations, DSPS is not mandated to do an Ed Plan. With the new Student Success Act DSPS will now be doing Student Educational Plans (SEPs), that are not already done by General Counseling or EOPS.

Each campus will develop the Student Educational Contract (SEC), which sites the educational goals, services to support those goals, and based on the college transcript, the progress toward these goals. The SEC will be initially developed when the student first applies for DSPS services. A DSPS professional staff person and the student will develop the SEC.

After the initial preparation of the SEC, it will be reviewed and updated each year.

#### **2013-14 EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS)**

##### **Criteria or Specific Requirement**

*Education Code Section 56204 EOPS Implementing Guidelines*

##### **Condition**

The District has not complied with the above guidance at the following Colleges:

Laney College:

Two out of fifteen students did not have a Student Educational Plan on file.

Merritt College:

- Six out of fifteen students did not have any documented contact or active participation with the EOPS program.
- One out of fifteen students did not have a Student Education Plan on file.

##### **Questioned Costs**

None.

##### **Effect**

Each College is at risk of claiming inactive students in the MIS report that is submitted to the State.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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#### **Cause**

Student files are not being adequately reviewed to ensure that all necessary information is included.

#### **Recommendation**

The District should implement consistent procedures to ensure the MIS list of students served is accurate. For instance, implementing the use of a checklist and going through each student's file to verify completeness of the file toward the end of the semester.

#### **Management's Response and Corrective Action Plan**

EOPS student files will be reviewed at the end of each semester for documented contact or active participation with the EOPS program.

- A spreadsheet will be developed to record and document EOPS program services received by the student each semester. Services that will be identified include SEP, Book Voucher, Orientation, Book Loan Program, and any contacts made by EOPS staff.
- Students with no documented contact or active participation in the program for one semester will be placed on probation for the following semester. Students with no documented contact or participation for two consecutive semesters will be placed on inactive status, and the student's MIS record will be deleted for that second term.
- Prior to submitting the MIS report for the semester, the internal spreadsheet will be compared to a downloaded MIS record report requested from the District Office to ensure the accuracy of the MIS report that is sent to the State Chancellor's Office.

Student files will be reviewed at the end of each semester to ensure that a Student Educational Plan (SEP) has been developed for each student and is in the student's file.

- An updated or current SEP signed by both the counselor and the student during the semester will be monitored. The SEP form was revised to include a grid on the back of the SEP where the counselor and student will both initial that the SEP was reviewed and/or revised, the date of the revision or review, and during which counseling appointment (1<sup>st</sup>, 2<sup>nd</sup>, or 3<sup>rd</sup>) the review or revision occurred.
- A spreadsheet will be created and maintained to document that the student has a current SEP and that it has been signed by the student and the counselor.



# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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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.

### **FEDERAL AWARD FINDINGS**

#### **2012-1 TIME AND EFFORT REPORTING**

##### **Federal Program Affected**

U.S. Department of Education (DOE), Higher Educational Aid - Strengthening Institutions Program, Title III (CFDA #84.031A), Higher Educational Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success (CFDA #84.031A), AANIPIISI Initiative (CFDA #84.031L), Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Trio Support Services (CFDA #84.042A), U.S. Department of Labor (DOL), WIA Adult - Green Jobs (CFDA #17.258), WIA Adult - CA Industries With a Statewide Need (CFDA #17.258), WIA Adult - Clean Energy Project (CFDA #17.258), WIA Adult - One Stop Career Center (CFDA #17.258), WIA Adult - Medical Device Technology (CFDA #17.258), WIA Adult - Green Jobs SFP (CFDA #17.258), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269), Workforce Investment Act Community Based Job Training Grants Bay CEC (CFDA #17.269)

##### **Criteria or Specific Requirement**

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule, OMB Circular A-110 (2 CFR Section 215.27), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. Cost principles are contained in:

**OMB Circular A-21, "Cost Principles for Educational Institutions" (2 CFR part 220)** - All institutions of higher education are subject to the cost principles contained in OMB Circular A-21, which incorporates the four Cost Accounting Standards Board (CASB) Standards and the Disclosure Statement (DS-2) requirements, as described in OMB Circular A-21, Sections C.10 through C.14 and Appendices A and B.

##### **Condition**

*Significant Deficiency* - Individuals working within the program did not timely or accurately certify the actual time spent working within the Federal programs. Time studies were completed incorrectly for individuals who work either full-time or part-time on the program as required by OMB.

##### **Questioned Costs**

No questioned costs are noted.

##### **Context**

A significant amount of the Federal expenditures related to these programs are derived from payroll costs. Further, there does not appear to be adequate policies and procedures to ensure that the certifications are completed accurately, reviewed, and submitted timely.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### Effect

Without the accurate time studies and certifications, the District is not able to effectively monitor payroll charges applied to applicable grants, as well as to ensure compliance with the appropriate OMB Circulars.

### Cause

Time certifications were not completed or reviewed in a timely manner.

### Recommendation

The District should have all individuals working on any Federal program certify their time as required by OMB in a timely manner and be reviewed by an appropriate individual.

### Current Status

Partially implemented. See current year finding 2013-4.

## 2012-2 PROCUREMENT, SUSPENSION, AND DEBARMENT

### Federal Program Affected

U.S. Department of Education (DOE), Career and Technical Education Act (CTEA) Title I, Part C (CFDA # 84.048), Trio Support Services (CFDA #84.042A) U.S. Department of Labor (DOL), WIA Adult - Green Jobs (CFDA #17.258), WIA Adult - CA Industries With a Statewide Need (CFDA #17.258), WIA Adult - Clean Energy Project (CFDA #17.258), WIA Adult - One Stop Career Center (CFDA #17.258), WIA Adult - Medical Device Technology (CFDA #17.258), WIA Adult - Green Jobs SFP (CFDA #17.258), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269), Workforce Investment Act Community Based Job Training Grants Bay CEC (CFDA #17.269)

### Criteria or Specific Requirement

*Title 34 - Education, Part 80 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - Subpart C - Pre-Award Requirements, Section 80.35. OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension.*

## PERALTA COMMUNITY COLLEGE DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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#### **Condition**

*Significant Deficiency* - The District's implemented internal control procedure did not work effectively to ensure that the District was in compliance with Suspension and Debarment requirements.

#### **Questioned Costs**

No questioned costs are noted.

#### **Context**

The OMB created compliance requirements in response to Executive Orders 12549 and 12689. These Executive Orders prohibit non-Federal entities from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Though the District is not the primary contractor, it acts as the fiscal agent on behalf of the State and is responsible for disbursing Federal awards to other governmental agencies and vendors.

#### **Effect**

The District is not in compliance with the regulations.

#### **Cause**

While no evidence was found that indicates that any of the parties contracted with during the year for services were suspended or debarred, the District's existing procedures failed to comply with the regulations.

#### **Recommendation**

The District must verify that entities contracted with for services are not suspended, debarred, or otherwise excluded from providing services. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction which states the entity is not suspended or debarred. The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

#### **Current Status**

Implemented.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### 2012-3 FINANCIAL REPORTING

#### **Federal Program Affected**

U.S. Department of Labor (DOL), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269)

#### **Criteria or Specific Requirement**

The District is required to report to the oversight agency, on a quarterly basis, the activity for the Workforce Investment Act Community Based Job Training Grants.

#### **Condition**

*Significant Deficiency* - The District did not maintain adequate documentation to support the amounts reported to the awarding agency for the Atlas program at the College of Alameda.

#### **Questioned Costs**

None.

#### **Context**

Financial reporting to the awarding agency is a requirement and is the basis of review for the agency.

#### **Effect**

Allocations of Federal funds through the oversight agency may be impacted when reports are incomplete, inaccurate, or untimely.

#### **Cause**

The District did not have readily available financial information to support the completed quarterly reports.

#### **Recommendation**

Reports should be reviewed to verify that they are supported by actual costs recorded in the financial system.

#### **Current Status**

Implemented.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**2012-4 EQUIPMENT MANAGEMENT**

**Federal Program Affected**

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)

**Criteria or Specific Requirement**

OMB Circular A-110, Subpart C, Section 34 (3) and (4) requires a physical inventory of equipment purchased with Federal grant dollars every two years and requires a system of internal controls to adequately safeguard the equipment and prevent loss or damage to the equipment.

**Condition**

*Significant Deficiency* - While the District does conduct physical inventories every two years, it has not maintained an inventory control system that specifically identifies equipment purchased with Federal funds to satisfy the compliance criteria noted above.

**Questioned Costs**

None.

**Context**

During the current fiscal year, the District spent approximately \$150,000 on capital outlay.

**Effect**

Equipment purchased through the program may not be properly safeguarded and maintained for use within the program.

**Cause**

The District has not implemented policies and procedures to ensure compliance with Federal requirements.

**Recommendation**

Written procedures should be prepared that provide evidence of appropriate controls over inventory. The inventory results should be assessed by appropriate administrators to ensure that equipment purchased through the Federal programs is safeguarded and accounted for.

**Current Status**

Not implemented. See current year finding 2013-5.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### STATE AWARD FINDINGS

#### 2012-5 STUDENTS ACTIVELY ENROLLED

##### Criteria or Specific Requirement

CCR, Title 5 Sections 58003.1, 58004, 58005, and 58051

California Community College District's Contracted District Audit Manual: Section 426. Each district may only claim for apportionment purposes the attendance of students actively enrolled as of census day. An internal review system must be in place to ensure that census day parameters are properly set up to ensure attendance is properly calculated and reported.

##### Condition

*Significant Deficiency* - As noted in the prior year audit, the District was claiming apportionment for all drops occurring on census day. In order to count that apportionment within the FTES calculation, established procedures must be in place to identify and remove inactive students as of census day from the rosters. There is not an identifiable procedure to affirm that instructors are actively monitoring the attendance and active enrollment of students within their class. Personnel in the Admissions and Records Office do not have the ability to identify the instructors that have not appropriately turned in their attendance rosters on census day. Without this information, all students enrolled in the class that have not dropped the course are included in the FTES calculation whether or not they are actually attending the course.

##### Questioned Costs

The District removed from the Annual CCFS-320 Attendance Report contact hours related to students who met the criteria noted above; therefore, there are no questioned costs.

##### Context

Students that did not meet the definition of being actively enrolled were included in the Annual CCFS-320 Attendance Report at the time of the Period 1 and Period 2 submissions, but were excluded from the annual submission.

##### Effect

The District adjusted their Annual CCFS-320 Attendance Report to properly reflect those students who were actively enrolled.

## PERALTA COMMUNITY COLLEGE DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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#### **Recommendation**

A program should be written to allow the Admissions and Records Office to identify the rosters that have not been properly turned in by instructors. Follow up with instructors who have not complied with the requirements to identify students who are not enrolled should be completed by the Admissions and Records Office.

#### **Current Status**

Implemented.

#### **2012-6 CONCURRENT ENROLLMENT**

##### **Criteria or Specific Requirement**

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with the following criteria:

- *Education Code* Sections 48800-48802, 76000-76002, and 84752.
- CCR, Title 5, Sections 51004, 51006, 51021, 53410, 55002, 55100, 58100-58108, 58050, 58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, and 59300 et seq.
- Legal Opinions M 98-17 and M 02-20 issued by the Chancellor's Office, California Community Colleges.
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent Enrollment" - issued January 5, 2005 by the Chancellor's Office, California Community Colleges.

##### **Condition**

*Significant Deficiency* - During the testing, errors were noted within the program as follows:

Out of 25 students tested, five concurrent enrollment forms could not be located. Therefore, it was impossible to identify if the District was in compliance with the requirements of the form.

##### **Questioned Costs**

There are no questioned costs due to the District subtracting related contact hours from their Annual CCFS-320 Attendance Report to correct the errors noted.

##### **Context**

The District has several thousand students that are considered to be concurrently enrolled.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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### Effect

The FTES generated for concurrent enrolled high school students is improperly identified. The District is at risk of noncompliance with the Education Codes related to concurrent enrolled students.

### Recommendation

The District should implement a process within Admissions and Records that will ensure documents supporting the special admit status are maintained and stored.

### Current Status

Not implemented. See current year finding 2013-11.

## 2012-7 RESIDENCY DETERMINATION FOR CREDIT COURSES

### Criteria or Specific Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with the following criteria:

- *Education Code* Sections 48800-48802, 76000-76002, and 84752.
- CCR, Title 5, Sections 51004, 51006, 51021, 53410, 55002, 55100, 58100-58108, 58050, 58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, and 59300 et seq.
- Legal Opinions M 98-17 and M 02-20 issued by the Chancellor's Office, California Community Colleges.
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent Enrollment" - issued January 5, 2005 by the Chancellor's Office, California Community Colleges.

### Condition

*Significant Deficiency* - The District is currently using the CCCApply software to help in determining if a student is a California resident or nonresident. When processed, the system indicates if the student is a resident (#1) or nonresident (#3). If the student comes up as a (#2), the student needs to provide more information; the system is not able to make a determination. However, when a student's enrollment form indicates a (#2), the District is not requesting more information from the student. Our sample included two students who were flagged with a (#2) but classified as residents. The site could not provide any documentation to justify the student was a resident.

### Effect

The District could possibly be charging the students incorrect enrollment fees.



## PERALTA COMMUNITY COLLEGE DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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#### **Context**

The District's main control is CCCApply and can only be relied on if effective utilization of the system takes place.

#### **Questioned Costs**

There are no questioned costs.

#### **Recommendation**

The District should implement a procedure that effectively monitors the information provided by CCCApply to ensure that all students' residency determination is properly being reported.

#### **Current Status**

Not implemented. See current year finding 2013-10.

#### **2012-8 CALWORKS - REPORTING**

##### **Criteria or Specific Requirement**

Reports of expenditures within the CalWORKs program are required to be submitted to the State Chancellor's Office by August 31 following year end.

##### **Condition**

*Significant Deficiency* - Three out of the four CalWORKs expenditure reports did not agree to the supporting documentation.

##### **Questioned Costs**

There are no questioned costs associated with this finding; differences were not material to the program.

##### **Recommendation**

The District should implement a control procedure to review and reconcile all amounts reported on the CalWORKs expenditure report.

##### **Current Status**

Not implemented. See current year finding 2013-12.