



**PERALTA COMMUNITY  
COLLEGE DISTRICT**

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ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2004.**

# PERALTA COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Peralta Community College District  
Oakland, California

We have audited the accompanying basic financial statements of the Peralta Community College District (the District) as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Peralta Community College District as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

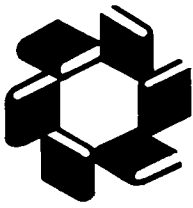
In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 1 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, during the year ended June 30, 2004.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
November 19, 2004



# Peralta Community College District

333 East 8th Street • Oakland, California 94606 • (510) 466-7200

This section of the Peralta Community College District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. This is prepared in compliance with the new reporting standards required for public colleges and universities.

## **FINANCIAL 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 2003-2004, FTES was 18,436, as compared to 18,937 in the fiscal year 2002-2003. This represented a three percent decline. Despite the reduction in total FTES generated, the District is still over the State cap on enrollment funding. FTES is generated at the District's four colleges: College of Alameda, Laney College, Merritt College, and Vista College.
- General Fund revenues for the year were \$100.6 million, an increase of one percent from prior year's revenue of \$98.4 million.
- Due to California's budget problems, the State Chancellor's office imposed a mid-year budget reduction on the District. This mid-year cut resulted in a reduction to the General Fund apportionment of \$1.26 million.
- The District ended the fiscal year 2003-2004 with a net increase in fund balance of \$5.5 million in the unrestricted General Fund leaving the ending fund reserve at 10.4 percent. During the year, the District received a one-time payment from CALTRANS in the amount of \$4.6 million. Had the District not received that payment, the reserve would have been five percent. The Board of Trustees has set a goal to maintain at least a five percent reserve for the General Fund.
- Medical benefits for both employees and retirees continued to increase at double digit rates. The District continues to provide retirees with lifetime medical benefits. The District has accounted for retiree benefits on a "pay-as-you-go basis." The past service liability for the District as of January 1, 2004 is \$115 million. The \$115 million past service liability is comprised of \$60 million of liabilities for active employees expected to retire in the future and \$55 million for retirees.
- The District is using Measure E bonds to pay for various capital improvements to our educational facilities. They include the following:
  1. Investment in our technology infrastructure District-wide.
  2. Renovation of athletic facilities at Laney College, Merritt College, and College of Alameda.
  3. Landscape improvements at Merritt College.
  4. Renovation of student services building at Merritt College and College of Alameda.
  5. Improvements in laboratories and power supplies District-wide.
  6. Cabling and power upgrade for technology.
  7. Renovation of student services center/cafeteria at Laney College.

# **PERALTA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004**

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### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

This annual report consists of three parts: management's discussion and analysis (this section), three basic financial statements that provide information on the District's activities as a whole (the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows), and Supplementary Information.

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by private-sector institution. Net assets, the difference assets and liabilities, are one way to measure the financial health of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public.

The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The financial statements also include Notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements with a comparison of the District's budget for the year.



# PERALTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

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### *FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE*

Condensed financial information is as follows:

#### **Statement of Net Assets**

Net assets, the difference in assets and liabilities, are one way to measure the financial health of the District. Overall, the financial position of the District improved during the fiscal year ended June 30, 2004. Total net assets increased \$1.8 million due primarily to the net increases associated with the receipt of Measure E bond proceeds.

#### **NET ASSETS As of June 30,**

(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets		
Cash and short term receivables	\$ 108,626	\$ 116,315
Inventory and other assets	462	870
Total Current Assets	<u>109,088</u>	<u>117,185</u>
Noncurrent Assets		
Capital assets (net of depreciation)	143,214	126,706
Total Assets	<u>252,302</u>	<u>243,891</u>
 <b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	8,185	10,641
Deferred revenue	1,664	2,246
Amounts held in trust for others	1,544	1,136
Current portion of long-term debt	3,099	31,087
Total Current Liabilities	<u>14,492</u>	<u>45,110</u>
Long-term Debt	<u>148,690</u>	<u>111,492</u>
Total Liabilities	<u>163,182</u>	<u>156,602</u>
 <b>NET ASSETS</b>		
Invested in capital assets	73,525	46,536
Restricted for dependable sources	9,702	35,659
Unrestricted	5,893	5,094
Total Net Assets	<u>\$ 89,120</u>	<u>\$ 87,289</u>

# PERALTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

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This schedule has been prepared from the District's Statement of Net Assets (page 11) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Cash and short-term receivables consist primarily of funds held in the Alameda County Treasury. The changes in the cash position are explained in the Statement of Cash Flows (page 13).

Many of the unrestricted net assets have been designated by the Board or by contracts for such purposes as Federal and State grants, outstanding commitments on contracts, bookstore reserves, and general reserves for the ongoing financial health of the District.

### Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30,

(Amounts in thousands)

	2004	2003
Operating Revenues		
Tuition and fees	\$ 7,506	\$ 6,901
Grants and contracts	29,364	29,390
Total Operating Revenues	<u>36,870</u>	<u>36,291</u>
Operating Expenses		
Salaries and benefits	79,778	82,774
Supplies and maintenance	34,883	31,343
Depreciation	5,775	1,528
Total Operating Expenses	<u>120,436</u>	<u>115,645</u>
Loss on Operations	<u>(83,566)</u>	<u>(79,354)</u>
Nonoperating Revenues and (Expenses)		
State apportionments	39,203	40,783
Property taxes	40,178	39,041
State revenues	6,973	2,669
Interest income	1,853	3,352
Interest expense	(6,177)	(5,774)
Other nonoperating revenues and transfers	2,714	2,586
Total Nonoperating Revenues	<u>84,744</u>	<u>82,657</u>
Other Revenues		
Federal, State, and local capital income	653	1,143
Total Other Revenues	<u>653</u>	<u>1,143</u>
Net Increase in Net Assets	<u>\$ 1,831</u>	<u>\$ 4,446</u>

This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Assets presented on page 12.

The primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

# PERALTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

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Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

While State apportionment and property taxes are the primary source of noncapital related revenue, the new GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

The interest income is primarily the result of cash held at the Alameda County Treasury which was offset by the interest expense. The interest expense relates to interest on short-term loans and notes payable.

The District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 4.

### Statement of Cash Flows for the Year Ended June 30,

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

(Amounts in thousands)

	2004	2003
Cash Provided by (used in)		
Operating activities	\$ (78,931)	\$ (78,441)
Noncapital financing activities	51,931	116,886
Capital financing activities	8,391	(28,570)
Investing activities	1,783	3,743
Net Increase in Cash	(16,826)	13,618
Cash, Beginning of Year	113,733	100,115
Cash, End of Year	<u>\$ 96,907</u>	<u>\$ 113,733</u>

The detail Statement of Cash Flows may be reviewed on page 13.

### ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

#### Capital Assets

At June 30, 2004, the District had \$143,213,605 in a broad range of capital assets including land, buildings, and furniture and equipment. During the year, the District added \$5,997,872 in machinery and equipment. The District also continued to modernize and refurbish various sites within the District.

# PERALTA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

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### Long-term Debt

At the end of this year, the District had \$151.8 million in long-term debt. During the 2003-2004 fiscal year, the District issued general obligation bonds from the 2000 Election Series C in the amount of \$40,000,000.

### ***GENERAL FUND BUDGETARY HIGHLIGHTS***

Over the course of the year, the District revised the annual operating budget as it attempted to deal with unexpected changes in revenues and expenditures.

While the District's final budget for the General Fund anticipated that revenues and expenditures would result in a deficit of \$1.6 million, the actual results for the year showed a net increase in fund balance of \$5.5 million. During the fiscal year, the District received an unbudgeted one-time payment from CALTRANS of \$4.6 million.

- Actual revenues were approximately equal to budget with State revenues under budget by \$4.5 million and local taxes over budget by \$4.7 million.
- The actual expenditures have decreased \$5.1 million due to reductions in salaries and benefits.
- During the fiscal year 2003-2004, the District's contribution to Public Employees Retirement System (PERS) increased by \$1.1 million to \$1.6 million for the year.

### ***ECONOMIC FACTORS AFFECTING THE FUTURE OF PERALTA COMMUNITY COLLEGE DISTRICT***

- The economic position of Peralta Community College District is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 77 percent of the total sources of revenues received by the District in the General unrestricted fund.
- Although the District receives local income from property tax proceeds and student enrollment fees, these local income sources are but a component of the State Base Apportionment calculation. Local income is deducted from the computed total funding level, to determine the amount of State funds necessary to fund the District's Base Apportionment. Because of this formula, the finances of the District are directly tied to the State economy, State revenues, and the State legislative process to allocate revenues for public purposes.
- Student enrollment fees are expected to increase from \$18 per unit to \$26 per unit for fiscal 2004-2005. Although part of this increase may be offset by student financial aid, it is anticipated that the increase may cause overall enrollment to decline.
- Due to the current State Budget deficit, coupled with escalating costs, the Board of Trustees' goal to maintain a five percent General Fund reserve may not be achieved.

## **PERALTA COMMUNITY COLLEGE DISTRICT**

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

**JUNE 30, 2004**

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- The District is closely following State economic forecasts and announcements from the Governor's office on administration spending priorities. Balancing the budget in fiscal 2004-2005 and in future years will require careful financial analysis. The District's challenge will be the development of strategic planning that continues to emphasize the community's access to higher education, while controlling costs to compensate for reduced revenues.

#### ***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 Eight Street, Oakland, California 94606.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF NET ASSETS  
JUNE 30,**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,106,936	\$ 3,639,338
Investments	93,800,614	110,094,138
Accounts receivable, net	11,464,210	2,397,310
Student loans receivable, net	253,723	184,712
Prepaid expenses	234,964	539,844
Stores inventory	227,448	330,387
<b>Total Current Assets</b>	<u>109,087,895</u>	<u>117,185,729</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net of depreciation	143,213,605	126,705,654
<b>TOTAL ASSETS</b>	<u>252,301,500</u>	<u>243,891,383</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	5,732,118	8,296,254
Accrued interest payable	2,451,793	2,345,021
Current loans	-	28,500,000
Deferred revenue	1,664,326	2,245,672
Amounts held in trust on behalf of others	1,544,431	1,136,414
Compensated absences payable - current portion	384,000	287,000
Bonds payable - current portion	2,715,000	2,300,000
<b>Total Current Liabilities</b>	<u>14,491,668</u>	<u>45,110,361</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable - noncurrent portion	2,559,848	2,646,935
Bond payable - noncurrent portion	146,130,000	108,845,000
<b>Total Noncurrent Liabilities</b>	<u>148,689,848</u>	<u>111,491,935</u>
<b>TOTAL LIABILITIES</b>	<u>163,181,516</u>	<u>156,602,296</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	73,524,525	46,535,661
Restricted for:		
Debt service	6,263,365	5,979,261
Capital projects	302,561	29,679,929
Other activities	3,136,287	-
Unrestricted	5,893,246	5,094,236
<b>TOTAL NET ASSETS</b>	<u>\$ 89,119,984</u>	<u>\$ 87,289,087</u>

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

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30,**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Tuition and Fees	\$ 11,264,519	\$ 9,073,835
Less: Scholarship discount and allowance	(3,758,097)	(2,172,503)
Net tuition and fees	<u>7,506,422</u>	<u>6,901,332</u>
Grants and Contracts, noncapital:		
Federal	17,460,443	15,968,195
State	<u>11,903,593</u>	<u>13,421,977</u>
<b>TOTAL OPERATING REVENUES</b>	<u>36,870,458</u>	<u>36,291,504</u>
<b>OPERATING EXPENSES</b>		
Salaries	58,918,023	65,163,243
Employee benefits	20,859,760	17,611,023
Supplies, materials, and other operating expenses and services	34,815,178	31,294,516
Equipment, maintenance, and repairs	68,085	48,103
Depreciation	<u>5,775,181</u>	<u>1,528,613</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>120,436,227</u>	<u>115,645,498</u>
<b>OPERATING LOSS</b>	<u>(83,565,769)</u>	<u>(79,353,994)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	39,202,505	40,782,900
Local property taxes	40,178,413	39,040,777
State taxes and other revenues	6,973,181	2,668,612
Investment income, net	1,783,420	3,251,196
Interest expense on capital related debt	(6,177,150)	(5,773,842)
Interest income on capital asset-related debt, net	69,245	101,531
Transfer from agency fund	(157,238)	(96,166)
Transfer to agency fund	-	6,634
Other nonoperating revenue	<u>2,871,789</u>	<u>2,675,815</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>84,744,165</u>	<u>82,657,457</u>
<b>INCOME BEFORE OTHER REVENUES</b>	<u>1,178,396</u>	<u>3,303,463</u>
State revenues, capital	495,271	987,079
Local revenues, capital	<u>157,230</u>	<u>155,671</u>
<b>TOTAL OTHER REVENUES</b>	<u>652,501</u>	<u>1,142,750</u>
<b>NET INCREASE IN NET ASSETS</b>	1,830,897	4,446,213
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>87,289,087</u>	<u>82,842,874</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 89,119,984</u>	<u>\$ 87,289,087</u>

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

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 7,073,642	\$ 7,357,317
Federal and State grants and contracts	29,238,866	29,231,143
Payments to (on behalf of) employees	(80,361,601)	(82,016,053)
Payments to vendors and suppliers	(34,881,702)	(33,208,656)
Collection of loans to students	-	94,813
Other receipts	-	100,063
<b>Net Cash Used by Operating Activities</b>	<u>(78,930,795)</u>	<u>(78,441,373)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	35,141,236	43,563,909
Property taxes	40,178,413	39,040,777
Other State revenues	2,194,069	2,871,363
Proceeds from bond anticipation note	-	28,700,000
Repayment of notes payable	(28,500,000)	-
Other local revenues	2,917,637	2,710,600
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>51,931,355</u>	<u>116,886,649</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State capital apportionments	609,544	987,079
Local capital grants	157,230	155,671
Proceeds from bond issuance	40,000,000	280,000
Acquisition and construction of capital assets	(24,075,547)	(23,200,438)
Principal paid on capital debt and leases	(2,300,000)	(1,685,000)
Interest received on capital debt	69,245	101,531
Interest paid on capital debt and leases	(6,070,378)	(5,208,973)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>8,390,094</u>	<u>(28,570,130)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	1,783,420	3,743,652
<b>Net Cash Provided by Investing Activities</b>	<u>1,783,420</u>	<u>3,743,652</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(16,825,926)	13,618,798
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	113,733,476	100,114,678
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 96,907,550</u>	<u>\$ 113,733,476</u>

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



**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>2004</u>	<u>2003</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTUALS</b>		
Operating loss	\$ (83,565,769)	\$ (79,353,994)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	5,775,181	1,528,613
Changes in assets and liabilities:		
Receivables, net	275,346	(654,968)
Inventories	102,939	(36,048)
Prepaid items	304,880	(40,959)
Notes receivables, net	-	94,813
Accounts payable and accrued liabilities	(1,650,043)	264,309
Deferred revenue	(581,346)	67,850
Funds held for others	408,017	100,063
Compensated absences	-	(411,052)
Total Adjustments	<u>4,634,974</u>	<u>912,621</u>
<b>Net Cash Used By Operating Activities</b>	<u>\$ (78,930,795)</u>	<u>\$ (78,441,373)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 3,106,936	\$ 3,639,338
Cash in county treasury	93,800,614	110,094,138
<b>Total Cash and Cash Equivalents</b>	<u>\$ 96,907,550</u>	<u>\$ 113,733,476</u>

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

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **A. Organization**

The Peralta Community College District (the District) was established in 1964 as a political subdivision of the State of California and provides educational services to residents of Alameda County. 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. Currently, the District operates four college campuses located in Alameda, Oakland, and Berkley, California.

#### **B. Financial Reporting Entity**

During the year ended June 30, 2004, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government (the District).

#### **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with four joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. Summarized financial information is presented in Note 13 to the financial statements. The JPAs are the Schools Excess Liability Fund (SELF), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Southern California Risk Management Association (SCRMA), and the Alameda County Schools Insurance Group (ACSIG).

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America as applicable to colleges and universities, as well as those prescribed by the California Community College's Chancellor's Office. The District reports are based on all applicable Governmental Accounting Standards Board (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. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

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

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

**D. The following is a summary of the more significant policies:**

- **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

- **Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Investments for which there are no quoted market prices are not material.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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- **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$340,800 and \$20,000 for the years ended June 30, 2004 and 2003, respectively.

- **Inventory**

Inventory consists primarily of supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

- **Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, buildings, and equipment. The District maintains a capitalization threshold of \$5,000. 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 are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. Major outlays for capital improvements are capitalized as Work in Process as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 to 40 years; equipment, 5 to 20 years.

- **Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

- **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.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

- **Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

- **Net Assets**

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

- **Invested in Capital Assets, Net of Related Debt** - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted - Expendable** - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.
- **Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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- **Operating Revenues and Expenses**

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating according to the following criteria:

*Operating revenues* - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

*Nonoperating revenues* - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State appropriations, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

**Classification of Expenses** - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

*Operating expenses* - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses and student financial aid.

*Nonoperating expenses* - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

### **E. 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.

### **F. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### **G. Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan 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*. During the years ended June 30, 2004 and 2003, the District distributed \$1,313,200 and \$1,073,493 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students however the amounts are included on the Schedule of Federal Financial Assistance.

### **H. Reclassifications**

Certain reclassifications were made to prior years' presentations to conform to current year presentation.

## ***NOTE 2 - DEPOSITS AND INVESTMENTS***

### **A. Policies and Practices**

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer. In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000. *California Government Code* Sections 16520-16522 require California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may also 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.

### **B. Deposits**

The carrying amounts of the District's deposits were \$3,106,936 and \$3,639,338 for the years ended June 30, 2004 and 2003, respectively. The bank balances totaled \$2,735,186 and \$3,473,209, respectively. Of these balances, the amounts covered by the Federal Deposit Insurance Corporation were \$385,675 and \$500,000, respectively. The balances of \$2,349,511 and \$2,973,209, respectively, were covered by pooled and/or pledged collateral, but not necessarily held in the District's name (uncollateralized, Risk Category 3).

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the county treasury are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with the county treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county.

The investments at June 30, 2004, are as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	<u>\$ 93,800,614</u>	<u>\$ 93,746,566</u>

The investments at June 30, 2003, are as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	<u>\$ 110,094,138</u>	<u>\$ 113,086,476</u>



**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**NOTE 3 - ACCOUNTS RECEIVABLES**

Accounts receivables consisted of intergovernmental grants, entitlements, interest, and other local sources. (Allowance for bad debts is based upon type and age of receivables.)

**2004**

Federal Government		
Categorical aid		\$ 368,317
State Government		
Apportionment		4,098,156
Categorical aid		258,446
Lottery		164,148
Caltrans		4,566,000
Other State sources		829,805
Local Government		
Personnel receivables		150,247
Other local sources		1,112,091
Total		<u>11,547,210</u>
Less allowance for bad debt		<u>(83,000)</u>
Total Receivables		<u><u>\$ 11,464,210</u></u>
Student receivables		\$ 511,523
Less allowance for bad debt		<u>(257,800)</u>
Student receivables, net		<u><u>\$ 253,723</u></u>

**2003**

Federal Government		
Categorical aid		\$ 544,834
State Government		
Apportionment		36,887
Categorical aid		372,719
Lottery		250,810
Other State sources		530,031
Local Government		
Interest		120,814
Personnel receivables		541,215
Total		<u>\$ 2,397,310</u>
Student receivables		\$ 204,712
Less allowance for bad debt		<u>(20,000)</u>
Student receivables, net		<u><u>\$ 184,712</u></u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 4,553,284	\$ -	\$ -	\$ 4,553,284
Construction in progress	22,659,622	16,285,260	889,905	38,054,977
Total Capital Assets Not Being Depreciated	<u>27,212,906</u>	<u>16,285,260</u>	<u>889,905</u>	<u>42,608,261</u>
<b>Capital Assets Being Depreciated</b>				
Buildings	139,223,506	889,905	-	140,113,411
Site improvements	13,641,214	-	-	13,641,214
Machinery and equipment	15,690,223	5,997,872	-	21,688,095
Total Capital Assets Being Depreciated	<u>168,554,943</u>	<u>6,887,777</u>	<u>-</u>	<u>175,442,720</u>
Total Capital Assets	<u>195,767,849</u>	<u>23,173,037</u>	<u>889,905</u>	<u>218,050,981</u>
<b>Less Accumulated Depreciation</b>				
Buildings	58,475,623	2,776,468	-	61,252,091
Site improvements	1,906,753	633,501	-	2,540,254
Machinery and equipment	8,679,819	2,365,212	-	11,045,031
Total Accumulated Depreciation	<u>69,062,195</u>	<u>5,775,181</u>	<u>-</u>	<u>74,837,376</u>
Net Capital Assets	<u>\$ 126,705,654</u>	<u>\$ 17,397,856</u>	<u>\$ 889,905</u>	<u>\$ 143,213,605</u>

Depreciation expenses were \$5,775,181 and \$1,528,613 for the years ended June 30, 2004 and 2003, respectively.

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system, and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

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**B. Operating Transfers**

Operating transfers between District governmental funds 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 unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

***NOTE 6 - ACCOUNTS PAYABLE***

Accounts payable at June 30, consisted of the following:

**2004**

Accrued payroll		\$ 757,357
Construction		2,790,211
Other		<u>2,184,550</u>
	Total	<u>\$ 5,732,118</u>

**2003**

Accrued payroll		\$ 1,351,088
Apportionment		177,990
Construction		3,704,304
Other		<u>3,062,872</u>
	Total	<u>\$ 8,296,254</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, consisted of the following:

**2004**

Federal categorical aid	\$ 9,676
State categorical aid	880,658
Enrollment fees	344,038
Other local	429,954
Total	<u>\$ 1,664,326</u>

**2003**

Federal categorical aid	\$ 170,507
State categorical aid	1,182,345
Enrollment fees	793,723
Other local	99,097
Total	<u>\$ 2,245,672</u>

**NOTE 8 - LONG-TERM LIABILITIES**

**A. Long-Term Debt Summary**

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
<b>Bonds Payable</b>					
General obligation bonds - 1992 Election	\$ 45,940,000	\$ -	\$1,515,000	\$ 44,425,000	\$1,595,000
General obligation bonds - 1996 Election	7,880,000	-	190,000	7,690,000	210,000
General obligation bonds - 2000 Election	57,325,000	40,000,000	595,000	96,730,000	910,000
Total Bonds Payable	<u>111,145,000</u>	<u>40,000,000</u>	<u>2,300,000</u>	<u>148,845,000</u>	<u>2,715,000</u>
<b>Other Liabilities</b>					
Compensated absences	2,933,935	9,913	-	2,943,848	384,000
Total Long-term Liabilities	<u>\$114,078,935</u>	<u>\$40,009,913</u>	<u>\$2,300,000</u>	<u>\$151,788,848</u>	<u>\$3,099,000</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**B. Description of Debt**

The general obligation bonds have been issued in accordance with voter-approved elections held in 1992, 1996, and 2000. The bonds have been issued to fund various capital improvements throughout the District. The bonds are repaid through tax assessments on property located within the District boundaries. The interest rates for the elections are as follows: 1992 election range from 3.8 percent to 8.0 percent; 1996 election range from 5.1 percent to 8.0 percent; and 2000 election range from 3.2 percent to 8.0 percent.

**C. General Obligation Bond – 1992 Election**

The 1992 general obligation bonds mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 1,595,000	\$ 2,100,375	\$ 3,695,375
2006	1,665,000	2,026,528	3,691,528
2007	1,740,000	1,954,146	3,694,146
2008	1,830,000	1,879,215	3,709,215
2009	1,915,000	1,799,723	3,714,723
2010-2014	11,005,000	7,622,002	18,627,002
2015-2019	13,230,000	4,737,731	17,967,731
2020-2024	9,005,000	1,819,985	10,824,985
2025-2026	2,440,000	102,116	2,542,116
Total	<u>\$ 44,425,000</u>	<u>\$ 24,041,821</u>	<u>\$ 68,466,821</u>

**D. General Obligation Bond – 1996 Election**

The 1996 general obligation bonds mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 210,000	\$ 383,843	\$ 593,843
2006	220,000	372,557	592,557
2007	235,000	360,612	595,612
2008	245,000	348,013	593,013
2009	250,000	335,019	585,019
2010-2014	1,420,000	1,470,031	2,890,031
2015-2019	1,780,000	1,072,781	2,852,781
2020-2024	2,260,000	570,222	2,830,222
2025-2026	1,070,000	55,606	1,125,606
Total	<u>\$ 7,690,000</u>	<u>\$ 4,968,684</u>	<u>\$ 12,658,684</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**E. General Obligation Bond – 2000 Election**

The 2000 general obligation bonds were issued as follows: Series A \$27,500,000, Series B \$30,000,000, and Series C \$40,000,000. The 2000 general obligation bonds mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 910,000	\$ 4,283,457	\$ 5,193,457
2006	1,290,000	4,850,852	6,140,852
2007	1,700,000	4,753,713	6,453,713
2008	1,795,000	4,642,526	6,437,526
2009	1,920,000	4,524,150	6,444,150
2010-2014	11,260,000	20,903,522	32,163,522
2015-2019	13,820,000	7,986,494	21,806,494
2020-2024	17,305,000	14,149,758	31,454,758
2025-2029	21,995,000	9,155,869	31,150,869
2030-2034	22,320,000	3,090,662	25,410,662
2035	2,415,000	60,375	2,475,375
Total	<u>\$ 96,730,000</u>	<u>\$ 78,401,378</u>	<u>\$175,131,378</u>

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in PERS is a minimum age of 50 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 55 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from five years to ten years and varies by employee class. The District recognizes expenditures for these postemployment health benefits on a pay-as-you-go-basis. An actuarial report obtained by the District noted the future cost of this benefit will be in excess of \$115 million.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### ***NOTE 10 - RISK MANAGEMENT***

#### **A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2004, the District contracted with the Alliance of Schools for Cooperative Insurance Programs (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.

#### **B. Workers' Compensation**

For fiscal year 2004, the District participated in the Southern California Risk Management Association (SCRMA) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

#### **C. 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 Directors 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 11 - EMPLOYEE RETIREMENT SYSTEMS***

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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### A. STRS

#### Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CD Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

#### Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.



# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$2,375,424, \$2,451,263, and \$2,238,420, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

### **B. CalPERS**

#### Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Peralta Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

#### Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2003-2004 was 2.894 percent beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771 percent beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42 percent beginning with the first pay period that ends in July 2003.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2004, 2003, and 2002, were \$1,889,135, \$530,685, and \$0, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

### C. On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$54,160 (2.28 percent of salaries subject to STRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the California Community College's Annual Financial and Budget Report (CCFS-311). These amounts also have not been recorded in these financial statements.

## *NOTE 12 - COMMITMENTS AND CONTINGENCIES*

### A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

### B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2004.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004 AND 2003**

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**C. Operating Leases**

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2005	\$ 1,451,229
2006	642,346
2007	560,270
2008	560,270
2009	560,270
Total	<u>\$ 3,774,385</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**D. Construction Commitments**

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Replace Electrical Panels	\$ 199,100	05/01/05
Install High Voltage Iso Switches at Substation	112,228	05/01/05
Replace Boiler #1 - MRT	197,830	05/01/06
Install New Boiler Control Equipment	120,188	05/01/06
Replace Lower Level Asphalt Paving Roads	254,486	07/01/07
Comprehensive Graphics Signage and Info	100,000	07/01/07
DAC Remodel	134,479	04/01/05
Beginner's Inn Remodel	192,224	01/01/05
Library Renovation - Merritt	2,100,000	07/01/07
Energy Retrofit - All Campuses	100,000	07/01/07
Campus Security Lighting Improvement	53,606	05/01/07
Warehouse Emergency Generator - Laney	45,000	05/01/07
Culinary Arts and Students Center	40,750	05/01/07
Flushing of Storm Drains - All	25,985	05/01/07
District Office Building and Earth Stabilization	16,165	05/01/07
Vista Permanent Facility	11,707,000	08/01/06
District-wide Cable and Power	336,102	12/01/04
Merritt Building R Student Services	8,775,820	12/01/06
Laney Building A Students Services	5,674,924	12/01/06
COA Building A Student Services	6,096,108	12/01/06
Merritt Library Renovation	900,000	07/01/07
Merritt Building D Renovation	5,707,000	07/01/07
Merritt Horticulture	448,000	07/01/07
Laney Renovation of Lecture and Multi-Purpose	1,724,000	07/01/07
Conversion of Space - Laney	2,564,500	07/01/07
Conversion of Space - Merritt	3,056,750	07/01/07
Conversion of Space - COA	1,809,250	07/01/07
	<u>\$ 52,491,495</u>	

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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### *NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES*

The District is a member of the Schools Excess Liability Fund (SELF), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Southern California Risk Management Association (SCRMA), and the Alameda County Schools Insurance Group (ACSIG) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities. The JPAs reported no long-term debt outstanding at June 30, 2003. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

	<u>SCRMA</u>	<u>SELF</u>	<u>ACSIG</u>	<u>ASCIP</u>
<b>A. <u>Entity</u></b>	Southern California Risk Management Association	Schools Excess Liability Fund	Alameda County Schools Insurance Group	Alliance of Schools for Cooperative Insurance Programs
<b>B. <u>Purpose</u></b>	To achieve the benefit of reduced premium for workers' compensation	Excess property and liability insurance coverage	Administers the eligibility for Dental Insurance Plans	For property and liability insurance coverage
<b>C. <u>Participants</u></b>	California Community College Districts	California School and Community College Districts	California School and Community College Districts	California School and Community College Districts
<b>D. <u>Governing Board</u></b>	A representative from each member district	A representative from each of the six areas in the State	A representative from each member district	A representative from each member district

**E. Condensed audited financial information as follows:**

	Information	<u>June 30, 2003*</u>	<u>June 30, 2003*</u>	<u>June 30, 2003*</u>
Assets	was not available	\$ 139,052,615	\$ 21,337,088	\$ 80,514,569
Liabilities		(107,855,085)	(17,830,353)	(56,501,953)
Fund Equity		<u>\$ 31,197,530</u>	<u>\$ 3,506,735</u>	<u>\$ 24,012,616</u>
Revenues		40,290,486	71,957,768	37,434,558
Expenses		<u>(56,733,282)</u>	<u>(73,718,619)</u>	<u>(33,661,726)</u>
Net Increase (Decrease) in Fund Equity		<u>\$ (16,442,796)</u>	<u>\$ (1,760,851)</u>	<u>\$ 3,772,832</u>

\* Most current year audited financial information available.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### **NOTE 14 - TAX AND REVENUE ANTICIPATION NOTES**

On July 1, 2003, the District issued \$7,560,000 of Tax and Revenue Anticipation Notes bearing interest at .80 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2004. By April 2003, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

### **NOTE 15 - SUBSEQUENT EVENTS**

The District issued \$7,595,000 of Tax and Revenue Anticipation Notes dated July 1, 2004. The notes mature on June 30, 2005, and yield 1.59 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 2005 until 100 percent of principal and interest due is on account in April 2005.

### **NOTE 16 - NEW ACCOUNTING PRONOUNCEMENT**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in June 2004. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclose on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's revenues, similar to the implementation for GASB Statements No. 34 and 35. GASB Statement No. 45 will be effective for the Peralta Community College District on July 1, 2007. The effect of this pronouncement on the financial condition of the District has not been determined.

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***SUPPLEMENTARY INFORMATION***

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# PERALTA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2004**

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Peralta Community College District was established in 1964 by the electorates of six Alameda County school districts: Alameda, Albany, Berkeley, Emeryville, Oakland, and Piedmont. The District consists of the following two-year community colleges: College of Alameda, Laney College, Merritt College, and Vista College.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Lynn Baranco	President	2004
Ms. Alona Clifton	Vice President	2006
Ms. Susan Duncan	Member	2004
Ms. Linda Handy	Member	2006
Mr. Darryl Moore	Member	2004
Dr. William Riley	Member	2006
Ms. Amey Stone	Member	2004
Ms. Lana Spencer	Student Trustee	2005
Ms. Lisa Watkins-Tanner	Student Trustee	2005

### ADMINISTRATION

Mr. Elihu Harris, Esq.	Chancellor
Ms. Trudy Largent, Esq.	Vice Chancellor, Human Resources
Mr. Howard Perdue	Vice Chancellor, Educational Services
Dr. Cecilia Cervantes	President, College of Alameda
Ms. Judy Walters	President, Vista College
Dr. Evelyn Wesley	President, Merritt College
Dr. Odell Johnson	President, Laney College
Vacant	Associate Vice Chancellor, Budget and Finance
Ms. Yvonne Dorrough	Assistant Vice Chancellor, Budget and Finance
Vacant	Director, Internal Audit

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**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS:</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
Student Financial Aid Cluster [1]		
Pell Grants [1]	84.063	\$ 13,499,119
Pell Administration [1]	84.063	139,064
Federal Supplemental Education Opportunity Grants [1]	84.007	960,892
Federal Work Study Program [1]	84.033	694,075
Federal Work Study Administrative Allowance [1]	84.033	42,120
Federal Family Education Loans [1]	84.032	1,313,200
Gear Up - I Have a Dream	84.334	194,578
<b>PASSED THROUGH STATE DEPARTMENT OF EDUCATION:</b>		
Vocational and Applied Technology Education Act		
Title II-C	84.048	752,152
Tech Prep	84.243	303,100
<b>PASSED THROUGH STATE CHANCELLOR'S OFFICE:</b>		
Bringing in the Outsiders	84.048	1,868
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>17,900,168</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>PASSED THROUGH STATE DEPARTMENT OF EDUCATION:</b>		
Child Care Food Program	10.533	77,703
<b>U.S. DEPARTMENT OF LABOR</b>		
<b>PASSED THROUGH THE OAKLAND PRIVATE INDUSTRY COUNCIL:</b>		
Welfare to Work Program	17.250	11,594
<b>PASSED THROUGH CITY OF ALAMEDA:</b>		
WIA Grant Program One Stop Career Center Operation	17.257	375,278
<b>NATIONAL SCIENCE FOUNDATION</b>		
NSF - Biological Science	47.076	20,545
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Temporary Assistance for Needy Families	93.558	283,083
Retired and Senior Volunteer Program	94.002	136,957
		420,040
<b>PASSED THROUGH YOSEMITE COMMUNITY COLLEGE DISTRICT:</b>		
Child Care and Development Quality Improvement Funds	93.575	10,000
<b>TOTAL FEDERAL EXPENDITURES</b>		<b>\$ 18,815,328</b>

[1] Tested as a major program.

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Cooperative Agencies Resources for Education	\$ 473,215	\$ 56,987	\$ 530,202
Disabled Students Programs and Services	1,996,336	12,988	2,009,324
Extended Opportunity Program and Services	2,402,905	306,545	2,709,450
Extended Opportunity Program Grants	132,687	34,837	167,524
Matriculation - Credit	1,030,879	227,669	1,258,548
Matriculation - Non-Credit	5,892	-	5,892
Child Care	551,686	-	551,686
Child Care	655,575	-	655,575
Economic Development	219,812	-	219,812
Nursing Program	49,882	35,841	85,723
CITD	169,930	58,285	228,215
SMD Center	-	36,078	36,078
Calworks	1,302,412	164,855	1,467,267
California Articulation Number System	20,000	2,363	22,363
Industry Driven	-	8,739	8,739
Telecommunications/Technology Infrastructure	284,806	256,660	541,466
Staff Diversity	21,203	-	21,203
Instructional Equipment	419,156	-	419,156
Department of Rehabilitation	153,647	1,076	154,723
Advanced Transportation	15,000	273	15,273
Cal Grant B/C	1,468,597	5,645	1,474,242
CC Paraprofessional	-	146	146
Foster Care	68,692	5,000	73,692
Integrated Waste Management	-	2,059	2,059
Total			

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 530,202	\$ -	\$ 18,816	\$ -	\$ 511,386	\$ 505,100
2,009,324	-	60,456	-	1,948,868	1,945,108
2,566,068	-	44,448	-	2,521,620	2,531,158
167,524	-	-	-	167,524	167,524
1,258,548	-	314,502	-	944,046	925,095
5,892	-	5,892	-	-	-
551,686	-	-	-	551,686	551,686
655,575	-	-	-	655,575	655,575
-	-	-	-	-	-
86,200	-	58,442	-	27,758	27,758
235,286	-	3,273	-	232,013	222,971
41,228	-	-	-	41,228	36,078
1,467,267	-	181,692	-	1,285,575	1,145,710
17,363	50	-	-	17,413	15,244
8,739	-	-	-	8,739	8,739
478,417	-	126,838	-	351,579	341,459
21,203	-	11,173	-	10,030	10,030
293,705	-	55,126	-	238,579	238,579
120,672	33,719	-	-	154,391	153,699
15,199	-	-	-	15,199	15,017
1,410,140	2,324	-	72,480	1,339,984	1,339,984
146	-	-	-	146	-
35,526	27,542	-	-	63,068	61,972
2,059	-	-	-	2,059	-
<u>\$ 11,977,969</u>	<u>\$ 63,635</u>	<u>\$ 880,658</u>	<u>\$ 72,480</u>	<u>\$ 11,088,466</u>	<u>\$ 10,898,486</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE APPORTIONMENT  
ANNUALIZED ATTENDANCE AND ANNUAL APPRENTICESHIP HOURS  
OF INSTRUCTION  
FOR THE YEAR ENDED JUNE 30, 2004**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. <u>Credit Full-Time Equivalent Student (FTES)</u></b>			
1. Summer	1,949	-	1,949
2. Weekly census	14,703	-	14,703
3. Daily census	604	-	604
4. Actual hours of attendance	486	-	486
5. Independent study/work experience	438	-	438
Subtotal	18,180	-	18,180
<b>B. <u>Noncredit FTES</u></b>			
1. Summer	21	-	21
2. Actual hours of attendance	235	-	235
Subtotal	256	-	256
Total FTES	18,436	-	18,436
<b>C. <u>Basic Skills Courses</u></b>			
Credit			1,334
<b>D. <u>FTES Generated in Leased Space</u></b>			
			908
<b>E. <u>Gross Square Footage</u></b>			
Existing facilities			1,307,643

**Schedule of Annual Apprenticeship Hours of Instruction**

	Reported Data	Audit Adjustments	Audited Data
July 1 - December 31, 2002	6,417	-	6,417
January 1 - April 15, 2003	7,122	-	7,122
Total	13,539	-	13,539

See accompanying note to supplementary information.



# PERALTA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

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

	<u>Capital Projects</u>
FUND BALANCE	
Balance, June 30, 2004, (CCFS-311)	\$ 79,556,864
Increase in:	
Accounts payable	<u>(400,944)</u>
Balance, June 30, 2004, Audited Financial Statement	<u>\$ 79,155,920</u>

See accompanying note to supplementary information.

# PERALTA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2004

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **A. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **B. Schedule of Expenditures of State Awards**

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **C. Schedule of Workload Measures for State Apportionment Annualized Attendance and Annual Apprenticeship Hours of Instruction**

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

#### **D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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**PERALTA COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Child Development</u>	<u>Special Reserve</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,649,103	\$ -	\$ -
Investments	2,112,813	639,682	2,310,016
Accounts receivable	11,153,287	7,353	183,905
Student loans receivable, net	253,723	-	-
Due from other funds	200,000	-	-
Prepaid expenses	234,964	-	-
Stores inventory	227,448	-	-
<b>Total Assets</b>	<u>\$ 15,831,338</u>	<u>\$ 647,035</u>	<u>\$ 2,493,921</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 3,585,073	\$ 4,669	\$ -
Due to other funds	157,238	-	-
Deferred revenue	1,663,862	-	-
<b>Total Liabilities</b>	<u>5,406,173</u>	<u>4,669</u>	<u>-</u>
<b>FUND EQUITY</b>			
Fund Balances			
Reserved	234,964	-	-
Unreserved			
Designated	4,942,980	642,366	2,493,921
Undesignated	5,247,221	-	-
<b>Total Fund Equity</b>	<u>10,425,165</u>	<u>642,366</u>	<u>2,493,921</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 15,831,338</u>	<u>\$ 647,035</u>	<u>\$ 2,493,921</u>

See accompanying note to additional supplementary information.

<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>		
<u>Bond Interest and Redemption</u>	<u>Revenue Bond Project</u>	<u>Capital Outlay Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1,649,103
6,263,365	308,997	81,576,788	93,211,661
-	-	25,717	11,370,262
-	-	-	253,723
-	-	-	200,000
-	-	-	234,964
-	-	-	227,448
<u>\$ 6,263,365</u>	<u>\$ 308,997</u>	<u>\$ 81,602,505</u>	<u>\$ 107,147,161</u>

\$ -	\$ 6,436	\$ 2,446,121	\$ 6,042,299
-	-	-	157,238
-	-	464	1,664,326
<u>-</u>	<u>6,436</u>	<u>2,446,585</u>	<u>7,863,863</u>

-	-	-	234,964
6,263,365	302,561	79,155,920	93,801,113
-	-	-	5,247,221
<u>6,263,365</u>	<u>302,561</u>	<u>79,155,920</u>	<u>99,283,298</u>
<u>\$ 6,263,365</u>	<u>\$ 308,997</u>	<u>\$ 81,602,505</u>	<u>\$ 107,147,161</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET  
PROPRIETARY FUNDS  
JUNE 30, 2004**

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	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Investments	\$ 486,923
<b>FUND EQUITY</b>	
Retained earnings	\$ 486,923

See accompanying note to additional supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	Trust Funds			Agency Fund	Total
	Associated Students Trust	Student Financial Aid	Scholarship and Loan	Other Trust	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 214,119	\$ 108,488	\$ 10,805	\$ 1,124,421	\$ 1,457,833
Investments	-	102,030	-	-	102,030
Accounts receivable	28,697	59,639	2,850	2,762	93,948
Due from other funds	157,238	-	-	-	157,238
Fixed assets	7,201	-	-	-	7,201
<b>Total Assets</b>	<u>\$ 407,255</u>	<u>\$ 270,157</u>	<u>\$ 13,655</u>	<u>\$ 1,127,183</u>	<u>\$ 1,818,250</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 3,662	\$ 70,157	\$ -	\$ -	\$ 73,819
Due to other funds	-	200,000	-	-	200,000
Due to student groups	15,558	-	-	1,127,183	1,142,741
<b>Total Liabilities</b>	<u>19,220</u>	<u>270,157</u>	<u>-</u>	<u>\$ 1,127,183</u>	<u>1,416,560</u>
<b>FUND EQUITY</b>					
Fund Balances					
Unreserved					
Designated	338,035	-	-	-	338,035
<b>Total Fund Equity</b>	<u>388,035</u>	<u>-</u>	<u>13,655</u>	<u>-</u>	<u>401,690</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 407,255</u>	<u>\$ 270,157</u>	<u>\$ 13,655</u>	<u>\$ 1,127,183</u>	<u>\$ 1,818,250</u>

See accompanying note to additional supplementary information.

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**PERALTA COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET RECONCILIATION  
JUNE 30, 2004**

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

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

General Funds	\$ 10,425,165
Special Revenue Funds	3,136,287
Debt Service Fund	6,263,365
Capital Projects Funds	79,458,481
Internal Service Fund	486,923
Fiduciary Funds	<u>1,544,431</u>

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

**\$ 101,314,652**

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.

The cost of capital assets is	218,050,981	
Accumulated depreciation is	(74,837,376)	
Less fixed assets in fiduciary funds	<u>(7,201)</u>	143,206,404

Amounts held in trust on behalf of others (Trust and Agency Funds)

(1,544,431)

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

(2,451,793)

Long-term liabilities at year end consist of:

Bonds payable	148,845,000	
Compensated absences (vacations) - less current portion	<u>2,559,848</u>	<u>(151,404,848)</u>
<b>Total Net Assets</b>		<b><u><u>\$ 89,119,984</u></u></b>

See accompanying note to additional supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Child Development</u>	<u>Special Reserve</u>
<b>REVENUES</b>			
Federal revenues	\$ 2,922,729	\$ 77,703	\$ -
State revenues	55,211,066	1,215,449	-
Local revenues	42,535,702	30,214	559,595
<b>Total Revenues</b>	<u>100,669,497</u>	<u>1,323,366</u>	<u>559,595</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Academic salaries	36,722,895	27,190	-
Classified salaries	21,243,129	946,793	-
Employee benefits	20,429,654	410,839	-
Books and supplies	1,906,992	35,790	-
Services and operating expenditures	13,352,619	9,250	-
Capital outlay	1,236,282	431	-
Debt service - principal	-	-	-
Debt service - interest and other	510,929	-	-
<b>Total Expenditures</b>	<u>95,402,500</u>	<u>1,430,293</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,266,997</u>	<u>(106,927)</u>	<u>559,595</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	1,700,000	-	-
Operating transfers out	(157,238)	-	(1,700,000)
Other sources	-	-	-
Other uses	(1,333,199)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>209,563</u>	<u>-</u>	<u>(1,700,000)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>5,476,560</u>	<u>(106,927)</u>	<u>(1,140,405)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,948,605</u>	<u>749,293</u>	<u>3,634,326</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 10,425,165</u>	<u>\$ 642,366</u>	<u>\$ 2,493,921</u>

See accompanying note to additional supplementary information.

<u>Debt Service Fund</u>	<u>Capital Project Funds</u>		
<u>Bond Interest and Redemption</u>	<u>Revenue Bond Project</u>	<u>Capital Outlay Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 3,000,432
-	-	495,271	56,921,786
8,143,553	84,793	1,201,376	52,555,233
<u>8,143,553</u>	<u>84,793</u>	<u>1,696,647</u>	<u>112,477,451</u>
-	-	-	36,750,085
-	810	64,293	22,255,025
-	-	19,267	20,859,760
-	8,519	332,925	2,284,226
-	12,871	1,401,260	14,776,000
-	49,154	21,068,940	22,354,807
2,300,000	-	-	2,300,000
5,559,449	-	-	6,070,378
<u>7,859,449</u>	<u>71,354</u>	<u>22,886,685</u>	<u>127,650,281</u>
<u>284,104</u>	<u>13,439</u>	<u>(21,190,038)</u>	<u>(15,172,830)</u>
-	-	-	1,700,000
-	-	-	(1,857,238)
-	-	40,000,000	40,000,000
-	-	(308,978)	(1,642,177)
<u>-</u>	<u>-</u>	<u>39,691,022</u>	<u>38,200,585</u>
284,104	13,439	18,500,984	23,027,755
5,979,261	289,122	60,654,936	76,255,543
<u>\$ 6,263,365</u>	<u>\$ 302,561</u>	<u>\$ 79,155,920</u>	<u>\$ 99,283,298</u>

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

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	<b>Internal Service Fund</b>
<b>NONOPERATING REVENUES</b>	
Interest income	<u>\$ 11,286</u>
<b>NET INCOME</b>	11,286
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>475,637</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u><u>\$ 486,923</u></u>

See accompanying note to additional supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

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	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	\$ 11,286
Net Cash Provided from Investing Activities	<u>11,286</u>
Net increase in cash and cash equivalents	11,286
Cash and cash equivalents - Beginning	475,637
Cash and cash equivalents - Ending	<u><u>\$ 486,923</u></u>

See accompanying note to additional supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Trust Funds</b>			<b>Total</b>
	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Scholarship and Loan</b>	
<b>REVENUES</b>				
Federal revenues	\$ -	\$ 14,460,011	\$ -	\$ 14,460,011
State revenues	-	1,652,764	-	1,652,764
Local revenues	239,349	-	3	239,352
<b>Total Revenues</b>	<u>239,349</u>	<u>16,112,775</u>	<u>3</u>	<u>16,352,127</u>
<b>EXPENDITURES</b>				
Current Expenditures				
Services and operating expenditures	225,926	-	-	225,926
<b>Total Expenditures</b>	<u>225,926</u>	<u>-</u>	<u>-</u>	<u>225,926</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>13,423</u>	<u>16,112,775</u>	<u>3</u>	<u>16,126,201</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	157,238	-	-	157,238
Other uses	-	(16,112,775)	-	(16,112,775)
<b>Total Other Financing Sources (Uses)</b>	<u>157,238</u>	<u>(16,112,775)</u>	<u>-</u>	<u>(15,955,537)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	170,661	-	3	170,664
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>217,374</u>	<u>-</u>	<u>13,652</u>	<u>231,026</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 388,035</u>	<u>\$ -</u>	<u>\$ 13,655</u>	<u>\$ 401,690</u>

See accompanying note to additional supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION  
JUNE 30, 2004**

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***NOTE 1 - PURPOSE OF SCHEDULES***

**Fund Financial Statements**

The Fund Financial Statements provide information on the District's individual funds as reported to the State Chancellor's Office. These funds are presented on the modified accrual basis of accounting.

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***INDEPENDENT AUDITORS' REPORTS***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Peralta Community College District  
Oakland, California

We have audited the basic financial statements of Peralta Community College District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Peralta Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Peralta Community College District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2004-1 through 2004-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, certain items are identified as material weaknesses in the Findings and Questioned Costs section of this report.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of Peralta Community College District in a separate letter dated November 19, 2004

Compliance and Other Matters

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

This report is intended solely for the information of the Board of Trustees, District Management, audit committee, the California State Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vawriek, Irine Day & Co. LLP*

Rancho Cucamonga, California  
November 19, 2004



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Peralta Community College District  
Oakland, California

Compliance

We have audited the compliance of Peralta Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Peralta Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as item 2004-4.

## Internal Control Over Compliance

The management of Peralta Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Peralta Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, District Management, audit committee, the California State Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurinek, Irine Day & Co. LLP*

Rancho Cucamonga, California  
November 19, 2004



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Peralta Community College District  
Oakland, California

We have audited the financial statements of the Peralta Community College District for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004.

Our audit was made in accordance with auditing standards generally accepted in the United States of America, and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

### General Directives

#### MIS Implementation - Required Data Elements

##### Compliance Requirement

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

- Credit Full-Time Equivalent Student (FTES) is weekly census, daily census, actual hour of attendance, and apprenticeship courses.
- Noncredit FTES in actual hours of attendance courses.
- Credit Student Headcount Data.
- Gross square footage and FTES growth in leased facilities.

## **Administrative**

### Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)

#### Compliance Requirement

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Section 84362 of the *California Education Code*.

### Fiscal Operation - Gann Limit Calculation

#### Compliance Requirement

Each district shall calculate and adopt an appropriation limit annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of the annual audit of financial statements.

### Apportionments - Students Actively Enrolled

#### Compliance Requirement

Each district shall claim, for apportionment purposes only, the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

### Apportionments - Enrollment Fees

#### Compliance Requirement

Community colleges are required to report the total amount students should have paid for enrollment fees for the purpose of determining each district's share of apportionment revenue.

### Apportionment - Instructional Service Agreements/Contracts

#### Compliance Requirement

Community colleges may claim FTES for classes given at a contractor's site and use the contractor's employees as instructors for the classes if the following requirements are met:

- Programs must be approved by the State Chancellor's Office and courses must be part of those approved programs, or the District must have received delegated authority to separately approve those courses.
- Courses must be open to the general public.
- Students must be under the immediate supervision of a District employee.
- The District employee must possess valid credentials or meet the minimum qualifications required for the assignment.



### Apportionment - Residency Determination for Credit Classes

#### Compliance Requirement

District internal fiscal controls should ensure that State apportionment for credit course is only claimed for student attendance allowed by statute and regulation. Student residence at the time of registration is a major factor for allowing districts to claim State apportionment for credit courses.

### Apportionment - Concurrent Enrollment of K-12 Students in Community College Courses

#### Compliance Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with all related California Education Code sections.

### Open Enrollment

#### Compliance Requirement

Community colleges shall comply with Title 5 provisions of the *California Code of Regulations* related to open enrollment by the general public for all courses being submitted for State apportionment funding.

## **Student Services**

### Uses of Matriculation Funds

#### Compliance Requirement

The District is required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and locally funded portions, must be consistent with the District's State-approved matriculation plan and identifiable as matriculation related activities as authorized by the Seymour-Campbell Matriculation Act of 1986.

## **Special Programs**

### Extended Opportunity Programs and Services - (EOP&S) - Allocation of Costs

#### Compliance Requirement

Salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, Student Services at the Dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against EOP&S accounts unless their activities require them to perform additional functions for the EOP&S program that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S.

Extended Opportunity Programs and Services (EOP&S) - Administrator/Director Requirements

Compliance Requirement

Districts accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities.

**Facilities Program**

Scheduled Maintenance Program

Compliance Requirement

Funds provided by the State must be used to supplement, not supplant, District deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and District's match for the Scheduled Maintenance Program for the year being audited.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings 2004-5 and 2004-6 described in the accompanying Schedule of State Awards Findings and Questioned Costs, the Peralta Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2004.

This report is intended solely for the information of the Board of Trustees, District Management, audit committee, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Waurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
November 19, 2004

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

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**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007</u>	<u>Federal Supplemental Education Opportunity Grant</u>
<u>84.063</u>	<u>Pell</u>
<u>84.033</u>	<u>Federal Work Study</u>
<u>84.032</u>	<u>Federal Family Education Loans</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 564,460</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

# PERALTA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

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

### ***MATERIAL WEAKNESSES***

#### ***AUTOMATED ADMINISTRATIVE/ACCOUNTING SYSTEM***

##### **2004-1 Finding**

As noted in the past years' audit reports, the administrative and financial accounting software system utilized by the District does not contain a self-balancing chart of accounts. As a result, it is necessary for the accounting staff to maintain a separate QuickBooks system to provide a balanced set of financial statements for review, analysis, and presentation to the Board of Trustees. The use of a separate system for the financial accounting leaves open the ability for errors and omissions to be made in the reporting of the financial activity. Neither the current accounting system nor the QuickBooks accounting system is integrated with the Human Resources Department or the student accounting system. Again, the ability for errors to occur and not be detected within these areas is high without the intensive staff time needed to analyze these accounts.

The current system does not provide a crossover analysis to either employee records within the Human Resources Department or to student records, financial aid, or admissions and records. Each of these areas must be manually reconciled in order to determine that all transactions have been properly posted.

The system currently being used is unique to the Peralta Community College District. In the event of a disaster, the ability of the District to recover financial and administrative data is negatively impacted by this situation.

##### **Recommendation**

Obtaining and utilizing a fully integrated accounting software package must be the highest priority of the District. The system considered and selected should include a fully integrated accounting chart of accounts for all assets, liabilities, revenues, and expenditures of the District and be integrated to the Human Resources Department and the student accounting system. Until the system can be upgraded, the analysis, reconciling, and reporting of financial information must be closely monitored and reviewed to ensure accuracy and completeness.

##### **District Response**

The District has purchased from Peoplesoft, release 8.8 administrative software system. This fully integrated system includes a human resource system, financial management system, and a student information system. An implementation plan has been developed, and we are currently building the configuration templates and initiating staff training. It is expected that the payroll/human resource system will be operating early next year, and the financial/general ledger system will be operational on July 1, 2005.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

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### *REPORTABLE CONDITIONS*

#### *DISTRICT FINANCIAL CONDITION*

##### 2004-2 Finding

The District was able to reverse the recent trend in deficit spending through the receipt of one-time funds from Cal Trans. The revenues received have also served to restore the District's available reserves to the five percent level recommended by the State Chancellor's Office. However, these one-time monies will not be available for future periods, and the District's future budgets and reserve levels could be negatively impacted by changes in the State-wide funding levels.

##### Recommendation

The budget for the 2004-2005 fiscal year must be closely monitored to ensure the reserve levels do not once again fall below the five percent recommended levels. As changes in the State-wide budget for the community college system are made public, the impact to the District's budget must be noted and any changes necessary in the spending assumptions updated.

##### District Response

The stated goal of the Board of Trustees is to maintain at least a five percent General Fund reserve. The 2004-2005 Adopted Budget indicates that the District will maintain a five percent reserve at June 30, 2005. The District is closely monitoring possible changes in the State-wide budget, our enrollment targets, and current fiscal year expenditures in order to maintain our reserve.

#### *DISTRICT BUSINESS OFFICE STAFFING*

##### 2004-3 Finding

Near the close of the financial reporting for the 2003-2004 fiscal year, the District had vacancies in the following key positions: Chief Business Officer, Director of Purchasing, Director of Human Resources, Director of Plant Services, and Internal Auditor. With these key positions open during the closing process, the primary responsibility for posting closing entries and analyzing accounts for all funds fell to one person. As noted in the previous comments, the District's financial accounting software requires a great deal of manual reconciliation and analysis in order to provide proper reporting of the activity with all funds. The vacancies noted negatively impacted the timeliness of closing the accounting reports and left no one to provide a separate analysis of the transactions.

# PERALTA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

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### Recommendation

The filling of these key positions should be a high priority of the District. Alternative procedures to ensure the proper reconciliation and analysis of all accounts should be put into place in the event that future vacancies occur. The director positions are key to the oversight and monitoring of District assets and analysis of the activity during the year. The District is fiscally independent of the County Office and the internal auditor position is key to provide ongoing oversight of the internal control structure.

### District Response

Filling these key positions has been a priority of the Board of Trustees and the Chancellor. The District has completed the hiring process and has hired, or is about to make employment offers to, the Vice Chancellor of Human Resources, Director of General Services (formerly Director of Purchasing/Physical Plant), and the Associate Vice Chancellor for Finance and Budget and Chief Financial Officer. The District plans to hire independent contractors for audit requests during the fiscal year.



# PERALTA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

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

### *FEDERAL COMPLIANCE/STUDENT FINANCIAL AID*

#### **2004-4 Finding**

Funds in the amount of \$500 was disbursed to a student who was not enrolled in any coursework at Vista College during the term when the check was drawn. Internal controls in the area appear to be inadequate to provide assurance that funds will not be disbursed to an ineligible student. Funds were requested by an undetermined employee and disbursed.

#### **Recommendation**

The funds disbursed to the ineligible student should be returned to the Department of Education. A complete list of students withdrawn should be maintained for the audit review. Back-up to the report should be provided at that time including R2T4 calculations for each student. Additionally, the R2T4 calculation should be supported by evidence of disbursement and evidence of enrolled units. The incident cited above has since been remedied. The District has submitted revised policies for auditor review and returned the funds to Department of Education.

#### **District Response**

The Financial Aid Office and Business Services have revised their procedures.

# PERALTA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

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

### *EXTENDED OPPORTUNITY PROGRAMS AND SERVICES*

#### 2004-5 Finding

The Extended Opportunity Programs and Services (EOP&S) was established to help and encourage local community colleges to establish and develop programs directed to identifying those students affected by language, social, and economic handicaps, and to establish and develop services to help with the retention in community colleges. Cal. Code Regs. Title 5 section 56208, 56210, 56230, 56270, 56293, 56295, 56296 have direct guidelines which the College must follow in order to remain in compliance with the programs requirements.

The District is out of compliance within the following areas:

- The Colleges are required to have an EOP&S Advisory Committee that meets at least once each academic year. Currently, Merritt, Laney, and Alameda Colleges do not have an advisory committee. Therefore, they are out of compliance with this requirement.
- The District's contribution shall equal the three year average reported by the District in its final budget report for the three previous academic years or 15 percent of the average EOP&S allocation over that same period, whichever is greater. Currently, Laney College is not in compliance with this requirement.
- The College's Business Office and the Campus' EOP&S staff must work together to make sure they stay in compliance with matching requirements and hiring of key staff members within the EOP&S area. Due to budget cuts and positions not being filled, coordinators were not hired to fill important positions within the EOP&S area. Also, as mentioned above, Laney College was not in compliance with their required District matching requirement.

#### Recommendation

Each campus does have a Director of EOP&S; however, the Advisory Committee is a key component in ensuring compliance with the plan for spending within each year. The Director should work closely with the District Office to make sure they are in compliance with the State and that they are monitoring their programs closely. The District should work closely with the State Chancellor's Office to determine whether or not a waiver can be obtained for Laney College contribution requirement as the District's other colleges were in compliance and had excess contributions.

#### District Response

The District and the Colleges will fully implement the recommendations.

# PERALTA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

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### *BFAP-SFAA FUNDING*

#### 2004-6 Finding

Each campus' Financial Aid Office is awarded BFAP-SFAA money to help supplement expansion within the financial aid administration. There are strict guidelines for spending to all community colleges. These State funds are not to be used to supplant already existing expenses. Currently, the District office is using BFAP-SFAA funds to pay fringe benefits of prior employees hired in 1996 by using 50 percent BFAP funding and 50 percent District funds. The amount in question is \$10,733. According to communication from the California Community College's Chancellor's Office, this practice is prohibited in the Budget Act language. The funds are not to be used to supplant, but are to be used to supplement.

#### Recommendation

The District must adhere to the spending requirements of the BFAP-SFAA funds. The District must communicate with each campus' financial aid supervisor to make sure they are in compliance with this requirement.

#### District Response

The District and the Financial Aid Office will adhere to the BFAP-SFAA spending requirements.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

### *FINANCIAL STATEMENT FINDINGS*

#### *MATERIAL WEAKNESSES*

#### *AUTOMATED ADMINISTRATIVE/ACCOUNTING SYSTEM*

##### 2003-1 Finding

As noted in the past years' audit reports, the administrative and financial accounting software system utilized by the District does not contain a self-balancing chart of accounts. As a result, it is necessary for the accounting staff to maintain a separate QuickBooks system to provide a balanced set of financial statements for review, analysis, and presentation to the Board of Trustees. The use of a separate system for the financial accounting leaves open the ability for errors and omissions to be made in the reporting of the financial activity. Neither the current accounting system nor the QuickBooks accounting system is integrated with the Human Resources Department or the student accounting system. Again, the ability for errors to occur and not be detected within these areas is high without the intensive staff time needed to analyze these accounts.

The current system does not provide a crossover analysis to either employee records within the Human Resources Department or to student records, financial aid, or admissions and records. Each of these areas must be manually reconciled in order to determine that all transactions have been properly posted.

The current system is unique to Peralta Community College District. In the event of a disaster, the ability of the District to recover financial and administrative data is negatively impacted by this situation.

#### Recommendation

Obtaining and utilizing a fully integrated accounting software package must be the highest priority of the District. The system considered and selected should include a fully integrated accounting chart of accounts for all assets, liabilities revenues, and expenditures of the District and be integrated to the Human Resources Department and the student accounting system. Until the system can be upgraded, the analysis, reconciling, and reporting of financial information must be closely monitored and reviewed to ensure accuracy and completeness.

#### Current Status

Not implemented. See current year financial statement finding 2004-1.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### *REPORTABLE CONDITIONS*

#### *DISTRICT FINANCIAL CONDITION*

##### 2003-2 **Finding**

The District's Unrestricted General Fund has incurred approximately \$3.7 million more in costs than available revenues. This deficit spending has caused the Unrestricted General Fund ending balance to decrease from \$7.4 million to \$3.6 million. Part of this ending balance has been restricted by Federal or State program funding sources or designated by the Board for specific activities with approximately \$1.4 million being specifically reserved for economic uncertainties. The State Chancellor's Office recommends a reserve level be maintained for economic uncertainties of at least five percent of the General Fund expenditures. At June 30, 2003, the District's ending balance reserves as calculated utilizing the State Chancellor's Office criteria had fallen to less than five percent. The financial stability of the District is directly dependent upon maintaining adequate reserves to weather the Statewide economic conditions that are reducing the funds available to community college districts.

#### **Recommendation**

The District and the Board must monitor the budgeted expenditures for the 2003-2004 fiscal year and review monthly financial statements to ensure this trend of deficit spending does not continue. A plan to bring the available reserves back to the minimum level recommended by the State Chancellor's Office should be developed and implemented as soon as possible.

#### **Current Status**

Not implemented. See current year financial statement finding 2004-2.

#### *DISTRICT BUSINESS OFFICE STAFFING*

##### 2003-3 **Finding**

Near the close of the financial reporting for the 2002-2003 fiscal year, the District had vacancies in the following key positions: Chief Business Officer, Director of Purchasing, Director of Human Resources, Director of Plant Services, and Internal Auditor. With these key positions open during the closing process, the primary responsibility for posting closing entries and analyzing accounts for all funds fell to one person. As noted in the previous comments, the District's financial accounting software requires a great deal of manual reconciliation and analysis in order to provide proper reporting of the activity with all funds. Reconciliations of the official accounting records to the Annual Financial and Budget Report (CCFS-311) for audit purposes were provided on December 22, 2003. The vacancies noted negatively impacted the timeliness of closing the accounting reports and left no one to provide a separate analysis of the transactions.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### Recommendation

The filling of these key positions should be a high priority of the District. Alternative procedures to ensure the proper reconciliation and analysis of all accounts should be put into place in the event future vacancies occur.

### Current Status

Not implemented. See current year financial statement finding 2004-3.

### *BUSINESS OFFICE PROCEDURES*

#### 2003-4 Finding

The District Office has not developed standardized written procedures to formalize the duties within the Business Office. A concise operating procedure manual with recommended procedures for such areas as bank account reconciliations, accounts payable processing, authorization of journal entries, and account analysis, as well as proper accounting and internal control and Board policies is an essential tool to ensure all operations of the Business Office continue in the event individuals are out for extended periods of time. Currently, there is little cross-training of the Business Office staff, which does not allow for proper internal controls.

### Recommendation

A procedure manual for the Business Office should be developed and implemented to serve as a guide for recommended procedures, as well as a resource and training manual. In the event individuals are out for any length of time, others can then step in to perform the functions without loss of valuable time or oversight for the accounting records. The manual can also be a tool to cross-train the Business Office staff in a variety of duties to ensure rotation and oversight of the various functions. As the automated administrative and accounting system is brought on-line, the procedure manual should be updated to take into account the necessary changes in procedures.

### Current Status

The Business Office procedure manual will be developed with the new Peoplesoft administrative accounting software system.

### *DISTRICT WAREHOUSE*

#### 2003-5 Finding

The security of the District warehouse appears to be lax. During our physical inspection of warehouse procedures, we noted open access to the warehouse was available to anyone entering the building. The warehouse dock had equipment that had been delivered, but was not checked in. This equipment was in public view and unattended. We also noted computer equipment that had been delivered as early as May 2003, yet had not been put into place for use during our tour in November 2003.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### Recommendation

Access to the District warehouse should be strictly limited to warehouse employees and District employees with proper authorization. All equipment should be checked in immediately in order to ensure items ordered are what has actually been delivered. All computer equipment and other small items should be maintained in a locked and secure area until delivered to the proper department or location.

### Current Status

Improved.

### *FIXED ASSET ACCOUNTING*

#### 2003-6 Finding

The District is now required to capitalize equipment purchased over a certain dollar amount. The Business Office provided the accounting for the purchase of any additions to the capitalized equipment and the related depreciation; however, there is no current fixed asset accounting system in place to maintain the recording of capitalization and depreciation of the capital assets of the District. We also noted a backlog of invoices received that had not been properly tagged with the District name and asset number. Additionally, a physical inspection of items purchased in past years had not been performed to ensure to equipment was still in use by the District.

### Recommendation

The District should obtain a fixed asset accounting system, or ensure that a module to account for the capitalization and depreciation of all capital assets is included in the accounting software package noted in the first recommendation. This will allow for the automated tracking of all assets purchased by the District. On an annual basis the District should make a physical inspection of equipment purchased by the District to ensure that all items purchased remain on site for the District's intended purpose.

### Current Status

The Peoplesoft administrative accounting system will include a fixed asset accounting module.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### *RETIREE HEALTH CARE COSTS*

**2003-7**    **Finding**

The District provides health care benefits to retirees in accordance with negotiated contracts. The benefits are provided for the time of retirement until death for the employee and qualifying dependents. The District had obtained an actuarial analysis during the 2001-2002 fiscal year of the future liability the District will incur related to the obligation. The results of this study noted the future cost was estimated to be in excess of \$150 million. The District has not adopted a formal plan for the funding of this liability. Current accounting standards are being updated to require the District account for the obligation and develop a funding plan. These standards are anticipated to take effect with the 2007-2008 fiscal year.

**Recommendation**

The District should develop a plan to begin the annual funding of this liability to ensure the financial stability of the District. This will also ensure that funds are available to the retirees to pay this obligation.

**Current Status**

An actuarial study has been obtained and the District will be prepared to fully implement GASB Statement No. 45.

### *BANK RECONCILIATIONS*

**2003-8**    **Finding**

Bank reconciliations have not been performed on a timely basis for the District's cash account and the college campus' site clearing accounts. Due to this delay, the District is not notified of the interest earnings or various service fees on a consistent monthly basis and cannot properly record these items in the proper accounts of the District.

**Recommendation**

All bank reconciliations should be prepared on a consistent monthly basis and sent to the District Business Office for review. All outstanding items, such as interest earnings and service fees, should be reconciled and posted to the proper accounts within the District's general ledger.

**Current Status**

Improved.



**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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***OUTSTANDING CHECKS***

**2003-9 Finding**

It was noted during testing that the Student Financial Aid wire transfer account had outstanding checks that were stale-dated. These checks were written as far back as June 2002, and remain on the reconciling items list for the bank reconciliation.

**Recommendation**

All checks over six months old should be reviewed and adjusted off the District books by crediting back the appropriate account.

**Current Status**

Implemented.

**2003-10 Finding**

It was noted during testing that the Blue Cross wire transfer account had outstanding checks that were stale-dated. These checks were written as far back as June 2000, and remain on the reconciling items list for the bank reconciliation.

**Recommendation**

All checks over six months old should be reviewed and adjusted off the District books by crediting back the appropriate account.

**Current Status**

Implemented.

***CASH ACCOUNT BALANCES***

**2003-11 Finding**

The amount kept on the books for the payroll imprest account and the wire tax account is unusually high. Interest earnings are very limited within these checking accounts.

**Recommendation**

The account balance within these accounts should be maintained at a minimum amount and replenished right before a payroll run or tax deposit is due. The balance of the funds should be transferred to the County where the interest can be accumulated at a high rate.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### Current Status

Improved. The District will continue to monitor this area.

### *PAYROLL LIABILITY ACCOUNT*

#### 2003-12 Finding

The payroll liability account had not been reconciled or reviewed as of June 30, 2003. It was also noted that journal postings had been recorded erroneously and had not been corrected.

### Recommendation

It is imperative that management reconciles all accounts and reviews all journal entries within each of the balance sheet accounts. A supervisor within the Business Department should properly approve any items that require a correcting entry or additional reconciliation.

### Current Status

Implemented.

### *PAYROLL*

#### 2003-13 Finding

The Payroll Department is currently responsible for inputting salary placements authorized by Human Resources Department into the Human Resources Department system. There is not a reconciliation or review of these entries by the Human Resources Department to ensure all entries are properly posted and authorized.

### Recommendation

Proper segregation of duties requires the authorization of payroll entries be separated from the recording functions of payroll. Therefore, only the Human Resources Department should have access to make changes to employee pay in the Human Resources Department system. Within the current systems available to the District, if the Payroll Department must be responsible for the data entry, the Human Resources Department should receive a report with all changes made and reconcile to the authorized payroll change data. This will provide a compensating control that will help ensure that all changes have been properly authorized.

### Current Status

Not implemented. The Peoplesoft administrative accounting system will provide integration and reconciliations between these departments.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### *PERSONNEL RECEIVABLES*

#### 2003-14 Finding

As noted in the prior year audit report, amounts are owed to the District for payroll overpayments and prepayments. These amounts have not been reconciled, nor is there a listing of the individuals and the actual amounts they owe maintained. A formal payment schedule has not been prepared for the repayment. The records between the Payroll Office and the Business Office have not been updated or formalized to ensure all amounts received as repayment are properly credited to the employee account.

#### Recommendation

The amounts owed from employees should be researched and a formal repayment schedule should be prepared for each employee. When payment is made, the accounting records between the Payroll Office and the Business Office should be updated and reconciled.

#### Current Status

The District is continuing to monitor these receivables.

#### 2003-15 Finding

During our analysis of the above noted receivables from employees, we noted one of the primary causes for the over payments to employees is that information regarding employee status has not been forwarded to the Payroll or Human Resources Departments from the College Business Offices in a timely manner. As a result, individuals that may have a reduced workload are paid at their full workload rate for a period of time and then must repay the District once this is discovered.

#### Recommendation

All changes in employee status must be forwarded to the Payroll and Human Resources Departments at the time of the status change. This will allow the changes to be updated on the employee record and will reduce the number and amount of any overpayments.

#### Current Status

Improved.

### *CATEGORICAL PROGRAM ACCOUNTING*

#### 2003-16 Finding

We were unable to reconcile the balances carried forward from prior year for several categorical programs. Upon further analysis of the variances, it was noted that differences were the primary result of incorrect budgets in current fiscal year and possible overspending of grants.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### Recommendation

Grant carryovers should be maintained from year to year and reconciled to the audit schedule. Proper coordination between the Business Office, which is responsible for recording expenditures, and the Educational Services Office, which is responsible for budgeting, should be reviewed. Any variances between the records of the two departments should be analyzed, and any adjustments necessary should be recorded within the proper accounts.

### Current Status

Improved.

### *COLLEGE PURCHASING PROCEDURES*

#### 2003-17 Finding

The college Business Offices maintain their budgets for expenditures within various categories. We noted equipment that had been purchased and delivered to the warehouse prior to budgets being available to have the equipment properly installed at the college. This has resulted in several purchases being made for equipment that is not being properly utilized.

### Recommendation

Purchases for equipment that must be specially installed should be matched against the budgets for any special construction or installation and delivery needs prior to the purchase actually taking place.

### Current Status

Implemented.

### *ASSOCIATED STUDENT GOVERNMENT (ASG)*

#### *Merritt College*

#### 2003-18 Finding

Deposits are not accompanied by a recap of the total receipts issued which pertain to the cash amount forwarded. One out of five disbursements tested lacked supporting documentation. It appears an "honor system" was used and employees would be reimbursed without submitting supporting documentation such as an invoice or receipt.

### Recommendation

The District Business Office should assist the Associated Student Government in implementing proper internal controls over cash collections and deposits, as well as proper internal controls related to the purchasing or reimbursement functions.

**PERALTA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**Current Status**

Improved.

*College of Alameda*

**2003-19 Finding**

The Associated Student Government is not making timely bank deposits of cash collected. Audit testing showed a time lag of up to three months between the receipt of cash and the actual deposit to the bank.

**Recommendation**

The District Business Office should assist the Associated Student Government in implementing proper internal controls over cash collections and deposits. All deposits should be made on a weekly basis, or more often if the deposit is large.

**Current Status**

Improved.

*ASG FUNDS – CLUB ACCOUNTS*

**2003-20 Finding**

The current accounting records do not provide adequate detail as to the revenue and expense activity for each of the on-campus student clubs. This information is necessary to ensure that all revenues are deposited to the proper club account general ledger and that the club officers have properly authorized all expenditures.

**Recommendation**

The District Business Office should assist the Associated Student Government in implementing proper internal controls over accounting and reporting of financial activity within the campus club accounts. Monthly accounting summaries should be provided to each club to ensure proper posting and authorization of all activity.

**Current Status**

Improved.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### *TRUST AND AGENCY FUNDS*

#### *Merritt College*

#### 2003-21 **Finding**

Bank statements have not been reconciled timely during the year. At June 30, 2003, an adjusting entry was made to account for all reconciling items, including interest and bank charges, for the prior six months. Additionally, stale-dated checks in excess of one year old have been maintained as reconciling items.

#### **Recommendation**

Bank accounts should be reconciled monthly as soon as the bank statements are received. Any interest earned or charges should be posted to the accounting records at the time the reconciliation is completed. The District Business Office should assist the College Business Office in implementing proper internal controls over the account reconciliation process.

#### **Current Status**

Improved.

#### *Vista College*

#### 2003-22 **Finding**

The bank account has not been properly reconciled. A variance between the book balance and the bank account balance of over \$3,000 could not be explained and had remained on the books as a continuing item.

#### **Recommendation**

All bank accounts should be reconciled on a monthly basis as soon as the bank statement is received. Any variances should be investigated and reconciled to ensure the bank balances and the book balances are the same. The District Business Office should assist the College Business Office in implementing proper internal controls over the account reconciliation process.

#### **Current Status**

Improved.

# PERALTA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### *FEDERAL COMPLIANCE*

#### *VATEA*

#### 2003-23 Finding

Documentation supporting salaries paid to employees charged to Federal Programs as described in the OMB A-21 cost circular has not been maintained.

#### Recommendation

The District should evaluate the different methods of supporting salary charges to Federal programs described in OMB A-21 to ascertain the most efficient method to meet this compliance requirement and implement the proper accounting of these charges during the current fiscal year.

#### Current Status

Implemented.

### *STATE COMPLIANCE CONCURRENT ENROLLMENT*

#### *OPEN ENROLLMENT*

#### 2003-24 Finding

Title 5 of the California Code of Regulations (CCR) specifies that the Governing Board of the District must adopt by resolution a policy on open enrollment as specified in CCR Section 51005. Additionally, a statement of this policy must be printed in each college's official catalog, schedule of classes, and any addenda to the schedule of classes. Courses that qualify for State apportionment must be open to enrollment by the general public unless specifically exempted by statute.

We noted that the class schedule for Vista College did not contain a copy of the District's open enrollment policy as required by the above regulations. Additional testing at the three other colleges of the District (Laney, Merritt, and Alameda) noted proper language in the class schedules.

#### Recommendation

The process for approving the content of the colleges' class schedule should include a checklist of required information such as the open enrollment policy. The class schedules for upcoming semesters should include the proper verbiage required by this regulation.

#### Current Status

Implemented.