



**PERALTA COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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JUNE 30, 2015**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S 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 and the aggregate remaining fund information of Peralta Community College District (the District) as of and for the year ended June 30, 2015, 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 respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 _____ through _____, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page _____, the Schedule of the District's Proportionate Share of the Net Pension Liability on page _____, and the Schedule of District Contributions on page _____, 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 accompanying 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 accompanying 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 accompanying 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 _____, 2015, 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.

Rancho Cucamonga, California
_____, 2015



Peralta Community College District

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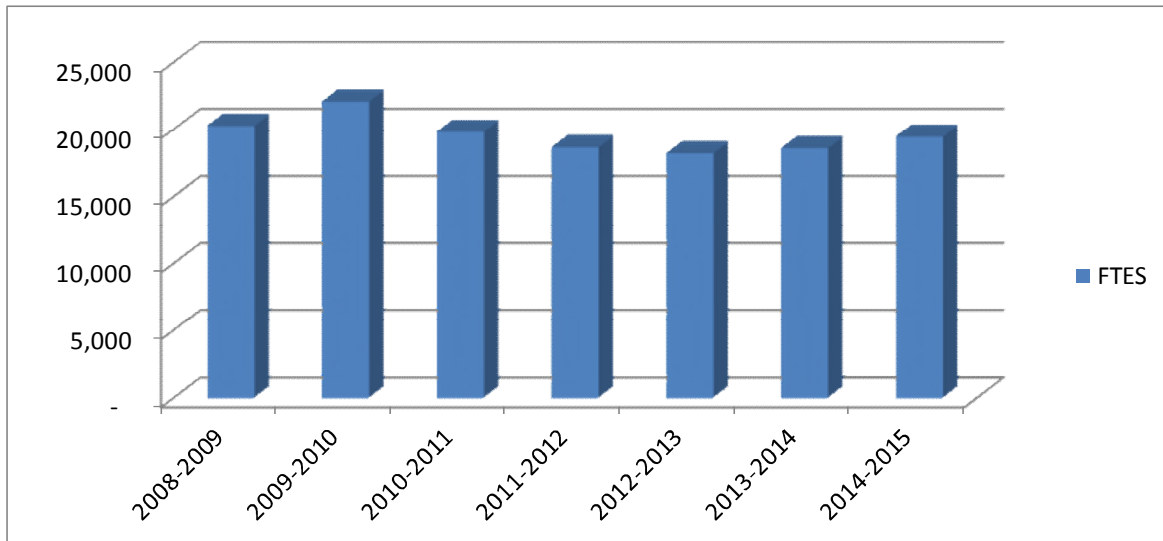
Introduction

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, 2015. 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 2014-2015, FTES was 19,502 (including credit and noncredit FTES), as compared to 18,642 in the fiscal year 2013-2014. This represents a 4.61 percent increase. FTES is generated at the District's four colleges: Berkeley City College, College of Alameda, Laney College, and Merritt College.



	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Full-Time Equivalent Students	20,322	22,144	19,871	18,712	18,264	18,642	19,502
Percentage Increase/(Decrease)		8.97%	-10.26%	-5.83%	-2.39%	2.07%	4.61%

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

PERALTA COMMUNITY COLLEGE DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2015**

- Unrestricted General fund revenues for the year were \$124.9 million, an increase of 7.9 percent from prior year's revenue of \$115.7 million.
- Medical benefit rates for both employees and retirees increased for Kaiser _____ percent and decreased for the Self-Insurance plan _____ 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 6.75 percent discount rate for the District as of June 30, 2015, is \$_____ 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, 2015**

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, 2015

A summary of the Statement of Net Position as of June 30, 2015 and June 30, 2014, is presented below:

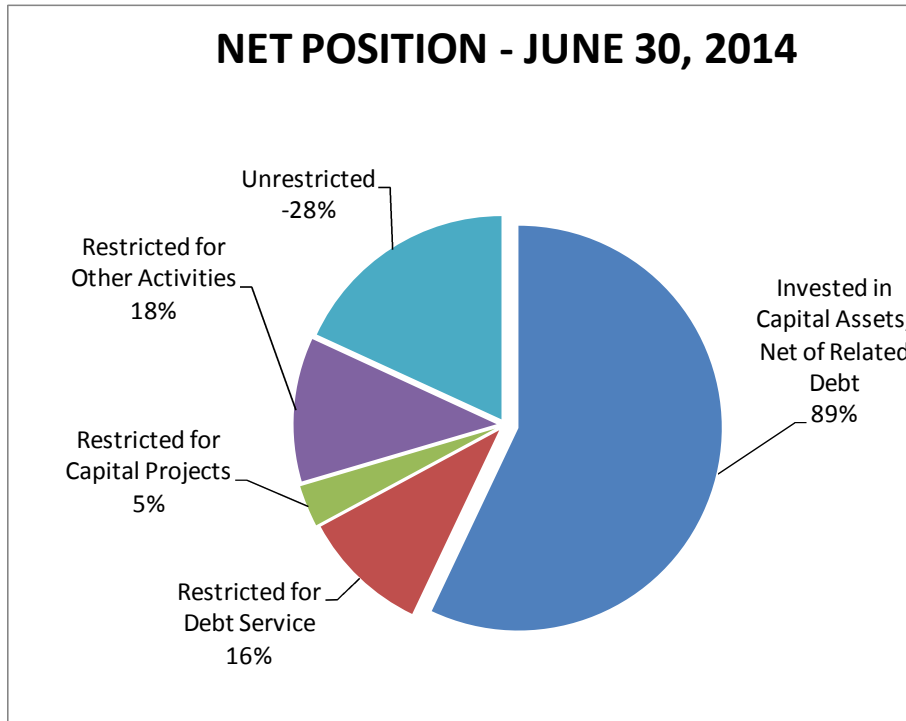
NET POSITION
As of June 30,

(in thousands)

	2015	2014 (as restated)
ASSETS		
Current Assets		
Cash and investments	\$ 314,537	\$ 368,087
Accounts receivable	20,051	29,827
Other current assets	1,878	442
Total Current Assets	<u>336,466</u>	<u>398,356</u>
Noncurrent Assets		
Capital assets, net	<u>455,864</u>	<u>423,489</u>
TOTAL ASSETS	<u>792,330</u>	<u>821,845</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	12,502	8,339
Interest rate SWAP	21,835	14,431
Current year pension contribution	7,354	6,496
Net change in proportionate share of	1,819	2,426
TOTAL DEFERRED	<u>43,510</u>	<u>31,692</u>
OUTFLOWS OF RESOURCES	<u>43,510</u>	<u>31,692</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	25,956	19,170
Unearned revenue	10,241	3,301
Other current liabilities	3,780	38,774
Current portion of long-term obligations	17,459	14,283
Total Current Liabilities	<u>57,436</u>	<u>75,528</u>
Noncurrent Liabilities		
Bonds payable	619,654	622,984
Other long-term liabilities	125,637	141,787
Long-term obligations	<u>745,291</u>	<u>764,771</u>
TOTAL LIABILITIES	<u>802,727</u>	<u>840,299</u>
DEFERRED INFLOWS OF RESOURCES		
SWAP liability	30	14,431
Interest rate SWAP	21,835	376
Difference between projected and actual earnings on pension plan investments	23,405	-
TOTAL DEFERRED	<u>45,270</u>	<u>14,807</u>
INFLOWS OF RESOURCES	<u>45,270</u>	<u>14,807</u>
NET POSITION		
Net investment in capital assets	83,734	85,546
Restricted for:		
Debt service	16,781	15,124
Capital projects	4,249	4,969
Other activities	15,844	17,132
Unrestricted	(132,765)	(124,340)
TOTAL NET POSITION	<u>\$ (12,157)</u>	<u>\$ (1,569)</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**



- Approximately _____ percent of the cash balance is cash deposited in the Alameda County Treasury Pool and approximately _____ 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 2014-2015 and 2013-2014.
- 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 \$_____ million for the June 2015 apportionment and categorical deferrals, approximately \$_____ million for reimbursements from Federal and State agencies related to grant awards, and \$_____ million for student receivables.
- Capital assets had a net increase of \$_____ million. The District had additions of \$_____ million related to construction in progress. Depreciation expense of \$_____ million was recognized during 2014-2015. 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, 2015. Total accounts payable are \$_____ million; \$_____ million of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay. _____ 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, 2015

- The District's noncurrent liabilities primarily consist of bonds payable, related to the issuance of Election 2000 Series B, C, and D of the District General Obligation Bonds; 2005 Series A and B Refunding of the District General Obligation Bonds; Election 2006 Series A, B, and C of the 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 \$700.1 million, and \$_____ 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, 2015

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and June 30, 2014, is summarized below:

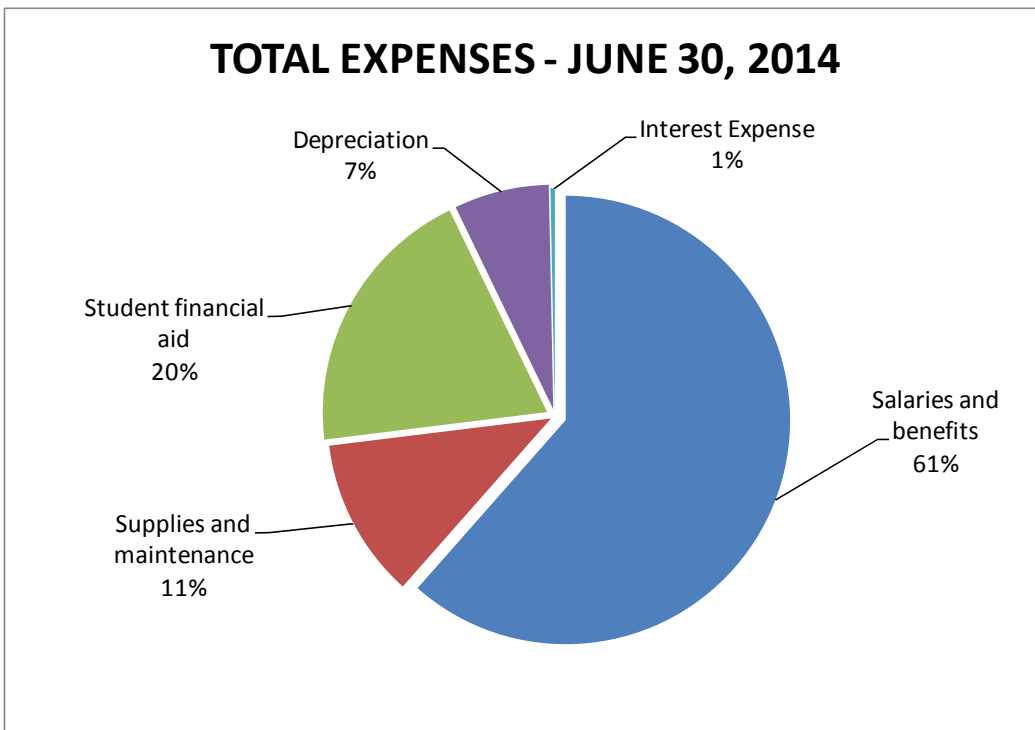
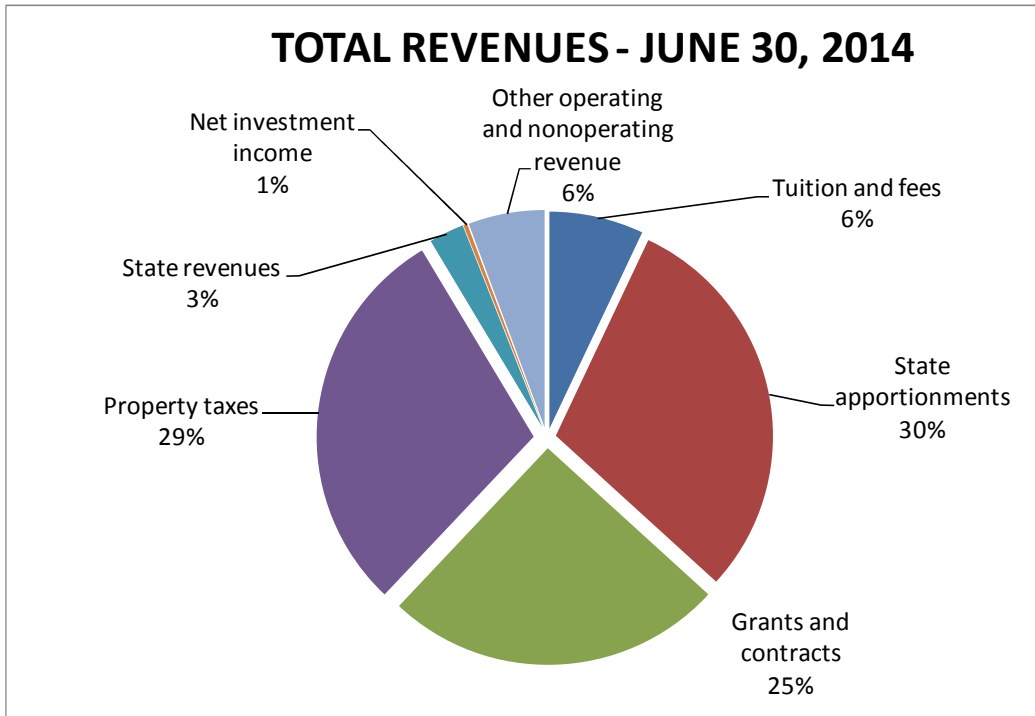
**Statement of Revenues, Expenses, and Changes in Net Position
for the Years Ended June 30,**

(in thousands)

	2015	2014
Operating Revenues		
Tuition and fees	\$ 18,662	\$ 16,198
Other revenues	1,187	1,239
Total Operating Revenues	<u>19,849</u>	<u>17,437</u>
Operating Expenses		
Salaries and benefits	141,342	128,421
Equipment, supplies, and maintenance	35,667	24,130
Student financial aid	43,500	41,304
Depreciation	12,837	14,304
Total Operating Expenses	<u>233,346</u>	<u>208,159</u>
Loss on Operations	<u>(213,497)</u>	<u>(190,722)</u>
Nonoperating Revenues and (Expenses)		
State apportionments	66,203	68,496
Grants and contracts	68,849	58,292
Property taxes	76,337	67,647
State revenues	5,172	6,045
Net investment income	(30,230)	(671)
Other nonoperating revenues and transfers	<u>13,545</u>	<u>11,875</u>
Total Nonoperating Revenues (Expenses)	<u>199,876</u>	<u>211,684</u>
Other Revenues		
State and local capital income	<u>3,033</u>	<u>2,004</u>
Total Other Revenues	<u>3,033</u>	<u>2,004</u>
Net Increase in Net Position	<u>\$ (10,588)</u>	<u>\$ 22,966</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**



PERALTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

- 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 \$213 per unit fee that is charged to all non-resident students.
- Personnel costs account for _____ percent of operating expenses in fiscal year 2015 compared to 62 percent in 2014. 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	\$ -	\$ -	\$ -	\$ -	\$ -
Academic support	-	-	-	-	-
Student services	-	-	-	-	-
Plant operations and maintenance	-	-	-	-	-
Planning, policymaking, and coordination	-	-	-	-	-
Instructional support services	-	-	-	-	-
Community services and economic development	-	-	-	-	-
Ancillary services and auxiliary operations	-	-	-	-	-
Student aid	-	-	-	-	-
Physical property and related acquisitions	-	-	-	-	-
Unallocated expense	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015 and June 30, 2014, is summarized below:

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

(in thousands)

	2015	2014
Cash From		
Operating activities	\$ (195,261)	\$ (180,885)
Noncapital financing activities	222,321	175,874
Capital financing activities	(42,250)	(41,212)
Investing activities	(3,740)	(323)
Net Change in Cash	(18,930)	(46,546)
Cash, Beginning of Year	114,781	161,327
Cash, End of Year	\$ 95,851	\$ 114,781

- 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 _____ percent and 30 percent of noncapital financing for fiscal years 2015 and 2014, respectively. Cash receipts from Federal and State grants represent _____ percent in 2015 and 25 percent in 2014. Cash received from property taxes accounts for _____ percent in fiscal year 2015 and 29 percent in fiscal year 2014 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 \$ _____ million and \$0.3 million were received from the Alameda County pool for fiscal years 2015 and 2014.

PERALTA COMMUNITY COLLEGE DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2015**

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 **\$174.7 million**.

Economic Factors that May Affect the Future

In contrast to recent budgets, the District enters its fiscal year 2015-2016 with optimism. This sense of optimism stems from both new revenues included in the 2015-2016 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 2014-2015, it is expected that the District will be compensated for serving _____ full-time equivalent students. Should the District serve only those students which it is funded for, this would equate to a _____ percent increase as compared to the prior fiscal year.

As the fiscal year 2015-2016 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 2016-2017, 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 2016-2017 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 8th Street, Oakland, California 94606.

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,201,104
Restricted cash and cash equivalents	7,913,480
Restricted investments	301,422,564
Accounts receivable	11,957,987
Student receivables	8,093,242
Due from fiduciary funds	1,777
Prepaid expenses	1,763,085
Inventories	112,924
Total Current Assets	<u>336,466,163</u>

NONCURRENT ASSETS

Nondepreciable capital assets	149,914,911
Depreciable capital assets, net of depreciation	305,949,305
Total Noncurrent Assets	<u>455,864,216</u>
TOTAL ASSETS	<u>792,330,379</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on refunding	12,501,783
Interest rate SWAP	21,834,707
Current year pension contribution	7,353,717
Net change in proportionate share of net pension obligation	1,819,539
Total Deferred Outflows of Resources	<u>43,509,746</u>

LIABILITIES

CURRENT LIABILITIES

Deficit cash in county treasury	3,779,649
Accounts payable	14,977,834
Accrued interest payable	10,977,813
Due to fiduciary funds	682
Unearned revenue	10,240,624
General obligation bonds payable - current portion	15,110,000
Other postemployment benefits bonds - current portion	2,349,253
Total Current Liabilities	<u>57,435,855</u>

NONCURRENT LIABILITIES

Claims liability	2,795,135
Load banking	1,827,713
Compensated absences	4,544,696
General obligation bonds payable - noncurrent portion	398,160,921
Other postemployment benefits bonds - noncurrent portion	221,492,877
Other postemployment benefits obligation	32,794,490
Aggregate net pension obligation	83,675,043
Total Noncurrent Liabilities	<u>745,290,875</u>
TOTAL LIABILITIES	<u>802,726,730</u>

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT, CONTINUED
JUNE 30, 2015**DEFERRED INFLOWS OF RESOURCES**

SWAP liability	\$ 30,640
Interest rate SWAP	21,834,707
Difference between projected and actual earnings on pension plan investments	23,404,670
Total Deferred Inflows of Resources	<u>45,270,017</u>

NET POSITION

Net investment in capital assets	83,733,735
Restricted for:	
Debt service	16,781,667
Capital projects	4,248,682
Educational programs	917,691
Other activities	14,927,088
Unrestricted	<u>(132,765,485)</u>
TOTAL NET POSITION	<u>\$ (12,156,622)</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES	
Student Tuition and Fees	\$ 32,553,340
Less: Scholarship discount and allowance	(13,891,072)
Net tuition and fees	<u>18,662,268</u>
Other Operating Revenues	<u>1,186,962</u>
TOTAL OPERATING REVENUES	<u><u>19,849,230</u></u>
OPERATING EXPENSES	
Salaries	91,295,122
Employee benefits	50,046,502
Supplies, materials, and other operating expenses and services	33,665,503
Student financial aid	43,499,918
Equipment, maintenance, and repairs	2,001,883
Depreciation	12,837,522
TOTAL OPERATING EXPENSES	<u><u>233,346,450</u></u>
OPERATING LOSS	<u>(213,497,220)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	66,203,316
Federal grants and contracts	49,210,461
State grants and contracts	19,903,428
Local property taxes, levied for general purposes	76,071,949
Taxes levied for other specific purposes	-
State taxes and other revenues	5,171,936
Interest income	605,585
Net unrealized gain on investments	825,706
Interest expense on capital related debt	(39,702,668)
Investment income on capital asset-related debt, net	54,264
Transfer from agency fund	<u>26,677,682</u>
Transfer to fiduciary fund	<u>(24,600,973)</u>
Other nonoperating revenue	<u>11,467,847</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>199,875,925</u></u>
INCOME BEFORE OTHER REVENUES	<u>(13,621,295)</u>
State revenues, capital	2,472,302
Local revenues, capital	561,123
TOTAL OTHER REVENUES	<u><u>3,033,425</u></u>
CHANGE IN NET POSITION	<u>(10,587,870)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED (see Note 16)	<u>(1,568,752)</u>
NET POSITION, END OF YEAR	<u><u>\$ (12,156,622)</u></u>

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 15,659,510
Other operating income	1,186,962
Payments to or on behalf of employees	(133,788,582)
Payments made to students from financial aid	(34,819,556)
Payments to vendors for supplies and services	<u>(43,499,918)</u>
Net Cash Flows From Operating Activities	<u>(195,261,584)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	79,663,520
Federal and State grants and contracts	76,865,424
Property taxes - nondebt related	42,209,699
Other State revenues	3,935,917
Other nonoperating revenues	<u>19,646,594</u>
Net Cash Flows From Noncapital Financing Activities	<u>222,321,154</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	3,033,425
Taxes levied for debt repayment	34,126,809
Proceeds from bond issuance	188,686,542
Acquisition and construction of capital assets	(45,087,594)
Principal paid on capital debt	(188,840,112)
Interest received on capital debt	54,264
Deferred costs of issuance	(4,163,028)
Interest paid on capital debt and leases	<u>(30,060,145)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(42,249,839)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(5,171,355)
Investment income	<u>1,431,291</u>
Net Cash Flows From Investing Activities	<u>(3,740,064)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(18,930,333)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>114,780,945</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 95,850,612</u>

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS
FROM OPERATING ACTIVITIES

Operating Loss	<u>\$ (213,497,220)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	12,837,522
Changes in Assets, Liabilities, Deferred Inflows and Deferred Outflows of Resources:	
Receivables	(2,329,170)
Student receivables	
Inventories	11,839
Prepaid expenses	(1,477,906)
Current year pension contribution	(857,844)
Net change in proportionate share of net pension obligation	(1,819,539)
Accounts payable and accrued liabilities	4,824,006
Unearned revenue	(207,971)
Difference between projected and actual earnings on pension plan investments	23,404,670
Aggregate net pension obligation	(19,971,804)
Net OPEB obligation	2,878,195
Load banking	(17,963)
Compensated absences	961,601
Total Adjustments	<u>18,235,636</u>
Net Cash Flows From Operating Activities	<u><u>\$ (195,261,584)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 13,114,584
Investment in county treasury	82,736,028
Total Cash and Cash Equivalents	<u><u>\$ 95,850,612</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 2,424,386</u></u>
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PERALTA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 381,119	\$ -
Investments	996,061	-
Accounts receivable	14,838	-
Due from primary government	682	-
Total Assets	1,392,700	\$ -
LIABILITIES		
Accounts payable	164,749	\$ -
Due to primary government	1,777	-
Total Liabilities	166,526	\$ -
NET POSITION		
Unreserved	1,226,174	
Total Net Position	\$ 1,226,174	

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Trust Funds
ADDITIONS	
Local revenues	<u>\$ 623,201</u>
DEDUCTIONS	
Classified salaries	22,191
Employee benefits	29
Services and operating expenditures	271,071
Capital outlay	12,825
Total Deductions	<u>306,116</u>
Change in Net Position	317,085
Net Position - Beginning	<u>909,089</u>
Net Position - Ending	<u><u>\$ 1,226,174</u></u>

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

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015**

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 8th Street, Oakland, California 94606.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, No. 38, and No. 39. 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, No. 38, and No. 39. 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, 2015**

- 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, 2015, 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. The District has performed a detail analysis of the student receivables and believes they are fully collectible.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2015.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 \$50,000 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.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized costs on the refunding of general obligation bonds, current year pension contributions, and net change in proportionate share of net pension obligation.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

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.

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.

Unearned Revenue

Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (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.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015**

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.

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, 2015, the District reported \$36,875,128 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.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015**

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*.

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 CalSTRS and 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.

Change in Accounting Principles

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.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015**

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 nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- 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, nonemployer 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 and 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.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$97,150,974. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as the information was not available.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015**

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

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 Alameda County Investment 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 Investment Pool 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, 2015.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, consist of the following:

Cash on hand and in banks - unrestricted	\$ 5,129,964
Cash in revolving - unrestricted	71,140
Cash on hand and in banks - restricted	7,913,480
Total Cash and Cash Equivalents	<u>\$ 13,114,584</u>
Investment in county treasury - unrestricted	\$ (3,779,649)
Investment in county treasury - restricted	86,515,677
Investments - restricted	214,906,887
Total Investments	<u>\$ 297,642,915</u>

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Deposits and investments of the fiduciary funds as of June 30, 2015, consist of the following:

Cash on hand and in banks	<u>\$ 468,260</u>
Investment in county treasury	<u>\$ 996,061</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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Alameda County Investment 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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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	\$ 83,858,455	466
JP Morgan Prime Money Market Fund	766,638	N/A
Money Market Funds	9,190,100	N/A
U.S. Governments and Agencies	10,565,989	N/A
Mortgage Backed Securities	14,217,717	N/A
Collateralized Mortgage Obligations	3,654,120	N/A
Domestic Corporate Bonds	13,229,294	N/A
Mutual Funds - Fixed Income	25,691,201	N/A
Common Stock - Domestic	73,175,963	N/A
Common Stock - Foreign	9,721,146	N/A
Master Limited Partnerships	95,608	N/A
Mutual Funds - Equities	46,620,441	N/A
Exchange Traded Funds - Equity	6,654,169	N/A
Private Equity	1,324,501	N/A
	<u>\$ 298,765,342</u>	

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**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, 2015. 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>	<u>Total Fair Value</u>	<u>Rating</u>
County Pool - Alameda	\$ 83,858,455	Not Rated
JP Morgan Prime Money Market Fund	766,638	[1]
Money Market Funds	9,190,100	[1]
U.S. Governments and Agencies	10,565,989	[1]
Mortgage Backed Securities	14,217,717	[1]
Collateralized Mortgage Obligations	3,654,120	[1]
Domestic Corporate Bonds	13,229,294	[1]
Mutual Funds - Fixed Income	25,691,201	[1]
Common Stock - Domestic	73,175,963	[1]
Common Stock - Foreign	9,721,146	[1]
Master Limited Partnerships	95,608	[1]
Mutual Funds - Equities	46,620,441	[1]
Exchange Traded Funds - Equity	6,654,169	[1]
Private Equity	1,324,501	[1]
	<u>\$ 298,765,342</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, 2015, the District's bank balance of \$12,638,399 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, 2015**

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 6,124,066	\$ -
State Government		
Apportionment	808,906	-
Categorical aid	688,217	-
Lottery	1,715,978	-
Local Sources		
Other local sources	<u>2,620,820</u>	<u>14,838</u>
Total	<u>\$ 11,957,987</u>	<u>\$ 14,838</u>
Student receivables	<u>\$ 8,093,242</u>	<u>\$ -</u>

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the primary government for the fiscal year ended June 30, 2015, 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	112,151,511	47,406,384	21,556,280	138,001,615
Total Capital Assets Not Being Depreciated	<u>124,064,807</u>	<u>47,406,384</u>	<u>21,556,280</u>	<u>149,914,911</u>
Capital Assets Being Depreciated				
Buildings	271,798,751	-	-	271,798,751
Site improvements	155,213,656	18,864,377	-	174,078,033
Software and IT development	31,385,496	378,120	-	31,763,616
Machinery and equipment	40,716,068	120,601	-	40,836,669
Total Capital Assets Being Depreciated	<u>499,113,971</u>	<u>19,363,098</u>	<u>-</u>	<u>518,477,069</u>
Total Capital Assets	<u>623,178,778</u>	<u>66,769,482</u>	<u>21,556,280</u>	<u>668,391,980</u>
Less Accumulated Depreciation				
Buildings	106,513,935	5,417,263	-	111,931,198
Site improvements	21,763,009	7,107,535	-	28,870,544
Software and IT development	31,299,853	15,571	-	31,315,424
Machinery and equipment	40,113,445	297,153	-	40,410,598
Total Accumulated Depreciation	<u>199,690,242</u>	<u>12,837,522</u>	<u>-</u>	<u>212,527,764</u>
Net Capital Assets	<u>\$ 423,488,536</u>	<u>\$ 53,931,960</u>	<u>\$ 21,556,280</u>	<u>\$ 455,864,216</u>

Depreciation expense for the year was \$12,837,522.

Interest expense on capital related debt for the year ended June 30, 2015, was \$34,338,883. Of this amount, \$2,623,607 was capitalized.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	Primary Government
Accrued payroll and benefits	\$ 3,545,286
Construction contractors	4,675,324
Vendors and supplies	6,757,224
Total	<u>\$ 14,977,834</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal categorical aid	\$ 91,952
State categorical aid	8,794,898
Enrollment fees	591,284
Other local	762,490
Total	<u>\$ 10,240,624</u>

NOTE 8 - 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, 2015, the amounts owed between the primary government and the fiduciary funds were \$1,777 and \$682, respectively.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**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 2015 fiscal year, the District transferred \$ [REDACTED] to the fiduciary funds.

NOTE 9- LONG-TERM OBLIGATIONS**Summary**

The changes in the District's long-term obligations during the fiscal year 2015 consisted of the following:

	Beginning Balance (as restated)	Additions	(Amortization) Accretion	Deductions	Ending Balance	Due in One Year
General obligation bonds	\$ 419,271,614	\$ 180,171,184	\$ -	\$ (186,171,877)	\$ 413,270,921	\$ 15,110,000
2005 Taxable Limited Obligation OPEB Bonds	155,667,775	-	8,515,358	-	164,183,133	-
2006 OPEB Bond modification and restructuring	10,417,232	-	-	(78,235)	10,338,997	84,253
2011 Taxable Refunding bonds	51,910,000	-	-	(2,590,000)	49,320,000	2,265,000
Total Bonds Payable	637,266,621	180,171,184	8,515,358	(188,840,112)	637,113,051	17,459,253
Other liabilities						
Postemployment benefits obligation	29,916,295	10,186,562	-	(7,308,367)	32,794,490	-
Claims liability	2,795,135	-	-	-	2,795,135	-
Load banking	1,845,676	-	-	(17,963)	1,827,713	-
Compensated absences	3,583,095	961,601	-	-	4,544,696	-
Aggregate net pension obligation	103,646,847	-	-	(19,971,804)	83,675,043	-
Total Long-Term Obligations	\$ 779,053,669	\$ 191,319,347	\$ 8,515,358	\$ (216,138,246)	\$ 762,750,128	\$ 17,459,253

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. The aggregate net pension obligation will be paid by the fund for which the employee is currently working.

Bonded Debt**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 General Obligation Refunding Bonds

In December 2009, the District issued, in the amount of \$39,080,000, the General Obligation Refunding Bonds to refund portions of the District's prior outstanding bonds. The bonds mature beginning August 1, 2010 through August 1, 2031, with interest yield rates ranging from 2.00 to 5.50 percent.

2012 General Obligation Refunding Bonds

In March 2012, the District issued, in the amount of \$59,005,000, the General Obligation Refunding Bonds to refund portions of the District's prior outstanding bonds. The bonds mature beginning August 1, 2012 through August 1, 2034, with interest yield rates ranging from 2.00 to 5.00 percent.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

2014 General Obligation Refunding Bonds Series A

In August 2014, the District issued, in the amount of \$127,505,000, the General Obligation Refunding Bonds to refund portions of the District's prior outstanding bonds. The bonds mature beginning August 1, 2015 through August 1, 2035, with interest yield rates ranging from 2.00 to 5.00 percent.

2014 General Obligation Refunding Bonds Series B

In March 2012, the District issued, in the amount of \$30,220,000, the General Obligation Refunding Bonds to refund portions of the District's prior outstanding bonds. The bonds mature beginning August 1, 2015 through August 1, 2032, 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, 2014	Issued/ Amortized	Redeemed	Outstanding June 30, 2015
2000 B	5/30/2002	8/01/2032	2.00%-5.32%	\$ 30,000,000	\$ 8,450,000	\$ -	\$ 8,450,000	\$ -
2000 D	7/21/2005	8/01/2035	2.51%-4.18%	55,700,000	23,065,000	-	23,065,000	-
Subtotal Election of 2000								-
2005 A	6/01/2005	8/01/2021	3.00%-4.00%	7,285,000	3,995,000	-	3,995,000	-
2005 B	8/17/2005	8/01/2025	3.00%-5.00%	32,975,000	26,740,000	-	26,740,000	-
Subtotal 2005 Refundings								-
2006 A	8/10/2006	8/01/2031	4.00%-5.00%	75,000,000	60,400,000	-	55,685,000	4,715,000
2006 B	11/15/2007	8/01/2037	5.00%-5.25%	100,000,000	91,235,000	-	55,835,000	35,400,000
2006 C	8/26/2009	8/01/2039	2.00%-5.50%	100,000,000	97,810,000	-	1,970,000	95,840,000
Subtotal Election of 2006								135,955,000
2009	12/17/2009	8/01/2031	2.00-5.50%	39,080,000	31,990,000	-	1,320,000	30,670,000
2012	3/28/2012	8/01/2034	2.00-5.00%	59,005,000	58,230,000	-	1,545,000	56,685,000
2014 A	8/21/2014	8/01/2035	2.00%-5.00%	127,505,000	-	127,505,000	-	127,505,000
2014 B	8/21/2014	8/01/2032	2.00%-5.00%	30,220,000	-	30,220,000	-	30,220,000
Subtotal 2014 Refundings								157,725,000
Subtotal General Obligation Bonds								381,035,000
Bond Premiums					17,356,614	22,446,184	7,566,877	32,235,921
Total General Obligation Bonds					<u>\$ 419,271,614</u>	<u>\$ 180,171,184</u>	<u>\$ 186,171,877</u>	<u>\$ 413,270,921</u>

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**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
2016	\$ 7,050,000	\$ 6,832,027	\$ 13,882,027
2017	6,710,000	6,502,625	13,212,625
2018	4,520,000	6,191,175	10,711,175
2019	2,265,000	5,979,313	8,244,313
2020	2,375,000	5,866,063	8,241,063
2021-2025	13,895,000	27,312,925	41,207,925
2026-2030	17,880,000	23,332,775	41,212,775
2031-2035	33,740,000	17,858,500	51,598,500
2036-2040	47,520,000	6,398,750	53,918,750
Total	<u>\$ 135,955,000</u>	<u>\$ 106,274,153</u>	<u>\$ 242,229,153</u>

General Obligation Bond - 2009 Refunding

The 2009 general obligation bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,555,000	1,333,200	2,888,200
2020	930,000	1,260,450	2,190,450
2021-2025	9,860,000	5,277,063	15,137,063
2026-2030	10,835,000	2,284,263	13,119,263
2031-2032	3,160,000	250,950	3,410,950
Total	<u>\$ 30,670,000</u>	<u>\$ 14,818,026</u>	<u>\$ 45,488,026</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

General Obligation Bond - 2012 Refunding

The 2012 general obligation bonds mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,600,000	2,243,056	4,843,056
2020	2,730,000	2,113,056	4,843,056
2021-2025	15,750,000	8,381,531	24,131,531
2026-2030	11,420,000	5,103,931	16,523,931
2031-2035	15,215,000	1,801,844	17,016,844
Total	<u>\$ 56,685,000</u>	<u>\$ 27,160,386</u>	<u>\$ 83,845,386</u>

General Obligation Bond - 2014 Refunding

The 2014 general obligation bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 3,750,000	\$ 7,236,225	\$ 10,986,225
2017	2,815,000	7,145,850	9,960,850
2018	5,210,000	6,977,725	12,187,725
2019	7,765,000	6,668,350	14,433,350
2020	8,170,000	6,269,975	14,439,975
2021-2025	41,385,000	25,243,575	66,628,575
2026-2030	46,425,000	14,816,250	61,241,250
2031-2035	39,225,000	3,426,850	42,651,850
2036	2,980,000	54,013	3,034,013
Total	<u>\$ 157,725,000</u>	<u>\$ 77,838,813</u>	<u>\$ 235,563,813</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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The bonds mature through 2050 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Interest	Total
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	4,994,031	3,130,969	1,258,575	9,383,575
2020	5,378,188	3,371,812	836,888	9,586,888
2021-2025	20,752,626	21,872,374	6,789,818	49,414,818
2026-2030	16,753,248	28,821,752	9,626,153	55,201,153
2031-2035	13,808,933	33,816,067	13,596,503	61,221,503
2036-2040	14,624,282	44,275,718	9,057,848	67,957,848
2041-2045	8,430,633	44,044,367	29,963,168	82,438,168
2046-2050	13,174,119	68,825,881	13,497,893	95,497,893
Subtotal	106,644,090	253,630,910	88,261,144	448,536,144
Accumulated accretion	57,539,043	(57,539,043)	-	-
Total	\$ 164,183,133	\$ 196,091,867	\$ 88,261,144	\$ 448,536,144

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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The bonds mature through 2050 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 84,253	\$ 643,554	\$ 727,807
2017	90,271	638,101	728,372
2018	96,289	632,271	728,560
2019	102,307	626,065	728,372
2020	108,325	619,482	727,807
2021-2025	655,967	2,983,633	3,639,600
2026-2030	896,688	2,742,535	3,639,223
2031-2035	1,221,663	2,413,799	3,635,462
2036-2040	1,673,016	1,965,267	3,638,283
2041-2045	2,292,874	1,350,486	3,643,360
2046-2050	3,117,344	511,534	3,628,878
Total	<u>\$ 10,338,997</u>	<u>\$ 15,126,727</u>	<u>\$ 25,465,724</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.

The bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,270,000	3,199,506	4,469,506
2020	1,695,000	3,127,370	4,822,370
2021-2025	11,520,000	13,790,394	25,310,394
2026-2030	19,110,000	8,862,913	27,972,913
2031-2032	12,365,000	1,417,215	13,782,215
Total	<u>\$ 49,320,000</u>	<u>\$ 40,272,137</u>	<u>\$ 89,592,137</u>

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$9,874,857, and contributions made by the District during the year were \$7,308,367. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$2,019,350 and \$(1,707,645), respectively, which resulted in an increase to the net OPEB obligation of \$2,878,195. As of June 30, 2015, the net OPEB obligation was \$32,794,490. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Claims Liability

At June 30, 2015, the liability for claims liability was \$2,795,135. See Note 12 for additional information.

Compensated Absences

At June 30, 2015, the liability for compensated absences was \$4,544,696.

Load Banking

At June 30, 2015, the liability for load banking agreements was \$1,827,713.

Aggregate Net Pension Obligation

At June 30, 2015, the liability for aggregate net pension obligation was \$83,675,043. See Note 13 for additional information on the aggregate net pension obligation.

NOTE 10 - 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, 2015, the 2005 Series B-1 through B-6 has a fair market value of \$(21,834,707). 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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Credit Risk. As of June 30, 2015, 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, 2015, 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 2015 of \$344,873 are reported within the investment revenue classification for the year ended June 30, 2015. 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.

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	\$ (30,640)	4.90%
AUF3W	November 28, 2006	August 5, 2031	August 5, 2039	USD	86,650,000	(4,512,594)	5.16%
AUF3V	November 28, 2006	August 5, 2025	August 5, 2031	USD	57,525,000	(2,611,819)	5.28%
AUF3U	November 28, 2006	August 5, 2020	August 5, 2025	USD	43,175,000	(2,981,839)	5.21%
AUF3T	November 28, 2006	August 5, 2015	August 5, 2020	USD	38,450,000	(4,689,679)	5.06%
AUF3S	November 28, 2006	August 5, 2010	August 5, 2015	USD	33,950,000	(7,008,136)	4.94%

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 - 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 health care 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.

Contribution Information

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 2014-2015, the District contributed \$7,308,367 to the plan, comprised on premiums paid for medical insurance, claims expense, eligible Medicare reimbursements, and life insurance premiums for eligible plan members.

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	\$ 9,874,857
Interest on net OPEB obligation	2,019,350
Adjustment to annual required contribution	<u>(1,707,645)</u>
Annual OPEB Cost	10,186,562
Contributions made	<u>(7,308,367)</u>
Increase in net OPEB obligation	2,878,195
Net OPEB obligation, beginning of year	<u>29,916,295</u>
Net OPEB obligation, end of year	<u><u>\$ 32,794,490</u></u>

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 June 30,	Annual OPEB Costs	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 11,471,921	\$ 7,692,012	67%	\$ 27,161,293
2014	11,511,305	8,756,303	76%	29,916,295
2015	10,186,562	7,308,367	72%	32,794,490

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 152,429,020
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 152,429,020</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-
Covered Payroll	<u>\$ 91,889,342</u>
UAAL as Percentage of Covered Payroll	<u>166%</u>

The above noted actuarial accrued liability was based on the November 1, 2014, 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 health care 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.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

In the November 1, 2014, 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. Health care cost trend rates ranged from an initial 12 percent and 13 percent for Kaiser and Core Source, respectively, with an ultimate rate of 6.75 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.

NOTE 12 - 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, 2015, 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, 2013 to June 30, 2015:

	<u>Workers' Compensation</u>
Liability Balance, July 1, 2013	\$ 2,795,135
Net claims and changes in estimates	433,867
Claims payments	<u>(433,867)</u>
Liability Balance, June 30, 2014	<u>2,795,135</u>
Net claims and changes in estimates	504,147
Claims payments	<u>(504,147)</u>
Liability Balance, June 30, 2015	<u><u>\$ 2,795,135</u></u>

At June 30, 2015, the Internal Service Fund had retained deficits in the amount of \$2,286,310.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 54,918,256	\$ 4,011,990	\$ 13,523,516	\$ 4,741,219
CalPERS	28,756,787	5,161,266	9,881,154	2,555,891
Total	<u>\$ 83,675,043</u>	<u>\$ 9,173,256</u>	<u>\$ 23,404,670</u>	<u>\$ 7,297,110</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were \$4,011,990.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 54,918,256
State's proportionate share of net pension liability associated with the District	<u>33,162,014</u>
Total	<u><u>\$ 88,080,270</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0940 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$4,741,219. In addition, the District recognized revenue and pension expense of \$2,862,953 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,011,990	\$ -
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>13,523,516</u>
Total	<u><u>\$ 4,011,990</u></u>	<u><u>\$ 13,523,516</u></u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

PERALTA COMMUNITY COLLEGE DISTRICT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The deferred inflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 3,380,879
2017	3,380,879
2018	3,380,879
2019	3,380,879
Total	<u>\$ 13,523,516</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

