



**PERALTA COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

PERALTA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Peralta Community College District
Oakland, California

We have audited the accompanying financial statements of the Peralta Community College District (the District) as of and for the years ended June 30, 2005 and 2004, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2005 and 2004, 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 accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. 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 21, 2005, 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 or 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, 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. The Additional Supplementary Information on pages 70 through 77 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.



Rancho Cucamonga, California
November 21, 2005



Peralta Community College District

333 East Eighth 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, 2005. 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 2004-2005, FTES was 17,775, as compared to 18,436 in the fiscal year 2003-2004. This represented a 3.6 percent decline. Despite the reduction in total FTES generated, the District's funding is capped at the 17,775 FTES level. 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 \$101.8 million, an increase of 1.2 percent from prior year's revenue of \$100.6 million.
- The District ended the fiscal year 2004-2005 with a net decrease in fund balance of approximately \$1 million in the unrestricted General Fund leaving the ending fund reserve at 8.8 percent. The Board of Trustees has set a goal to maintain at least a five percent reserve for the unrestricted 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. For employees hired after July 1, 2004, medical benefits upon retirement are provided until age 65. The District has accounted for retiree benefits on a "pay-as-you-go basis." The actuarial accrued liability at a 4.5 percent discount rate for the District as of November 15, 2005, is \$135.9 million. The actuarial accrued liability is comprised of \$62.2 million of liabilities for active employees expected to retire in the future and \$73.7 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 Laney College, Merritt College, and College of Alameda.
 5. Improvements in laboratories and power supplies District-wide.
 6. Cabling and power upgrade for technology.
 7. Construction of a six story urban campus for Vista College in Berkeley.

PERALTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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 institutions. Net assets, the difference between assets and liabilities, is 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, 2005

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed financial information is as follows:

Statement of Net Assets

Net assets, the difference between assets and liabilities, is 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, 2005. Total net assets increased approximately \$6.6 million due primarily to the net increase associated with receipt of Measure E Bond proceeds.

NET ASSETS As of June 30,

(Amounts in thousands)

	2005	2004	2003
ASSETS			
Current Assets			
Cash and investments	\$ 82,329	\$ 96,908	\$ 113,733
Accounts receivable and other assets	9,945	12,180	3,452
Total Current Assets	<u>92,274</u>	<u>109,088</u>	<u>117,185</u>
Noncurrent Assets			
Capital assets (net of depreciation)	167,463	143,214	126,706
Total Assets	<u>259,737</u>	<u>252,302</u>	<u>243,891</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	10,315	8,185	10,641
Deferred revenue	1,804	1,664	2,246
Amounts held in trust for others	1,810	1,544	1,136
Current portion of long-term debt	3,559	3,099	31,087
Total Current Liabilities	<u>17,488</u>	<u>14,492</u>	<u>45,110</u>
Long-term Debt	<u>146,554</u>	<u>148,690</u>	<u>111,492</u>
Total Liabilities	<u>164,042</u>	<u>163,182</u>	<u>156,602</u>
NET ASSETS			
Invested in capital assets	79,676	73,525	46,536
Restricted for dependable sources	11,908	9,702	35,659
Unrestricted	4,111	5,893	5,094
Total Net Assets	<u>\$ 95,695</u>	<u>\$ 89,120</u>	<u>\$ 87,289</u>

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.

PERALTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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)

	2005	2004	2003
Operating Revenues			
Tuition and fees	\$ 8,213	\$ 7,506	\$ 6,901
Grants and contracts	25,209	29,364	29,390
Total Operating Revenues	<u>33,422</u>	<u>36,870</u>	<u>36,291</u>
Operating Expenses			
Salaries and benefits	86,426	79,778	82,774
Supplies and maintenance	40,463	34,883	31,343
Depreciation	5,775	5,775	1,528
Total Operating Expenses	<u>132,664</u>	<u>120,436</u>	<u>115,645</u>
Loss on Operations	<u>(99,242)</u>	<u>(83,566)</u>	<u>(79,354)</u>
Nonoperating Revenues and (Expenses)			
State apportionments	50,867	39,203	40,783
Property taxes	36,465	40,178	39,041
State revenues	7,415	6,973	2,669
Interest income	2,076	1,853	3,352
Interest expense	(8,176)	(6,177)	(5,774)
Other nonoperating revenues and transfers	4,122	2,714	2,586
Total Nonoperating Revenues	<u>92,769</u>	<u>84,744</u>	<u>82,657</u>
Other Revenues			
State and local capital income	13,048	653	1,143
Total Other Revenues	<u>13,048</u>	<u>653</u>	<u>1,143</u>
Net Increase in Net Assets	<u>\$ 6,575</u>	<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, 2005

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 expenditures related to the programs.

While State apportionment and property taxes are the primary source of noncapital related revenue, the new Governmental Accounting Standards Board (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.

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.

Statement of Cash Flows for the Year Ended June 30,

(Amounts in thousands)

	2005	2004	2003
Cash Provided by (used in)			
Operating activities	\$ (95,200)	\$ (78,931)	\$ (78,441)
Noncapital financing activities	103,240	51,931	116,886
Capital financing activities	(24,605)	8,391	(28,570)
Investing activities	1,986	1,784	3,743
Net Increase (Decrease) in Cash	(14,579)	(16,825)	13,618
Cash, Beginning of Year	96,908	113,733	100,115
Cash, End of Year	<u>\$ 82,329</u>	<u>\$ 96,908</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, 2005, the District had \$167.5 million in a broad range of capital assets including land, buildings, and furniture and equipment. During the year, the District added \$1.6 million in machinery and equipment. The District also continued to modernize and refurbish various sites within the District. Construction in progress increased \$28.4 million and totaled \$66.5 million at year end. To continue our infrastructure upgrades, the District issued \$55.7 million in Measure E General Obligation Bonds in July 2005.

PERALTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Long-Term Debt

At the end of this year, the District had \$150.1 million in long-term debt. During the 2004-2005 fiscal year, the District issued general obligation revenue bonds from the 2005 refunding in the amount of \$7.3 million.

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 \$3.0 million, the actual results for the year showed a net decrease in fund balance of approximately \$1.0 million.

- Actual apportionment revenues were approximately \$3.6 million higher than budget while local taxes was approximately \$1.7 million lower than budget.
- The actual expenditures have decreased \$100,000 due to decreased utilization of medical benefits.
- During the fiscal year 2004-2005, the District's contribution to Public Employees Retirement System (PERS) decreased by \$32,000 to \$1.8 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 84.6 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 Based 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 not expected to increase from the \$26 per unit in fiscal 2005-2006. Enrollment is expected to be flat to slightly higher for fiscal 2005-2006 due to ongoing funding restrictions.
- 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. However, the 2005-2006 Adopted Budget reflects the District maintaining a five percent reserve.
- The District is closely following State economic forecasts and announcements from the Governor's Office on administration spending priorities. Balancing the budget in fiscal 2005-2006 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.

PERALTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,895,120	\$ 3,106,936
Investments	74,433,670	93,800,614
Accounts receivable, net	8,296,875	11,464,210
Student loans receivable, net	657,207	253,723
Prepaid expenses	768,437	234,964
Stores inventory	221,916	227,448
Total Current Assets	<u>92,273,225</u>	<u>109,087,895</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation	167,463,401	143,213,605
TOTAL ASSETS	<u>259,736,626</u>	<u>252,301,500</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	7,258,406	5,732,118
Accrued interest payable	3,056,048	2,451,793
Deferred revenue	1,804,017	1,664,326
Amounts held in trust on behalf of others	1,810,175	1,544,431
Compensated absences payable - current portion	384,000	384,000
Bonds payable - current portion	3,175,000	2,715,000
Total Current Liabilities	<u>17,487,646</u>	<u>14,491,668</u>
NONCURRENT LIABILITIES		
Compensated absences payable - noncurrent portion	2,828,756	2,559,848
Bond payable - noncurrent portion	143,725,000	146,130,000
Total Noncurrent Liabilities	<u>146,553,756</u>	<u>148,689,848</u>
TOTAL LIABILITIES	<u>164,041,402</u>	<u>163,181,516</u>
NET ASSETS		
Invested in capital assets, net of related debt	79,676,442	73,524,525
Restricted for:		
Debt service	8,410,979	6,263,365
Capital projects	184,410	302,561
Other activities	3,312,108	3,136,287
Unrestricted	4,111,285	5,893,246
TOTAL NET ASSETS	<u>\$ 95,695,224</u>	<u>\$ 89,119,984</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 YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 13,778,874	\$ 11,264,519
Less: Scholarship discount and allowance	(5,565,690)	(3,758,097)
Net tuition and fees	<u>8,213,184</u>	<u>7,506,422</u>
Grants and Contracts, noncapital:		
Federal	17,350,812	17,460,443
State	<u>7,858,633</u>	<u>11,903,593</u>
TOTAL OPERATING REVENUES	<u>33,422,629</u>	<u>36,870,458</u>
OPERATING EXPENSES		
Salaries	61,987,711	58,918,023
Employee benefits	24,438,365	20,859,760
Supplies, materials, and other operating expenses and services	39,253,661	34,815,178
Equipment, maintenance, and repairs	1,209,311	68,085
Depreciation	<u>5,775,181</u>	<u>5,775,181</u>
TOTAL OPERATING EXPENSES	<u>132,664,229</u>	<u>120,436,227</u>
OPERATING LOSS	<u>(99,241,600)</u>	<u>(83,565,769)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	50,867,180	39,202,505
Local property taxes	36,465,307	40,178,413
State taxes and other revenues	7,414,649	6,973,181
Investment income, net	1,985,799	1,783,420
Interest expense on capital related debt	(8,175,651)	(6,177,150)
Interest income on capital asset-related debt, net	89,944	69,245
Transfer from agency fund	5,000	(157,238)
Transfer to agency fund	(138,620)	-
Other nonoperating revenue	<u>4,255,662</u>	<u>2,871,789</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>92,769,270</u>	<u>84,744,165</u>
INCOME BEFORE OTHER REVENUES	<u>(6,472,330)</u>	<u>1,178,396</u>
State revenues, capital	12,926,604	495,271
Local revenues, capital	<u>120,966</u>	<u>157,230</u>
TOTAL OTHER REVENUES	<u>13,047,570</u>	<u>652,501</u>
INCREASE IN NET ASSETS	6,575,240	1,830,897
NET ASSETS, BEGINNING OF YEAR	<u>89,119,984</u>	<u>87,289,087</u>
NET ASSETS, END OF YEAR	<u>\$ 95,695,224</u>	<u>\$ 89,119,984</u>

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

PERALTA COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 7,695,401	\$ 7,073,642
Federal and State grants and contracts	24,429,112	29,238,866
Payments to or on behalf of employees	(86,319,027)	(80,361,601)
Payments to vendors for supplies and services	<u>(41,005,534)</u>	<u>(34,881,702)</u>
Net Cash Flows From Operating Activities	<u>(95,200,048)</u>	<u>(78,930,795)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	49,772,991	35,141,236
Property taxes	36,465,307	40,178,413
Other State revenues	12,170,715	2,194,069
Repayment of notes payable	-	(28,500,000)
Other local revenues	<u>4,831,161</u>	<u>2,917,637</u>
Net Cash Flows From Noncapital Financing Activities	<u>103,240,174</u>	<u>51,931,355</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital apportionments	13,037,631	609,544
Local capital grants	120,966	157,230
Proceeds from bond issuance	7,285,000	40,000,000
Acquisition and construction of capital assets	(29,219,675)	(24,075,547)
Principal paid on capital debt and leases	(9,230,000)	(2,300,000)
Interest received on capital debt	89,944	69,245
Interest paid on capital debt and leases	<u>(6,688,551)</u>	<u>(6,070,378)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(24,604,685)</u>	<u>8,390,094</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>1,985,799</u>	<u>1,783,420</u>
Net Cash Flows From Investing Activities	<u>1,985,799</u>	<u>1,783,420</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,578,760)	(16,825,926)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>96,907,550</u>	<u>113,733,476</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 82,328,790</u>	<u>\$ 96,907,550</u>

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

PERALTA COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTUALS		
Operating Loss	\$ (99,241,600)	\$ (83,565,769)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	5,775,181	5,775,181
Changes in Assets and Liabilities:		
Receivables, net	(925,868)	275,346
Inventories	5,532	102,939
Prepaid items	(533,473)	304,880
Accounts payable and accrued liabilities	(685,255)	(1,650,043)
Deferred revenue	139,691	(581,346)
Funds held for others	265,744	408,017
Total Adjustments	<u>4,041,552</u>	<u>4,634,974</u>
Net Cash Used By Operating Activities	<u>\$ (95,200,048)</u>	<u>\$ (78,930,795)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 7,895,120	\$ 3,106,936
Cash in county treasury	<u>74,433,670</u>	<u>93,800,614</u>
Total Cash and Cash Equivalents	<u>\$ 82,328,790</u>	<u>\$ 96,907,550</u>

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

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Peralta Community College District (the District) was established in 1964 as a political subdivision of the State of California and provides post secondary 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. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates four college campuses located in Alameda, Oakland, and Berkley, California.

Financial Reporting Entity

During the year ended June 30, 2004, the District adopted Governmental Accounting Standards 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.

- **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. 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).

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.

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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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

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 published market prices at year-end. Investments for which there are no quoted market prices are not material.

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 \$433,980 and \$340,800 for the years ended June 30, 2005 and 2004, respectively.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

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, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost 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. Major outlays for capital improvements are capitalized as construction-in-progress 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.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, 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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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.

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:

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

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.

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.

Property Tax

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

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, 2005 and 2004, the District distributed \$1,073,419 and \$1,313,200, respectively, 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.

Newly Issued Accounting Pronouncements

- **GASB Statement No. 40:** In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and addresses additional risks to which governments are exposed. Under Statement No. 40, State and local governments are required to disclose information covering four principal areas:
 - Investment credit risk disclosures, including credit quality information issued by rating agencies;
 - Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of securities;

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

- Interest rate sensitivity for investments that are highly sensitive to changes in interest rates (ex: inverse floaters, enhanced variable-rate investments, and certain asset-backed securities); and
- Foreign exchange exposures that would indicate the foreign investment's denomination.

The GASB Statement No. 40 provisions are effective for financial statements for periods beginning after June 30, 2004, and are included in *NOTE 2 - CASH AND INVESTMENTS*.

- **GASB Statement No. 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and will be implemented by the District in fiscal year 2005-2006.
- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District is not a plan sponsor of an OPEB Plan.
- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The District will be implementing the requirements of this standard in the 2007-2008 fiscal year.
- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. This statement is not effective until June 30, 2006. The District has not determined its effect on the financial statements.
- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. This statement is not effective until June 30, 2006. The District has not determined its effect on the financial statements.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 2 - CASH AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, consist of the following:

Cash on hand and in banks	\$ 7,865,120
Cash in revolving	30,000
Investments	74,433,670
Total Deposits and Investments	<u><u>\$ 82,328,790</u></u>

Interest Rate Risk

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

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
County Pool - Alameda	<u><u>\$ 74,353,968</u></u>	338 days *

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2005</u>
County Pool - Alameda	<u><u>\$ 74,353,968</u></u>	Not required	Not rated

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2005, the District's bank balance of \$7,034,991 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - ACCOUNTS RECEIVABLE

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

	2005	2004
Federal Government		
Categorical aid	\$ 1,039,145	\$ 368,317
State Government		
Apportionment	5,192,345	4,098,156
Categorical aid	147,419	63,635
Lottery	635,828	358,959
Caltrans	-	4,566,000
Other State sources	168,059	829,805
Local Government		
Personnel receivables	29,830	150,247
2005 GO Bond refunding proceeds	440,706	-
Other local sources	643,543	1,112,091
Total	8,296,875	11,547,210
Less allowance for bad debt	-	(83,000)
Total Receivables	\$ 8,296,875	\$ 11,464,210
Student receivables	\$ 1,091,187	\$ 511,523
Less allowance for bad debt	(433,980)	(257,800)
Student receivables, net	\$ 657,207	\$ 253,723

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 4,553,284	\$ -	\$ -	\$ 4,553,284
Construction in progress	38,054,977	28,400,608	-	66,455,585
Total Capital Assets Not Being Depreciated	<u>42,608,261</u>	<u>28,400,608</u>	<u>-</u>	<u>71,008,869</u>
Capital Assets Being Depreciated				
Buildings	140,113,411	-	-	140,113,411
Site improvements	13,641,214	-	-	13,641,214
Machinery and equipment	21,688,095	1,624,369	-	23,312,464
Total Capital Assets Being Depreciated	<u>175,442,720</u>	<u>1,624,369</u>	<u>-</u>	<u>177,067,089</u>
Total Capital Assets	<u>218,050,981</u>	<u>30,024,977</u>	<u>-</u>	<u>248,075,958</u>
Less Accumulated Depreciation				
Buildings	61,252,091	2,776,468	-	64,028,559
Site improvements	2,540,254	633,501	-	3,173,755
Machinery and equipment	11,045,031	2,365,212	-	13,410,243
Total Accumulated Depreciation	<u>74,837,376</u>	<u>5,775,181</u>	<u>-</u>	<u>80,612,557</u>
Net Capital Assets	<u>\$ 143,213,605</u>	<u>\$24,249,796</u>	<u>\$ -</u>	<u>\$ 167,463,401</u>

Depreciation expense for the year was \$5,775,181.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
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>
Capital Assets Being Depreciated				
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>
Less Accumulated Depreciation				
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 expense for the year was \$5,775,181.

NOTE 5 - INTERFUND TRANSACTIONS

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, 2005 AND 2004**

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 for the District consisted of the following:

	2005	2004
Accrued payroll and benefits	\$ 595,498	\$ 757,357
ERAF allocation	882,845	-
Construction	4,118,909	2,790,211
Other	1,661,154	2,184,550
Total	<u>\$ 7,258,406</u>	<u>\$ 5,732,118</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2005	2004
Federal categorical aid	\$ -	\$ 9,676
State categorical aid	771,153	880,658
Enrollment fees	717,209	344,038
Other local	315,655	429,954
Total	<u>\$ 1,804,017</u>	<u>\$ 1,664,326</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 8 - LONG-TERM LIABILITIES

Long-Term Debt Summary

The changes in the District's long-term obligations during the fiscal year 2005 consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Bonds Payable					
General obligation bonds - 1992 Election	\$ 44,425,000	\$ -	\$8,110,000	\$ 36,315,000	\$1,665,000
General obligation bonds - 1996 Election	7,690,000	-	210,000	7,480,000	220,000
General obligation bonds - 2000 Election	96,730,000	-	910,000	95,820,000	1,290,000
General obligation revenue bonds - 2005 Refunding	-	7,285,000	-	7,285,000	-
Total Bonds Payable	<u>148,845,000</u>	<u>7,285,000</u>	<u>9,230,000</u>	<u>146,900,000</u>	<u>3,175,000</u>
Other Liabilities					
Compensated absences	2,943,848	268,908	-	3,212,756	384,000
Total Long-Term Liabilities	<u>\$151,788,848</u>	<u>\$7,553,908</u>	<u>\$9,230,000</u>	<u>\$ 150,112,756</u>	<u>\$3,559,000</u>

The changes in the District's long-term obligations during the fiscal year 2004 consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Bonds Payable					
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>
Other Liabilities					
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>

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local tax collections. The compensated absences will be paid by the fund for which the employee worked.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

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.

In June 2005, the Golden West Schools Financing Authority issued the 2005 General Obligation Revenue Bonds (Peralta Community College District Refunding) to finance the acquisition of the outstanding Peralta Community College District General Obligation Bonds, Election of 1992, Series C, in the amount of \$8,000,000. The bonds are repaid through tax assessments on property located within the District boundaries. The interest rates for the 2005 General Obligation Revenue Bonds range from 2.55 percent to 4.0 percent.

General Obligation Bond – 1992 Election

The 1992 general obligation bonds mature through 2026 as follows:

June 30,	Principal	Interest	Total
2006	\$ 1,665,000	\$ 1,852,108	\$ 3,517,108
2007	1,485,000	1,611,426	3,096,426
2008	1,560,000	1,549,230	3,109,230
2009	1,625,000	1,483,603	3,108,603
2010	1,705,000	1,413,067	3,118,067
2011-2015	9,710,000	5,875,347	15,585,347
2016-2020	10,145,000	3,425,373	13,570,373
2021-2025	7,695,000	1,271,154	8,966,154
2026	725,000	18,578	743,578
Total	<u>\$ 36,315,000</u>	<u>\$ 18,499,886</u>	<u>\$ 54,814,886</u>

General Obligation Bond – 1996 Election

The 1996 general obligation bonds mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
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	265,000	321,831	586,831
2011-2015	1,480,000	1,397,531	2,877,531
2016-2020	1,865,000	981,656	2,846,656
2021-2025	2,370,000	453,528	2,823,528
2026	550,000	14,094	564,094
Total	<u>\$ 7,480,000</u>	<u>\$ 4,584,841</u>	<u>\$ 12,064,841</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

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
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	2,045,000	4,397,689	6,442,689
2011-2015	11,765,000	20,363,493	32,128,493
2016-2020	14,410,000	17,299,113	31,709,113
2021-2025	18,155,000	13,244,717	31,399,717
2026-2030	23,070,000	8,016,050	31,086,050
2031-2035	19,670,000	2,025,618	21,695,618
Total	<u>\$ 95,820,000</u>	<u>\$ 84,117,921</u>	<u>\$ 179,937,921</u>

General Obligation Revenue Bonds – 2005 Refunding

The general obligation revenue bonds mature through 2022 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 160,031	\$ 160,031
2007	300,000	267,039	567,039
2008	345,000	255,864	600,864
2009	365,000	245,214	610,214
2010	375,000	234,114	609,114
2011-2015	2,095,000	957,670	3,052,670
2016-2020	2,595,000	500,114	3,095,114
2021-2022	1,210,000	48,800	1,258,800
Total	<u>\$ 7,285,000</u>	<u>\$ 2,668,846</u>	<u>\$ 9,953,846</u>

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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 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 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 \$135.9 million.

NOTE 10 - RISK MANAGEMENT

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, 2005, 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.

Workers' Compensation

For fiscal year 2005, 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.

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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

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).

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 CB 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.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

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 2004-2005 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.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$2,477,473, \$2,375,424, and \$2,451,263, respectively, and equal 100 percent of the required contributions for each year.

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 2004-2005 was 9.952 percent of annual payroll.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2005, 2004, and 2003, were \$1,857,446, \$1,889,135, and \$530,685, respectively, and equaled 100 percent of the required contributions for each year.

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 \$1,353,998 (4.517 percent of salaries subject to STRS). These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its plan. Contributions made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings. An employee is required to contribute 6.20 percent of his or her gross earnings to the pension plan.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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, 2005.

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, 2005.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

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:

Year Ending June 30,	Lease Payment
2006	\$ 1,378,288
2007	659,706
2008	597,744
2009	597,744
2010	597,744
Total	<u>\$ 3,831,226</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Vista Permanent facility	\$ 7,164,152	05/01/06
Athletic Facilities Upgrade	1,600,000	06/01/06
Districtwide Cable and Power Upgrade/Network Equipment	336,102	06/01/07
Network Upgrade/PeopleSoft	422,224	06/01/07
Merritt Building P and R Student Services Renovation	10,457,288	03/01/07
Laney Building A Student Services Renovation	9,046,070	06/01/07
COA Building A Student Services	10,871,520	06/01/07
Merritt Library Renovation	3,000,000	06/01/07
Merritt Building D Renovation	5,707,000	12/01/07
Merritt Horticulture	3,448,000	12/01/06
Laney Library	1,770,000	12/01/10
Merritt Trade Technology Building A	2,176,000	06/01/10
COA Building C and D Science Complex	3,290,000	12/01/10
Laney New Art Building	1,150,823	06/01/06
Districtwide Irrigation Controller Equipment	396,000	03/01/06
Pool Mechanical Improvements and Upgrades	400,000	12/01/05
Laney Building A Deck	300,000	12/01/05
Districtwide Repair/Replace Roofs	600,000	01/01/06
Information Technology Projects	3,517,200	06/01/07
Replace Boiler #1 - MRT	93,175	12/01/05
New Boiler Control Equipment	95,147	12/01/05
Miscellaneous Projects in Progress	26,531	05/01/06
Replace Lower Level Asphalt Paving Roads	254,486	05/01/06
Comprehensive Graphics Signage and Information	100,000	05/01/06
Physical Plant Program Management	341,111	05/01/06
DAC Remodel	51,420	06/01/06
Beginner's Inn Remodel	106,803	01/01/06
Retaining Walls/Soils	5,000	05/01/06
COA ASTI High School Project	328,797	01/01/06
Laney Renovation of Lecture and Multi-Purpose	1,706,200	06/01/06
Energy Retrofit - All Campuses	279,782	06/01/07
Laney Pigeon Abatement	29,000	12/01/05
	<u>\$ 69,069,831</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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, dental, 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 District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2005, the District made payments of \$56,274, \$644,039, \$182,679, and \$974,494 to 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), respectively.

NOTE 14 - TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2004, the District issued \$7,595,000 of Tax and Revenue Anticipation Notes bearing interest at 3.0 percent with a yield of 1.59 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2005. By April 2005, 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. As the District has in substance defeased the debt, the tax anticipation notes of \$7,595,000 and the related accrued interest and cash held in trust are not included in these financial statements.

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2004</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2005</u>
07/01/04	3.00%	06/30/05	<u>\$ 7,595,000</u>	<u>\$ -</u>	<u>\$ 7,595,000</u>	<u>\$ -</u>

NOTE 15 - SUBSEQUENT EVENTS

In July 2005, the District issued General Obligation Bonds Election 2000, Series D in the amount of \$55,700,000. The bonds were issued to finance the acquisition, construction, and rehabilitation of school facilities.

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SUPPLEMENTARY INFORMATION

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PERALTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2005

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.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. William Riley	President	2006
Ms. Linda Handy	Vice President	2006
Ms. Alona Clifton	Member	2006
Mr. Nicky Gonzalez-Yuen	Member	2008
Mr. Cy Gulassa	Member	2008
Ms. Marcie Hodge	Member	2008
Mr. Bill Withrow	Member	2008
Mr. Rashad Andrews	Student Trustee	2005
Ms. Lisa Watkins-Tanner	Student Trustee	2005

ADMINISTRATION

Mr. Elihu Harris, Esq.	Chancellor
Ms. Thuy Nguyen, Esq.	General Counsel/Acting Vice Chancellor, Human Resources
Mr. Howard Perdue	Interim Vice Chancellor, Educational Services
Mr. Tom Smith, Esq.	Vice Chancellor, Budget and Finance
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
Ms. Yvonne Dorrough	Assistant Vice Chancellor, Budget and Finance

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PERALTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS		
Student Financial Aid Cluster [1]		
Pell Grants	84.063	\$ 13,330,595
Pell Administration	84.063	106,783
Federal Supplemental Education Opportunity Grants	84.007	1,072,668
Federal Work Study Program	84.033	671,997
Federal Work Study Administrative Allowance	84.033	5,371
Federal Family Education Loans	84.032	1,073,419
Gear Up - I Have a Dream	84.334	214,362
PASSED THROUGH STATE DEPARTMENT OF EDUCATION		
Vocational and Applied Technology Education Act		
Title II-C	84.048	863,987
Tech Prep	84.243	334,991
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>17,674,173</u>
U.S. DEPARTMENT OF AGRICULTURE		
PASSED THROUGH STATE DEPARTMENT OF EDUCATION		
Child Care Food Program	10.533	<u>75,100</u>
U.S. DEPARTMENT OF LABOR		
PASSED THROUGH CITY OF ALAMEDA		
WIA Grant Program One Stop Career Center Operation	17.257	<u>167,500</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Temporary Assistance for Needy Families	93.558	270,472
Retired and Senior Volunteer Program	94.002	136,957
TOTAL FEDERAL EXPENDITURES		<u><u>\$ 18,324,202</u></u>

[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, 2005**

<u>Program</u>	<u>Program Entitlements</u>		
	<u>Current Year</u>	<u>Prior Year</u>	<u>Total Entitlement</u>
Cooperative Agencies Resources for Education	\$ 433,738	\$ 18,816	\$ 452,554
Disabled Students Programs and Services	3,143,135	60,456	3,203,591
Extended Opportunity Program and Services	2,413,112	44,448	2,457,560
Extended Opportunity Program Grants	126,403	-	126,403
Matriculation - Credit	1,109,164	314,502	1,423,666
Matriculation - Non-Credit		5,892	5,892
Child Care	1,241,868	-	1,241,868
State Child Development	57,810	-	57,810
Economic Development			
Nursing Program	117,265	58,442	175,707
CITD	178,785	3,273	182,058
Calworks	1,207,953	181,692	1,389,645
California Articulation Number System	20,000	50	20,050
Telecommunications/Technology Infrastructure	410,748	126,838	537,586
Staff Diversity	47,640	11,173	58,813
Instructional Equipment	419,612	55,126	474,738
Department of Rehabilitation	294,492	33,719	328,211
Advanced Transportation	15,000	-	15,000
Articulation	1,600	-	1,600
Cal Grant B/C	1,506,178	-	1,506,178
Foster Care	86,741	-	86,741
Early College High School	171,661	-	171,661
West End	3,000	-	3,000
Total			

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Deferred Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 433,738	\$ -	\$ 27,236	\$ -	\$ 406,502	\$ 398,582
3,203,591	-	140,158	-	3,063,433	3,005,173
2,394,969	-	890	-	2,394,079	2,393,980
158,764	-	-	-	158,764	158,764
1,423,666	-	69,000	-	1,354,666	1,342,296
5,892	-	-	-	5,892	5,892
1,241,868	498	-	-	1,242,366	1,241,868
30,186	9,368	-	-	39,554	39,554
117,265	-	75,304	-	41,961	38,707
179,204	-	-	-	179,204	178,730
1,207,953	-	92,015	-	1,115,938	854,916
20,000	-	3,485	-	16,515	16,515
410,748	-	218,403	-	192,345	192,345
47,640	-	12,876	-	34,764	34,764
419,612	-	32,358	-	387,254	387,254
169,299	31,080	-	-	200,379	198,379
15,000	-	-	-	15,000	15,000
1,600	-	-	-	1,600	528
1,439,127	71,377	-	-	1,510,504	1,510,504
43,370	35,096	-	-	78,466	78,466
171,661	-	99,428	-	72,233	72,233
3,000	-	-	-	3,000	2,982
\$ 13,138,153	\$ 147,419	\$ 771,153	\$ -	\$ 12,514,419	\$ 12,167,432

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, 2005**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	1,812	-	1,812
2. Weekly census	14,174	-	14,174
3. Daily census	610	-	610
4. Actual hours of attendance	450	-	450
5. Independent study/work experience	435	-	435
Subtotal	<u>17,481</u>	<u>-</u>	<u>17,481</u>
B. <u>Noncredit FTES</u>			
1. Summer	23	-	23
2. Actual hours of attendance	271	-	271
Subtotal	<u>294</u>	<u>-</u>	<u>294</u>
Total FTES	<u>17,775</u>	<u>-</u>	<u>17,775</u>
C. <u>Basic Skills Courses</u>			
Credit			<u>1,239</u>
D. <u>FTES Generated in Leased Space</u>			
			<u>886</u>
E. <u>Gross Square Footage</u>			
Existing facilities			<u>1,307,643</u>

Schedule of Annual Apprenticeship Hours of Instruction

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
July 1 - December 31, 2004	6,219	-	6,219
January 1 - April 15, 2005	6,310	-	6,310
Total	<u>12,529</u>	<u>-</u>	<u>12,529</u>

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

	<u>General Fund</u>	<u>Capital Projects</u>
FUND BALANCE		
Balance, June 30, 2005, (CCFS-311)	\$ 9,607,374	\$ 59,517,686
Increase in:		
Accounts payable	<u>(98,393)</u>	<u>(404,645)</u>
Balance, June 30, 2005, Fund Financial Statement	<u>\$ 9,508,981</u>	<u>\$ 59,113,041</u>

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

**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	\$ 9,508,981	
Special Revenue Funds	3,312,108	
Debt Service Fund	8,410,979	
Capital Projects Funds	59,297,451	
Internal Service Fund	496,275	
Fiduciary Funds	<u>1,810,175</u>	
Total Fund Balance and Retained Earnings - All District Funds		\$ 82,835,969
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	248,075,958	
Accumulated depreciation is	(80,612,557)	
Less fixed assets in fiduciary funds	<u>(9,167)</u>	167,454,234
Amounts held in trust on behalf of others (Trust and Agency Funds)		(1,810,175)
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.		
		(3,056,048)
Long-term liabilities at year end consist of:		
Bonds payable	146,900,000	
Compensated absences (vacations) - less current portion	<u>2,828,756</u>	<u>(149,728,756)</u>
Total Net Assets		<u>\$ 95,695,224</u>

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

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.

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.

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.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

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

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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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 financial statements of Peralta Community College District (the District) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated November 21, 2005. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the basic 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain 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 21, 2005.

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, 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 21, 2005



**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 (the 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, 2005. 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, except for finding 2005-1 as described in the accompanying Schedule of Federal Awards Findings and Questioned Costs, 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, 2005.

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, 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 21, 2005



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 (the District) for the years ended June 30, 2005 and 2004, and have issued our report thereon dated November 21, 2005.

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

Administrative

- Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)
- Fiscal Operation - Gann Limit Calculation
- Apportionments - Apportionment for Instructional Service Agreements/Contracts
- Apportionments - Residency Determination for Credit Courses
- Apportionment - Concurrent Enrolment of K-12 Students in Community College Credit Courses
- Apportionment - Enrollment Fee
- Open Enrollment
- Minimum Conditions - "Standard of Scholarship"
- Student Fees - Instructional Materials and Health Fees

Student Services

- Matriculation - Uses of Matriculation Funds

Special Programs

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

Facilities Program

- Scheduled Maintenance Program

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 2005-2 and 2005-3 as described in the accompanying Schedule of State Awards Findings and Questioned Costs, Peralta Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2005.

This report is intended solely for the information of the Board of Trustees, District Management, and the California State Chancellor's Office, and is not intended to be and should not be used by anyone other than these specified parties.



Rancho Cucamonga, California
November 21, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PERALTA COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2005**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</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)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.032, 84.033, 84.063, 84.007</u>	<u>Student Financial Aid Cluster</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 549,726</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, 2005**

None reported.

PERALTA COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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

STUDENT RECEIVABLES - VISTA COLLEGE RETURN TO TITLE IV

2005-1 Finding

Accounts receivable have been set up at the Vista College business office for the students that owe back funds to the campus as a result of overpayments of Title IV Financial Aid funds. Currently, there is not a system set up to track and/or monitor the collection of these amounts. Additionally, the campus must also notify the Department of Education of the return of these funds.

Recommendation

The Vista College business office should work with the Financial Aid office to set up a system to monitor and collect these overpayments from students. As the funds are returned, the proper notifications to the Department of Education should be sent out.

District Response

The District will implement this recommendation.

PERALTA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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

CONCURRENT ENROLLMENT OF HIGH SCHOOL STUDENTS

2005-2 Finding

The District does not have a procedure in place to verify for summer session attendance that the K-12 principals are certifying that they have not recommended more than five percent of the total number of students who completed the grade immediately prior to the time of recommendation.

Recommendation

The District should update the contract used to enroll high school students in the summer session classes to provide a certification that they have complied with the requirements of Ed. Code 48800(b)(2).

District Response

The District will implement this recommendation.

EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOP&S)

2005-3 Finding

Districts accepting EOP&S funds are required to contribute a minimum amount to the program from non-EOP&S sources. This amount is set as the three-year average reported by the District as its contributions on its final EOP&S budget report or 15 percent of the average EOP&S allocation over that same period, whichever is greater. (CCR section: 56208, 56210, 56230, 56270, 56293, 56292, and 56296). Also, the District is required to have an annual EOP&S Advisory Committee meeting. Currently, Alameda College did not have an Advisory Committee meeting during the 2004-2005 fiscal year. Laney College was not in compliance with the required District contribution for the 2004-2005 fiscal year – under contributing by \$1,368. This amount can be made up in future years.

Recommendation

The Advisory Committee is a key component in ensuring compliance with the plan for spending EOP&S funds within each year. The EOP&S Director should work closely with the District Office to make sure they are in compliance with the State requirements by convening the Advisory Committee. The calculation for the matching funds requirement should be verified by the program administrator and monitored during the year to ensure the proper support is provided to the program.

District Response

The District will implement this recommendation.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

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

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.

Current Status

The District is currently implementing the Peoplesoft administrative accounting software system. See management letter.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

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.

Current Status

Implemented.

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.

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.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

Current Status

Compensating controls have been implemented for those positions still open.

BUSINESS OFFICE PROCEDURES

2004-4 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. See management letter.

DISTRICT WAREHOUSE

2004-5 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, 2005

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

Implemented.

FIXED ASSET ACCOUNTING

2004-6 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, 2005

RETIREE HEALTH CARE COSTS

2004-7 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

2004-8 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, 2005

CASH ACCOUNT BALANCES

2004-9 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.

Current Status

Improved. The District will continue to monitor this area.

PAYROLL

2004-10 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. See management letter.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

PERSONNEL RECEIVABLES

2004-11 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

Implemented.

2004-12 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

2004-13 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, 2005

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.

ASSOCIATED STUDENT GOVERNMENT (ASG)

Merritt College

2004-14 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.

Current Status

Improved.

College of Alameda

2004-15 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.

PERALTA COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

Current Status

Improved.

ASG FUNDS – CLUB ACCOUNTS

2004-16 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.

TRUST AND AGENCY FUNDS

Merritt College

2004-17 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.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

Vista College

2004-18 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

Implemented.

FEDERAL COMPLIANCE/STUDENT FINANCIAL AID

2004-19 Finding

Funds in the amount of \$500 were 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.

Current Status

Implemented.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

STATE COMPLIANCE

EXTENDED OPPORTUNITY PROGRAMS AND SERVICES

2004-20 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.

Current Status

Not implemented. See current year finding 2005-3.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

BFAP-SFAA FUNDING

2004-21 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.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

PERALTA COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2005**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Child Development</u>	<u>Special Reserve</u>
ASSETS			
Cash and cash equivalents	\$ 2,528,665	\$ -	\$ -
Investments	3,190,027	433,307	2,556,284
Accounts receivable	7,315,099	9,796	313,010
Student loans receivable, net	657,207	-	-
Due from other funds	200,000	-	-
Prepaid expenses	609,724	-	-
Stores inventory	221,916	-	-
Other current assets	158,713	-	-
Total Assets	<u>\$ 14,881,351</u>	<u>\$ 443,103</u>	<u>\$ 2,869,294</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 3,430,093	\$ 289	\$ -
Due to other funds	138,260	-	-
Deferred revenue	1,804,017	-	-
Total Liabilities	<u>5,372,370</u>	<u>289</u>	<u>-</u>
FUND EQUITY			
Fund Balances			
Reserved	987,353	-	-
Unreserved			
Designated	3,758,971	442,814	2,869,294
Undesignated	4,762,657	-	-
Total Fund Equity	<u>9,508,981</u>	<u>442,814</u>	<u>2,869,294</u>
Total Liabilities and Fund Equity	<u>\$ 14,881,351</u>	<u>\$ 443,103</u>	<u>\$ 2,869,294</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>
\$ -	\$ -	\$ 3,660,542	\$ 6,189,207
8,410,979	196,222	59,073,200	73,860,019
-	-	499,805	8,137,710
-	-	-	657,207
-	-	-	200,000
-	-	-	609,724
-	-	-	221,916
-	-	-	158,713
<u>\$ 8,410,979</u>	<u>\$ 196,222</u>	<u>\$ 63,233,547</u>	<u>\$ 90,034,496</u>
\$ -	\$ 11,812	\$ 4,120,506	\$ 7,562,700
-	-	-	138,260
-	-	-	1,804,017
<u>-</u>	<u>11,812</u>	<u>4,120,506</u>	<u>9,504,977</u>
-	-	-	987,353
8,410,979	184,410	59,113,041	74,779,509
-	-	-	4,762,657
<u>8,410,979</u>	<u>184,410</u>	<u>59,113,041</u>	<u>80,529,519</u>
<u>\$ 8,410,979</u>	<u>\$ 196,222</u>	<u>\$ 63,233,547</u>	<u>\$ 90,034,496</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Child Development</u>	<u>Special Reserve</u>
REVENUES			
Federal revenues	\$ 2,872,450	\$ 75,100	\$ -
State revenues	63,191,171	1,241,868	-
Local revenues	35,757,338	14,586	375,373
Total Revenues	<u>101,820,959</u>	<u>1,331,554</u>	<u>375,373</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	38,332,098	-	-
Classified salaries	22,361,691	1,005,289	-
Employee benefits	22,604,765	479,602	-
Books and supplies	2,018,098	38,268	-
Services and operating expenditures	14,323,893	7,947	-
Capital outlay	1,741,415	-	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>101,381,960</u>	<u>1,531,106</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>438,999</u>	<u>(199,552)</u>	<u>375,373</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	5,000	-	-
Operating transfers out	(138,620)	-	-
Other sources	-	-	-
Other uses	(1,221,563)	-	-
Total Other Financing Sources (Uses)	<u>(1,355,183)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(916,184)</u>	<u>(199,552)</u>	<u>375,373</u>
FUND BALANCE, BEGINNING OF YEAR	10,425,165	642,366	2,493,921
FUND BALANCE, END OF YEAR	<u>\$ 9,508,981</u>	<u>\$ 442,814</u>	<u>\$ 2,869,294</u>

See accompanying note to additional supplementary information.

Debt Service Fund	Capital Project Funds		
Bond Interest and Redemption	Revenue Bond Project	Capital Outlay Projects	Total
\$ -	\$ -	\$ -	\$ 2,947,550
-	-	12,926,604	77,359,643
11,630,290	74,375	1,474,844	49,326,806
<u>11,630,290</u>	<u>74,375</u>	<u>14,401,448</u>	<u>129,633,999</u>
-	-	-	38,332,098
-	492	19,233	23,386,705
-	-	-	23,084,367
-	3,504	2,893,110	4,952,980
-	79,844	2,556,749	16,968,433
-	108,686	29,382,221	31,232,322
2,715,000	-	6,515,000	9,230,000
6,767,676	-	803,720	7,571,396
<u>9,482,676</u>	<u>192,526</u>	<u>42,170,033</u>	<u>154,758,301</u>
<u>2,147,614</u>	<u>(118,151)</u>	<u>(27,768,585)</u>	<u>(25,124,302)</u>
-	-	-	5,000
-	-	-	(138,620)
-	-	7,725,706	7,725,706
-	-	-	(1,221,563)
<u>-</u>	<u>-</u>	<u>7,725,706</u>	<u>6,370,523</u>
2,147,614	(118,151)	(20,042,879)	(18,753,779)
6,263,365	302,561	79,155,920	99,283,298
<u>\$ 8,410,979</u>	<u>\$ 184,410</u>	<u>\$ 59,113,041</u>	<u>\$ 80,529,519</u>

PERALTA COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2005**

	<u>Internal Service Fund</u>
ASSETS	
Investments	\$ 496,275
FUND EQUITY	
Retained earnings	\$ 496,275

See accompanying note to additional supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005**

	Internal Service Fund
NONOPERATING REVENUES	
Interest income	\$ 9,352
NET INCOME	9,352
RETAINED EARNINGS, BEGINNING OF YEAR	486,923
RETAINED EARNINGS, END OF YEAR	<u>\$ 496,275</u>

See accompanying note to additional supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005**

	Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 9,352
Net Cash Provided from Investing Activities	<u>9,352</u>
Net increase in cash and cash equivalents	<u>9,352</u>
Cash and cash equivalents - Beginning	486,923
Cash and cash equivalents - Ending	<u><u>\$ 496,275</u></u>

See accompanying note to additional supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2005

	Trust Funds			Agency Fund	Total
	Associated Students Trust	Student Financial Aid	Scholarship and Loan	Other Trust	
ASSETS					
Cash and cash equivalents	\$ 265,894	\$ 78,530	\$ 10,250	\$ 1,351,239	\$1,705,913
Investments	-	77,376	-	-	77,376
Accounts receivable	36,071	117,724	2,850	2,520	159,165
Due from other funds	138,260	-	-	-	138,260
Fixed assets	9,167	-	-	-	9,167
Total Assets	\$ 449,392	\$ 273,630	\$ 13,100	\$ 1,353,759	\$2,089,881
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 6,076	\$ 73,630	\$ -	\$ -	\$ 79,706
Due to other funds	-	200,000	-	-	200,000
Due to student groups	96,017	-	-	1,353,759	1,449,776
Total Liabilities	102,093	273,630	-	\$ 1,353,759	1,729,482
FUND EQUITY					
Fund Balances					
Unreserved					
Designated	347,299	-	-		347,299
Total Fund Equity	347,299	-	13,100		360,399
Total Liabilities and Fund Equity	\$ 449,392	\$ 273,630	\$ 13,100		\$2,089,881

See accompanying note to additional supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005**

	Trust Funds			Total
	Associated Students Trust	Student Financial Aid	Scholarship and Loan	
REVENUES				
Federal revenues	\$ -	\$ 14,403,262	\$ -	\$ 14,403,262
State revenues	-	1,707,423	-	1,707,423
Local revenues	101,988	-	1	101,989
Total Revenues	<u>101,988</u>	<u>16,110,685</u>	<u>1</u>	<u>16,212,674</u>
EXPENDITURES				
Current Expenditures				
Services and operating expenditures	275,984	-	556	276,540
Total Expenditures	<u>275,984</u>	<u>-</u>	<u>556</u>	<u>276,540</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(173,996)</u>	<u>16,110,685</u>	<u>(555)</u>	<u>15,936,134</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	138,260	-	-	138,260
Operating transfers out	(5,000)	-	-	(5,000)
Other uses	-	(16,110,685)	-	(16,110,685)
Total Other Financing Sources (Uses)	<u>133,260</u>	<u>(16,110,685)</u>	<u>-</u>	<u>(15,977,425)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(40,736)</u>	<u>-</u>	<u>(555)</u>	<u>(41,291)</u>
FUND BALANCE, BEGINNING OF YEAR	388,035	-	13,655	401,690
FUND BALANCE, END OF YEAR	<u>\$ 347,299</u>	<u>\$ -</u>	<u>\$ 13,100</u>	<u>\$ 360,399</u>

See accompanying note to additional supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

**NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2005**

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Peralta Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The information is presented at the request of the District management.

