PERALTA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

PERALTA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Peralta Community College District
Oakland, California

We have audited the accompanying basic financial statements of Peralta Community College District (the District) as of and for the year ended June 30, 2012, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of Peralta Community College District as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the District continues to be impacted by the economic downturn of the State of California, as well as the long-term negative budgetary impact of the postemployment benefits obligations and debt issuances.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the supplementary information, such as the Management's Discussion and Analysis on pages 4 through 14 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and other supplementary information as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 5, 2012

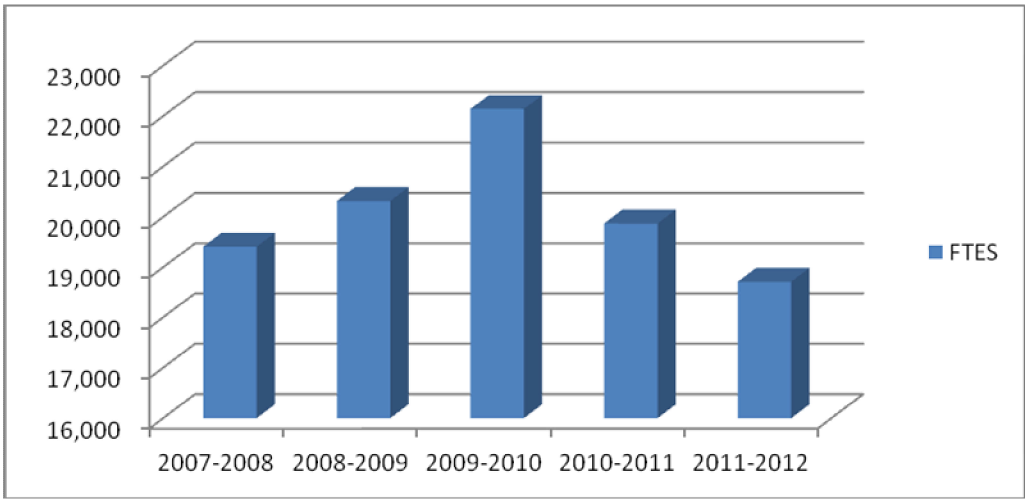
Introduction

The following discussion and analysis provides an overview of the financial position and activities of Peralta Community College District (the District) for the year ended June 30, 2012. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

The Peralta Community College District was founded in 1964, and serves six cities in the East Bay Area, including Albany, Alameda, Berkeley, Emeryville, Oakland, and Piedmont. The colleges are Berkeley City College, College of Alameda, Laney College, and Merritt College. The District has a reputation for developing effective approaches to serving the varied interests and needs of its vibrant community. The District serves over 45,065 students, and is one of the top community college districts in California in transferring students into the UC system. Currently, the District has about 750 full-time employees and over 1,250 part-time faculty and part-time staff.

Selected Highlights

- The District's primary funding source is based upon apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the fiscal year 2011-2012, FTES was 18,712 (including credit and noncredit FTES), as compared to 19,871 in the fiscal year 2010-2011. This represents a 5.83 percent decrease. FTES is generated at the District's four colleges: Berkeley City College, College of Alameda, Laney College, and Merritt College.



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

- Unrestricted General fund revenues for the year were $108.1 million, a decrease of two percent from prior year's revenue of $110.6 million.

- Medical benefits for both employees and retirees decreased three percent over the prior year. The District continues to provide retirees who were hired prior to July 1, 2004, with lifetime medical benefits. For employees hired after July 1, 2004, medical benefits upon retirement are provided until age 65 or Medicare eligibility. The actuarial accrued liability at a seven percent discount rate for the District as of June 30, 2012, is $221 million. In December 2005, the District issued $153 million in Other Postemployment Benefits (OPEB) Bonds. The proceeds of the bonds have been placed in a revocable trust fund, which may be used only to pay or reimburse the District for payment of retiree health benefit costs or related debt service. In January 2006, the bond proceeds were invested in a strategic allocation that mirrors the asset allocation of CalPERS. For the year ended June 30, 2012, the revocable trust fund has unrealized losses of $1.5 million.

- The District is using Measures A and E bonds to pay for various capital improvements to our educational facilities. They include, but are not limited to, the following:

  - Investment in our technology infrastructure District-wide.
  - Renovate and construct classrooms and facilities to enhance the community outreach capabilities of the District among the numerous ethnic communities living in and served by the District.
  - District-wide safety systems including disaster preparedness, campus security, and hazardous and toxic waste handling.
  - Technological infrastructure for distance learning.
  - Renovation of student service buildings and facilities at Laney College, Merritt College, and College of Alameda.
  - Landscape improvements at Merritt College.
  - Improvements in laboratories and power supplies District-wide.
  - Cabling and power upgrade for technology.
  - Construction of a six story urban campus for Berkeley City College in Berkeley.

Statement of Net Assets

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

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

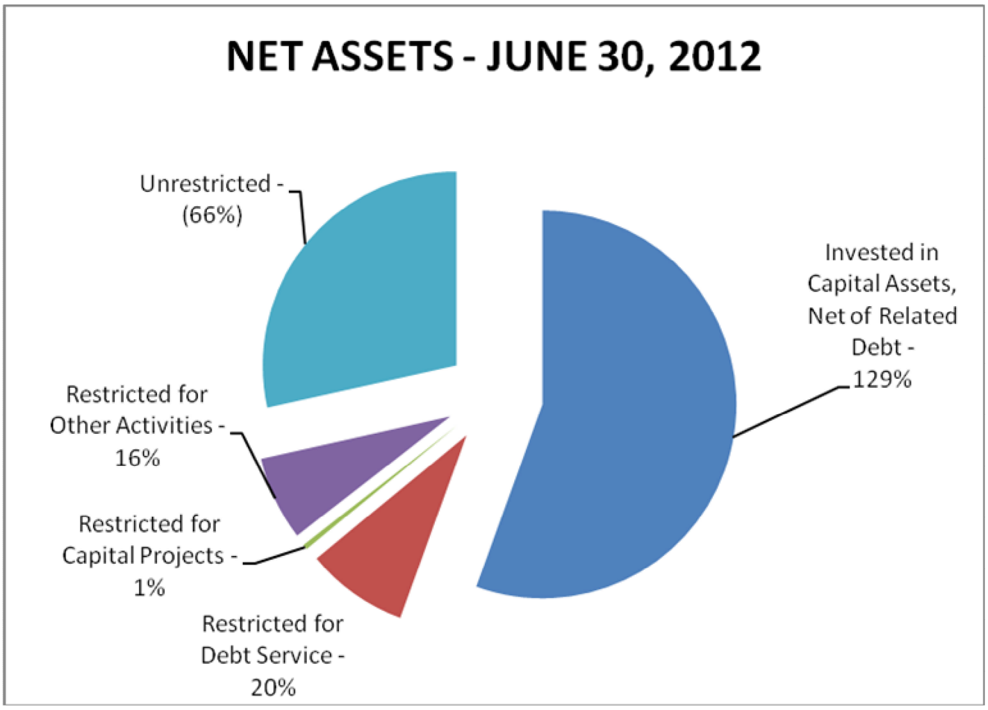
The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using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

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

A summary of the Statement of Net Assets as of June 30, 2012 and June 30, 2011, is presented below:

NET ASSETS
As of June 30,

(in thousands)	2012	2011	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and investments	$ 363,512	$ 395,427	$ (31,915)	-8.1%
Accounts receivable	40,700	32,176	8,524	26.5%
Other current assets	2,648	5,248	(2,600)	-49.5%
Total Current Assets	406,860	432,851	(25,991)	-6.0%
Noncurrent Assets				
Deferred costs on issuance	16,294	8,853	7,441	84.1%
Capital assets (net of depreciation)	371,341	353,059	18,282	5.2%
Total Noncurrent Assets	387,635	361,912	25,723	7.1%
TOTAL ASSETS	794,495	794,763	(268)	0.0%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	24,317	23,647	670	2.8%
Deferred revenue	4,927	7,318	(2,391)	-32.7%
Other current liabilities	35,600	26,465	9,135	34.5%
Current portion of long-term obligations	11,447	15,236	(3,789)	-24.9%
Total Current Liabilities	76,291	72,666	3,625	5.0%
Noncurrent Liabilities				
Bonds payable	635,635	625,101	10,534	1.7%
Other long-term liabilities	30,747	25,127	5,620	22.4%
Long-term obligations	666,382	650,228	16,154	2.5%
TOTAL LIABILITIES	742,673	722,894	19,779	2.7%
NET ASSETS				
Invested in capital assets	66,865	72,153	(5,288)	-7.3%
Restricted for:				
Debt service	10,257	13,212	(2,955)	-22.4%
Capital projects	511	434	77	17.7%
Other activities	8,454	16,763	(8,309)	-49.6%
Unrestricted	(34,265)	(30,693)	(3,572)	-11.6%
TOTAL NET ASSETS	$ 51,822	$ 71,869	$ (20,047)	-27.9%



- Approximately 85 percent of the cash balance is cash deposited in the Alameda County Treasury Pool and approximately 15 percent is cash deposited in local financial banking institutions. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash, and the net decrease in cash during fiscal years 2011-2012 and 2010-2011.

- The majority of the accounts receivable balance is from Federal and State sources for apportionment, grant and entitlement programs, and student receivables. Receivables totaling approximately $25.5 million for the June 2012 apportionment and categorical deferrals, approximately $5.8 million for reimbursements from Federal and State agencies related to grant awards, and $4.8 million for student receivables.

- Capital assets had a net increase of $18.3 million. The District had additions of $33.6 million related to construction in progress. Depreciation expense of $15.5 million was recognized during 2011-2012. The capital asset section of this discussion and analysis provides greater detail.

- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2012. Total accounts payable are $11.5 million; $8.0 million of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay. Two million, six hundred thousand dollars is for amounts due to or on behalf of employees for wages and benefits.

- The District's noncurrent liabilities primarily consist of bonds payable, related to the issuance of Series B, C, and D of the District General Obligation Bonds; Election 2000 Series A and B of the District General Obligation Bonds; Election 2005 Series A, B, and C of the District General Obligation Bonds; Election 2006 District General Obligation Bonds; and Election 2009 and Other Postemployment Benefit Bonds. The face value of these bonds at the time of initial sale totaled $683 million and $424 million represents the remaining long-term debt to satisfy these obligations.

- In October 2011, the District completed an Other Postemployment Benefit Bond refunding. The objective of the refunding was to reduce the near term debt service payments and to take advantage of historical low interest rates that reduced the interest expenses. The total refunding amount was $53.5 million and through fiscal year 2016 achieved total savings to the Unrestricted General Fund of approximately $32 million.

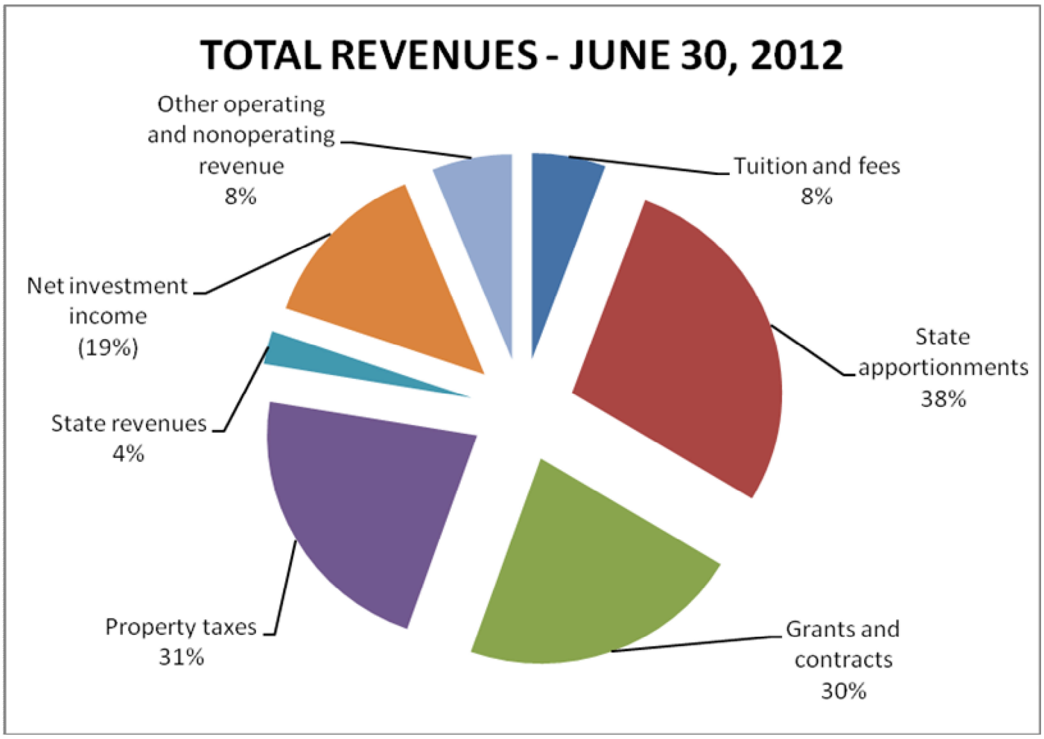
Statement of Revenues, Expenses, and Change in Net Assets

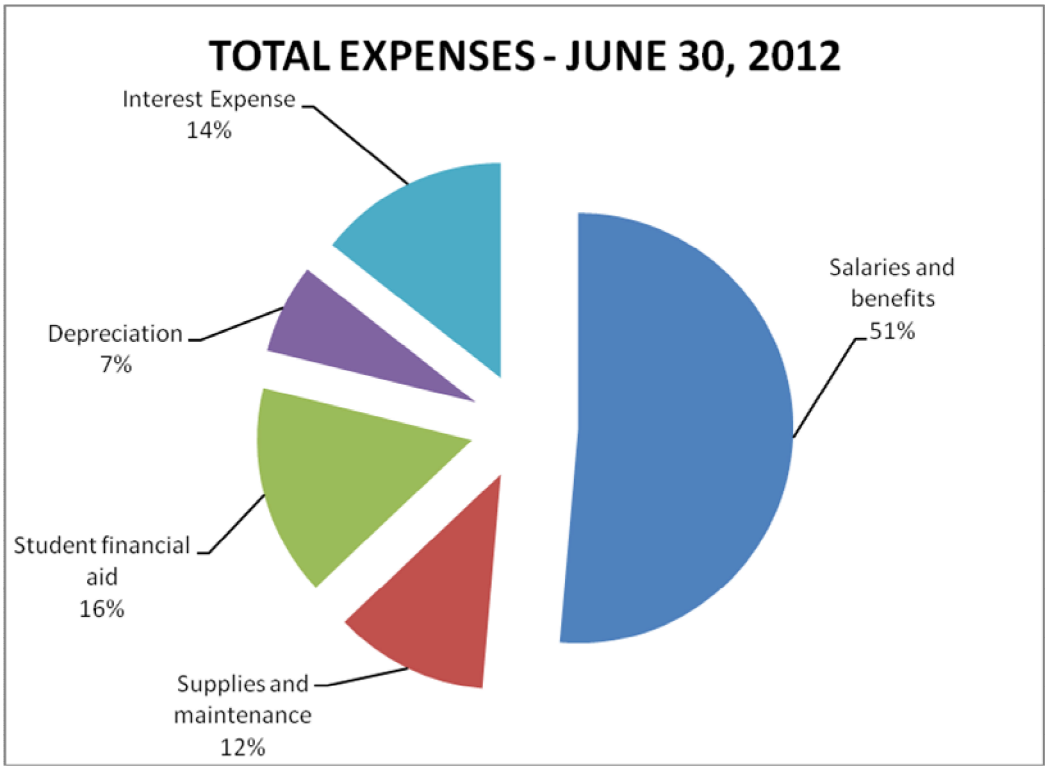
The Statement of Revenues, Expenses, and Change in Net Assets presents the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and nonexchange. Operating activities are those in which a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

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012 and June 30, 2011, is summarized below:

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

(in thousands)	2012	2011	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	$ 13,709	$ 13,524	$ 185	1.4%
Other revenues	1,636	353	1,283	100%
Total Operating Revenues	15,345	13,877	1,468	10.6%
Operating Expenses				
Salaries and benefits	117,759	122,525	(4,766)	-3.9%
Supplies and maintenance	26,570	23,949	2,621	10.9%
Student financial aid	36,458	32,845	3,613	11.0%
Depreciation	15,530	18,818	(3,288)	-17.5%
Total Operating Expenses	196,317	198,137	(1,820)	-0.9%
Loss on Operations	(180,972)	(184,260)	3,288	1.8%
Nonoperating Revenues and (Expenses)				
State apportionments	67,695	67,700	(5)	0.0%
Grants and contracts	52,727	52,327	400	0.8%
Property taxes	53,788	60,038	(6,250)	-10.4%
State revenues	4,874	4,927	(53)	-1.1%
Net investment income	(32,904)	1,189	(34,093)	-2867.4%
Other nonoperating revenues and transfers	13,344	11,201	2,143	19.1%
Total Nonoperating Revenues	159,524	197,382	(37,858)	-19.2%
Other Revenues				
State and local capital income	1,402	189	1,213	641.8%
Total Other Revenues	1,402	189	1,213	641.8%
Net Increase (Decrease) in Net Assets	$ (20,046)	$ 13,311	$ (33,357)	250.6%


TOTAL REVENUES - JUNE 30, 2012
Other operating and nonoperating revenue 8%
Tuition and fees 8%
Net investment income (19%)
State apportionments 38%
State revenues 4%
Property taxes 31%
Grants and contracts 30%


TOTAL EXPENSES - JUNE 30, 2012
Interest Expense 14%
Salaries and benefits 51%
Depreciation 7%
Student financial aid 16%
Supplies and maintenance 12%

- The primary components of tuition and fees are the $36 per unit enrollment fee that is charged to all students registering for classes and the additional $183 per unit fee that is charged to all non-resident students.

- Personnel costs account for 51 percent of operating expenses in fiscal year 2012 compared to 47 percent in 2011. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, equipment, maintenance, and depreciation expense.

- The principal components of the District's nonoperating revenue are: noncapital Federal and State grants, State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income, the majority of this revenue is received to support the District's instructional activities. The amount of State general apportionment received by the District is dependent upon the number of FTES generated and reported to the State, less amounts received from enrollment fees and local property taxes. Increases in either of the latter two revenue-categories lead to a corresponding decrease in apportionment.

- A schedule of functional expenses is displayed below:

	Salaries	Employee Benefits	Supplies, Material, and Other Operating Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 38,093,538	$ 11,516,090	$ 1,727,616	$ -	$ 267,016	$ -	$ 51,604,260
Academic support	3,758,821	1,417,411	548,291	-	85,572	-	5,810,095
Student services	11,246,770	5,088,516	5,966,659	-	196,634	-	22,498,579
Plant operations and maintenance	9,679,379	20,805,530	10,993,853	-	563,745	-	42,042,507
Instructional support services	7,394,004	4,724,633	2,166,334	-	153,332	-	14,438,303
Community services and economic development	-	-	60,000	-	-	-	60,000
Ancillary services and auxiliary operations	1,981,165	896,306	1,721,841	-	32,562	-	4,631,874
Student aid	-	-	2,086,593	36,458,350	-	-	38,544,943
Physical property and related acquisitions	779,296	377,326	-	-	-	-	1,156,622
Unallocated expense	-	-	-	-	-	15,529,880	15,529,880
Total	$ 72,932,973	$ 44,825,812	$ 25,271,187	$ 36,458,350	$ 1,298,861	$ 15,529,880	$ 196,317,063

Statement of Cash Flows

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

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

The Statement of Cash Flows for the fiscal years ended June 30, 2012 and June 30, 2011, is summarized below:

Statement of Cash Flows
for the Years Ended June 30,

(in thousands)

	2012	2011
Cash From		
Operating activities	$ (161,680)	$ (159,189)
Noncapital financing activities	166,093	159,797
Capital financing activities	(26,369)	(62,267)
Investing activities	(15,786)	21,981
Net Change in Cash	(37,742)	(39,678)
Cash, Beginning of Year	203,757	243,435
Cash, End of Year	$ 166,015	$ 203,757

- Cash receipts from operating activities are from student tuition. Use of cash is for payments to employees, vendors, and students related to the instructional program.

- State apportionment received based on the workload measures generated by the District accounts for 31 percent and 43 percent of noncapital financing for both fiscal years 2012 and 2011, respectively. Cash receipts from Federal and State grants represent 33 percent in 2012 and 32 percent in 2011. Cash received from property taxes accounts for 23 percent in fiscal year 2012 and 18 percent in fiscal year 2011 of the cash generated in this section.

- The majority of the activity in the capital and related financing activities is for the purchase of capital assets (buildings, building improvements, and equipment).

- Cash from investing activities is purchase of investments and investment income for interest earned on cash in bank and cash invested through the Alameda County pool, and on investments with local banking institutions. Approximately $0.8 million and $1.1 million were received from the Alameda County pool for fiscal years 2012 and 2011.

Other Postemployment Benefits Obligation

Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Standards No. 43 and No. 45 are for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. The District had an actuarial study performed in 2010 to identify the cost and amount needed to fund on an annual basis retiree health benefits. This study determined the District's Unfunded Actuarial Accrued Liability to be $221 million.

Economic Factors that May Affect the Future

The District enters its fiscal year 2012-2013 with cautioned optimism. At the June 5, 2012 election, the District's voters approved Measure B. Measure B is a special parcel tax that will bring in approximately $7.5 million annually for eight years. These funds will be used to restore and maintain core academic programs such as math, science, and English; train students for careers; and prepare students to transfer to four-year universities. Further, the governor placed proposition 30 on the November 6, 2012 ballot, which was passed with approval of 54.7 percent of the electorate. With Proposition 30's passage, it is expected that $6.8 billion in new revenues will be collected State-wide of which $210 million will be allocated to community colleges and $5.5 million to Peralta. While this revenue provides only a partial restoration of the approximately $20 million the District has had to cut from its operating budget within the last three years, it also provides relief that will enable the District to focus these funds through the planning and budgeting process towards mission critical programs and services focused at serving more of our community.

For fiscal year 2012-2013 it is expected that the District will be compensated for serving 17,992 full-time equivalent students. Should the District serve only those students which it is funded for, this would equate to a flat budget as compared to the prior fiscal year. In November of 2012, the Legislative Analyst Office released a report projecting that the State will end its 2012-2013 fiscal year with a $943 million deficit and further, projects that the State will be challenged with a $936 million operating deficit during the 2013-2014 fiscal year. To balance the budget by June 2013, the State will need to address a cumulative budget deficit of $1.9 billion. It is not known at this time if reductions will materialize as part of the State's solutions to address this deficit.

As the fiscal year 2012-2013 progresses, the District is exercising diligence in monitoring all budgets and continues to spend within its parameters. As the budget development begins for fiscal year 2013-2014, the District will carefully watch and evaluate the Governor's January budget proposal, as well as any changes contained with the May revision. Working through the shared governance structures, the 2013-2014 budget will contain plans to deal with potential and significant reductions in order to ensure the institution remains financially strong and maintains the ability to carry out its core mission to educating students.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the District at: Peralta Community College District, 333 East 8th Street, Oakland, California 94606.

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2012

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 4,752,561
Restricted cash and cash equivalents	10,846,491
Restricted investments	325,412,079
Interest rate SWAP	22,500,789
Accounts receivable	35,864,507
Student receivable	4,835,646
Prepaid expenses	1,672,221
Deferred costs on issuance - current portion	348,372
Deferred costs on refunding - current portion	490,515
Inventories	137,053
Total Current Assets	406,860,234
NONCURRENT ASSETS	
Deferred costs on issuance - noncurrent portion	7,463,936
Deferred costs on refunding - noncurrent portion	8,829,270
Nondepreciable capital assets	106,344,079
Depreciable capital assets, net of depreciation	264,997,391
Total Capital Assets	371,341,470
Total Noncurrent Assets	387,634,676
TOTAL ASSETS	794,494,910
LIABILITIES	
CURRENT LIABILITIES	
Deficit cash in county treasury	11,069,490
Accounts payable	11,453,067
Deferred cash outflows	22,500,789
Accrued interest payable	12,863,702
Deferred revenue	4,926,746
SWAP liability	2,029,479
General obligation bonds payable - current portion	11,375,000
Other postemployment benefits bonds - current portion	72,217
Total Current Liabilities	76,290,490
NONCURRENT LIABILITIES	
Claims liability	2,778,000
Load banking	1,737,787
Compensated absences payable - noncurrent portion	2,850,116
General obligation bonds payable - noncurrent portion	431,700,253
Other postemployment benefits bonds - noncurrent portion	203,934,410
Other postemployment benefits obligation - noncurrent portion	23,381,384
Total Noncurrent Liabilities	666,381,950
TOTAL LIABILITIES	742,672,440
NET ASSETS	
Invested in capital assets, net of related debt	66,865,670
Restricted for:	
Debt service	10,256,610
Capital projects	511,316
Other activities	8,454,351
Unrestricted	(34,265,477)
TOTAL NET ASSETS	$ 51,822,470

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES	
Student Tuition and Fees	$ 24,451,586
Less: Scholarship discount and allowance	(10,742,715)
Net tuition and fees	13,708,871
Other Operating Revenues	1,635,621
TOTAL OPERATING REVENUES	15,344,492
OPERATING EXPENSES	
Salaries	72,932,973
Employee benefits	44,825,812
Supplies, materials, and other operating expenses and services	25,271,187
Student financial aid	36,458,350
Equipment, maintenance, and repairs	1,298,861
Depreciation	15,529,880
TOTAL OPERATING EXPENSES	196,317,063
OPERATING LOSS	(180,972,571)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	67,694,670
Federal grants and contracts	42,749,071
State grants and contracts	9,977,919
Local property taxes, levied for general purposes	22,228,247
Taxes levied for other specific purposes	31,559,960
State taxes and other revenues	4,873,751
Interest income	3,997,333
Net unrealized gain on investments	(920,755)
Interest expense on capital related debt	(35,988,627)
Investment income on capital asset-related debt, net	8,300
Other nonoperating revenue	13,343,759
TOTAL NONOPERATING REVENUES (EXPENSES)	159,523,628
INCOME BEFORE OTHER REVENUES	(21,448,943)
Local revenues, capital	1,402,458
CHANGE IN NET ASSETS	(20,046,485)
NET ASSETS, BEGINNING OF YEAR	71,868,955
NET ASSETS, END OF YEAR	$ 51,822,470

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 14,096,391
Other operating income	1,635,621
Payments to or on behalf of employees	(111,557,121)
Payments made to students from financial aid	(36,458,350)
Payments to vendors for supplies and services	(29,397,035)
Net Cash Flows From Operating Activities	(161,680,494)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	56,849,068
Federal and State grants and contracts	54,145,372
Property taxes - nondebt related	22,228,247
Other State revenues	5,009,331
Other nonoperating revenues	27,861,179
Net Cash Flows From Noncapital Financing Activities	166,093,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Local capital grants	1,402,458
Taxes levied for debt repayment	31,559,960
Acquisition and construction of capital assets	(33,872,565)
Property taxes - related to capital debt	122,500,926
Principal paid on capital debt and leases	(115,756,199)
Interest received on capital debt	8,300
Deferred costs of issuance	162,318
Interest paid on capital debt and leases	(32,372,912)
Net Cash Flows From Capital and Related Financing Activities	(26,367,714)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(18,862,999)
Investment income	3,076,578
Net Cash Flows From Investing Activities	(15,786,421)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(37,741,432)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	203,756,683
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 166,015,251

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (180,972,571)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	15,529,880
Changes in Operating Assets and Liabilities:	
Receivables, net	2,581,601
Inventories	24,034
Prepaid expenses	(1,087,026)
Accounts payable and accrued liabilities	(1,624,391)
Deferred revenue	(1,751,765)
Compensated absences	16,068
Load banking	491,686
Other postemployment benefits	5,111,990
Total Adjustments	19,292,077
Net Cash Flows From Operating Activities	$ (161,680,494)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 15,599,052
Investment in county treasury	150,416,199
Total Cash and Cash Equivalents	$ 166,015,251
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 2,072,446

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 514,516	$ 979,642
Accounts receivable	3,504	-
Fixed assets	2,555	-
Total Assets	520,575	$ 979,642
LIABILITIES		
Accounts payable	132,808	$ -
Due to student groups	14,315	979,642
Total Liabilities	147,123	$ 979,642
NET ASSETS		
Unreserved	373,452	
Total Net Assets	$ 373,452	

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Trust Funds
ADDITIONS	
Local revenues	$ 142,242
DEDUCTIONS	
Services and operating expenditures	114,745
Change in Net Assets	27,497
Net Assets - Beginning	345,955
Net Assets - Ending	$ 373,452

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

NOTE 1 - ORGANIZATION

Peralta Community College District (the District) was established in 1964 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board of Trustees must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates four college campuses located in Alameda, Oakland, and Berkeley, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted 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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

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

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

- **Peralta Colleges Foundation, Inc.**

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2012.

Inventories

Inventories consist primarily of operating supplies. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $49,999 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs, Refunding Costs, Premiums, and Discounts

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

Compensated Absences

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

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

Deferred Revenue

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

Noncurrent Liabilities

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

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represent the difference between assets and liabilities. Net assets are classified according to imposed 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. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted - 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. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

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. At June 30, 2012, the District reported $19.2 million in restricted net assets.

State Apportionments

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

Property

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

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

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, 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. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.*

On Behalf Payments

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Pronouncements

From time to time, the Governmental Accounting Standards Board will issue additional guidance on the accounting and reporting for financial transactions affecting governmental entities. The following is a summary of the most recent pronouncements which will impact future reporting or accounting requirements for the District. The full text of the following statements, along with implementation guides, may be found on the GASB website: www.gasb.org.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*.

> This Statement modifies and amends certain requirements for inclusion and reporting of component units in the financial reporting entity. Guidance is provided for both blended and discretely presented component units. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District or related component units for the June 30, 2013, financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

> The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included within other pronouncements issued on or before November 30, 1989, which does not conflict or contradict the GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. The provisions of this Statement are required to be applied retroactively for all periods presented. Management is in the process of determining the impact to the District reporting for the June 30, 2013, financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2013, financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In June 2012, GASB issued Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*.

The primary objective of these Statements is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged. Management is in the process of determining the impact of both GASB Statements No. 67 and No. 68 on the June 30, 2015, financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

Other Investments

The District maintains investments outside the Alameda County Treasurer as allowed by the District's investment policy. The District relies on a third party investment firm to manage the investment portfolio. The investments are stated at fair value as determined by quoted market prices in The Wall Street Journal at June 30, 2012.

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments of the primary government as of June 30, 2012, consist of the following:

Cash on hand and in banks - unrestricted	$ 4,697,561
Cash in revolving - unrestricted	55,000
Cash on hand and in banks - restricted	9,153,919
Cash with fiscal agent - restricted	1,692,572
Total Cash and Cash Equivalents	$ 15,599,052
Investment in county treasury - unrestricted	$ (11,069,490)
Investment in county treasury - restricted	161,485,689
Investments - restricted	163,926,390
Total Investments	$ 314,342,589

Deposits and investments of the fiduciary funds as of June 30, 2012, consist of the following:

Cash on hand and in banks	$ 1,494,158

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

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

Investment Type	Fair Value	Weighted Average Maturity in Days
County Pool - Alameda	$ 150,679,669	574
JP Morgan Prime Money Market Fund	852,718	N/A
Money Market Funds	1,296,689	N/A
U.S. Treasury Obligations	4,996,750	N/A
U.S. Governments and Agencies	13,089,277	N/A
Mortgage Backed Securities	12,415,324	N/A
Collateralized Mortgage Obligations	5,342,208	N/A
Municipal Bonds	64,296	N/A
Domestic Corporate Bonds	10,100,564	N/A
Foreign Bonds	246,874	N/A
Mutual Funds - Fixed Income	13,112,961	N/A
Common Stock - Domestic	66,060,519	N/A
Common Stock - Foreign	9,024,626	N/A
Master Limited Partnerships	443,857	N/A
Mutual Funds - Equities	16,056,461	N/A
Exchange Traded Funds - Equity	10,823,266	N/A
	$ 314,606,059	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2012. 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.

Investment Type	Total Fair Value	Rating
County Pool - Alameda	$ 150,679,669	Not Rated
JP Morgan Prime Money Market Fund	852,718	[1]
Money Market Funds	1,296,689	[1]
U.S. Treasury Obligations	4,996,750	[1]
U.S. Governments and Agencies	13,089,277	[1]
Mortgage Backed Securities	12,415,324	[1]
Collateralized Mortgage Obligations	5,342,208	[1]
Municipal Bonds	64,296	[1]
Domestic Corporate Bonds	10,100,564	[1]
Foreign Bonds	246,874	[1]
Mutual Funds - Fixed Income	13,112,961	[1]
Common Stock - Domestic	66,060,519	[1]
Common Stock - Foreign	9,024,626	[1]
Master Limited Partnerships	443,857	[1]
Mutual Funds - Equities	16,056,461	[1]
Exchange Traded Funds - Equity	10,823,266	[1]
	$ 314,606,059	

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance of $6,592,090 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 4 - ACCOUNTS RECEIVABLE

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

	Primary Government
Federal Government	
Categorical aid	$ 4,363,113
State Government	
Apportionment deferral	24,440,930
Categorical aid	550,176
Lottery	1,530,582
Local Sources	
Other local sources	4,979,706
Total	$ 35,864,507
Student receivables	$ 4,835,646

Trust fund accounts receivable consist of amounts owed to the Associated Student Government from students.

NOTE 5 - PREPAID EXPENSES

Prepaid expenses consisted of the following:

	Primary Government
Insurance	$ 1,472,456
Interest rate swap payments	126,323
Other various pre-payments	73,442
Total	$ 1,672,221

NOTE 6 - DEFERRED COSTS ON ISSUANCE AND REFUNDING

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

Unamortized issuance costs are as follows:

Other Postemployment Benefits Bonds 2005 Issuances	$ 2,772,096
Other Postemployment Benefits Bonds 2011 Refunding	693,885
General Obligation Bonds 2000, Series D	302,553
General Obligation Bonds 2005, Refunding	342,419
General Obligation Bonds 2006, Series A	818,778
General Obligation Bonds 2006, Series B	1,090,618
General Obligation Bonds 2006, Series C	838,950
General Obligation Bonds 2009, Refunding	493,018
General Obligation Bonds 2012, Refunding	459,991
Total	$ 7,812,308

Deferred costs on issuance - current portion	$ 348,372
Deferred costs on issuance - noncurrent portion	7,463,936
Total	$ 7,812,308

Unamortized costs on refunding are as follows:

Other Postemployment Benefits Bonds 2009 Refunding - current portion	$ 490,515
Other Postemployment Benefits Bonds 2009 Refunding - noncurrent portion	8,829,270
Total	$ 9,319,785

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2012, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 11,913,296	$ -	$ -	$ 11,913,296
Construction in progress	98,248,470	33,646,942	37,464,629	94,430,783
Total Capital Assets Not Being Depreciated	110,161,766	33,646,942	37,464,629	106,344,079
Capital Assets Being Depreciated				
Buildings	271,798,751	-	-	271,798,751
Site improvements	53,745,972	37,464,629	-	91,210,601
Software and IT development	31,276,496	-	-	31,276,496
Machinery and equipment	40,536,684	165,500	-	40,702,184
Total Capital Assets Being Depreciated	397,357,903	37,630,129	-	434,988,032
Total Capital Assets	507,519,669	71,277,071	37,464,629	541,332,111
Less Accumulated Depreciation				
Buildings	90,263,150	5,416,259	-	95,679,409
Site improvements	8,946,132	2,193,774	-	11,139,906
Software and IT development	22,125,972	4,633,368	-	26,759,340
Machinery and equipment	33,125,507	3,286,479	-	36,411,986
Total Accumulated Depreciation	154,460,761	15,529,880	-	169,990,641
Net Capital Assets	$ 353,058,908	$ 55,747,191	$ 37,464,629	$ 371,341,470

Depreciation expense for the year was $15,529,880.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	Primary Government
Accrued payroll and benefits	$ 2,555,291
Construction contractors	5,880,891
Independent contractors and consultants	2,270,910
Vendors and supplies	745,975
Total	$ 11,453,067

	Fiduciary Funds
Vendors and supplies	$ 132,808

NOTE 9 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government
Federal categorical aid	$ 262,309
State categorical aid	1,267,068
Enrollment fees	2,570,807
Other local	826,562
Total	$ 4,926,746

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2012, the District did not have any amounts owed between the primary government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2012 fiscal year, the District did not record any transfers between the primary government and the fiduciary funds.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the fiscal year 2012 consisted of the following:

	Beginning Balance	Additions	(Amortization) Accretion	Deductions	Ending Balance	Due in One Year
General obligation bonds	$ 451,961,495	$ 63,924,485	$ (2,185,727)	$ (70,625,000)	$443,075,253	$ 11,375,000
2005 Taxable Limited Obligation OPEB Bonds	132,682,794	-	7,257,168	-	139,939,962	-
2006 OPEB Bond modification and restructuring	10,627,864	-	-	(66,199)	10,561,665	72,217
2009 OPEB Refunding bonds	45,065,000	-	-	(45,065,000)	-	-
2011 Taxable Refunding bonds	-	53,505,000	-	-	53,505,000	-
Total Bonds Payable	640,337,153	117,429,485	5,071,441	(115,756,199)	647,081,880	11,447,217
Other liabilities						
Postemployment benefits obligation	18,269,394	13,005,505	-	(7,893,515)	23,381,384	-
Claims liability	2,778,000	-	-	-	2,778,000	-
Load banking	1,246,101	491,686	-	-	1,737,787	-
Compensated absences	2,834,048	16,068	-	-	2,850,116	-
Total Long-Term Obligations	$ 665,464,696	$130,942,744	$ 5,071,441	$ (123,649,714)	$677,829,167	$ 11,447,217

Description of Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. Debt service payments on the Other Postemployment Benefits (OPEB) Bonds will be made from the Unrestricted General Fund. Workers' compensation claims liability is an estimate based on an actuarial study completed by a third party specialist. Actual claims paid will be made from the Self-Insurance Fund. Management is responsible to evaluate the adequacy of the change in value. The Postemployment Benefits Obligation is funded through payments for benefits and is reported within the fund the employees' salaries are charged. The compensated absences will be paid by the fund for which the employee worked. Load banking obligations are the responsibility of the General Fund in the year the employee utilizes the banked leave time.

Bonded Debt

General Obligation Bonds, Election 2000, Series B

In May 2002, the District issued, in the amount of $30,000,000, the Peralta Community College District General Obligation Bonds, Election 2000, Series B (the 2000 Series B Bonds) to finance the acquisition, construction, and rehabilitation of school facilities. The bonds were fully redeemed in the current fiscal year with the issuance of the 2012 Refunding.

General Obligation Bonds, Election 2000, Series C

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

General Obligation Bonds, Election 2000, Series D

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

2002 Refunding General Obligation Bonds

In October 2002, the District issued, in the amount of $7,310,000, the 2002 Refunding General Obligation Bonds to refund the Peralta Community College District, General Obligation Bonds, Election of 1992, Series A (the 1993 Bonds). The bonds mature beginning February 1, 2003 through August 1, 2017, with interest rates ranging from 2.00 to 4.00 percent.

2005 General Obligation Revenue Bonds, Series A

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

2005 General Obligation Revenue Bonds, Series B

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

2006 General Obligation Bonds, Series A

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

2006 General Obligation Bonds, Series B

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

2006 General Obligation Bonds, Series C

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

2009 Refunding General Obligation Bonds

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

2012 Refunding General Obligation Bonds

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

The outstanding general obligation debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Issued/ Amortized	Redeemed	Bonds Outstanding June 30, 2012
2000 B	5/30/2002	8/01/2032	2.00%-5.32%	$ 30,000,000	$ 8,450,000	$ -	$ 8,450,000	$ -
2000 C	5/27/2004	8/01/2034	1.60%-5.20%	40,000,000	35,965,000	-	34,085,000	1,880,000
2000 D	7/21/2005	8/01/2035	2.51%-4.18%	55,700,000	50,745,000	-	17,395,000	33,350,000
	Subtotal Election of 2000							35,230,000
2002	10/24/2002	8/01/2014	2.00%-4.00%	7,310,000	3,825,000	-	2,795,000	1,030,000
2005 A	6/01/2005	8/01/2021	3.00%-4.00%	7,285,000	5,075,000	-	340,000	4,735,000
2005 B	8/17/2005	8/01/2025	3.00%-5.00%	32,975,000	31,145,000	-	1,170,000	29,975,000
	Subtotal 2005 Refinancings							34,710,000
2006 A	8/10/2006	8/01/2031	4.00%-5.00%	75,000,000	66,570,000	-	1,975,000	64,595,000
2006 B	11/15/2007	8/01/2037	5.00%-5.25%	100,000,000	96,750,000	-	1,750,000	95,000,000
2006 C	8/26/2009	8/01/2039	2.00%-5.50%	100,000,000	100,000,000	-	820,000	99,180,000
	Subtotal Election of 2006							258,775,000
2009	12/17/2009	8/01/2031	2.00-5.50%	39,080,000	37,050,000	-	1,845,000	35,205,000
2012	3/28/2012	8/01/2034	2.00-5.00%	59,005,000	-	59,005,000	-	59,005,000
	Subtotal General Obligation Bonds							423,955,000
	Premiums (net)				16,386,495	4,919,485	2,185,727	19,120,253
	Total General Obligation Bonds (Net)				$ 451,961,495	$ 63,924,485	$ 72,810,727	$ 443,075,253

General Obligation Bond - 2000 Election

The 2000 general obligation bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 2,085,000	$ 4,123,806	$ 6,208,806
2014	2,170,000	4,038,106	6,208,106
2015	1,260,000	2,287,650	3,547,650
2016	-	-	-
2017	-	-	-
2018-2022	-	-	-
2023-2027	4,285,000	2,759,875	7,044,875
2028-2032	12,745,000	4,826,875	17,571,875
2033-2036	12,685,000	1,306,875	13,991,875
Total	$ 35,230,000	$ 19,343,187	$ 54,573,187

General Obligation Bond - 2002 Refunding

The 2002 general obligation bonds mature through 2014 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 505,000	$ 115,411	$ 620,411
2014	525,000	97,765	622,765
Total	$ 1,030,000	$ 213,176	$ 1,243,176

General Obligation Revenue Bonds - 2005 Refunding

The general obligation revenue bonds mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,585,000	$ 1,728,518	$ 3,313,518
2014	2,390,000	1,629,998	4,019,998
2015	2,530,000	1,506,980	4,036,980
2016	2,635,000	1,376,830	4,011,830
2017	2,770,000	1,239,611	4,009,611
2018-2022	15,090,000	3,891,838	18,981,838
2023-2026	7,710,000	683,195	8,393,195
Total	$ 34,710,000	$ 12,056,970	$ 46,766,970

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

The general obligation bonds mature through 2040 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 5,260,000	$ 12,794,038	$ 18,054,038
2014	6,040,000	12,564,913	18,604,913
2015	6,865,000	12,299,938	19,164,938
2016	6,505,000	11,974,738	18,479,738
2017	6,815,000	11,667,938	18,482,938
2018-2022	39,275,000	52,971,950	92,246,950
2023-2027	50,390,000	41,669,263	92,059,263
2028-2032	64,595,000	27,227,800	91,822,800
2033-2037	54,060,000	12,431,750	66,491,750
2038-2040	18,970,000	1,115,000	20,085,000
Total	$ 258,775,000	$ 196,717,328	$ 455,492,328

General Obligation Bond - 2009 Refunding

The 2009 general obligation bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,940,000	$ 1,729,200	$ 3,669,200
2014	1,275,000	1,645,700	2,920,700
2015	1,320,000	1,590,200	2,910,200
2016	1,395,000	1,524,200	2,919,200
2017	1,440,000	1,479,950	2,919,950
2018-2022	7,015,000	6,390,500	13,405,500
2023-2027	11,995,000	4,194,625	16,189,625
2028-2032	8,825,000	1,229,050	10,054,050
Total	$ 35,205,000	$ 19,783,425	$ 54,988,425

General Obligation Bond - 2012 Refunding

Year Ending June 30,	Principal	Interest	Total
2013	$ 775,000	$ 644,140	$ 1,419,140
2014	-	2,649,906	2,649,906
2015	1,545,000	2,649,906	4,194,906
2016	2,915,000	2,603,556	5,518,556
2017	2,970,000	2,516,106	5,486,106
2018-2022	14,275,000	10,563,531	24,838,531
2023-2027	12,990,000	6,873,781	19,863,781
2028-2032	15,535,000	3,978,225	19,513,225
2033-2035	8,000,000	625,188	8,625,188
Total	$ 59,005,000	$ 33,104,339	$ 92,109,339

Taxable 2005 Limited Obligation Other Postemployment Benefits Bonds

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

The bonds mature through 2050 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Accreted Interest	Interest	Total
2013	$ -	$ -	$ -	$ -
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	4,225,719	2,649,281	1,995,555	8,870,555
2018-2022	22,996,588	16,378,412	6,357,750	45,732,750
2023-2027	19,175,197	24,524,803	7,563,128	51,263,128
2028-2032	17,127,504	32,072,496	7,687,688	56,887,688
2033-2037	12,588,304	38,111,696	17,688,818	68,388,818
2038-2042	11,805,856	42,069,144	17,007,630	70,882,630
2043-2047	10,153,711	53,046,289	24,272,333	87,472,333
2048-2050	8,571,211	44,778,789	5,688,240	59,038,240
Subtotal	106,644,090	253,630,910	88,261,142	448,536,142
Accumulated accretion	33,295,872	(33,295,872)	-	-
Total	$ 139,939,962	$ 220,335,038	$ 88,261,142	$ 448,536,142

2006 Limited Obligation Other Postemployment Benefits Bonds Modification

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

The bonds mature through 2050 as follows:

Year Ending June 30,	Principal (Including Accreted Interest to Date)	Interest	Total
2013	$ 72,217	$ 657,847	$ 730,064
2014	72,217	653,334	725,551
2015	78,235	648,632	726,867
2016	84,253	643,554	727,807
2017	90,271	638,101	728,372
2018-2022	541,624	3,095,531	3,637,155
2023-2027	746,237	2,896,183	3,642,420
2028-2032	1,017,049	2,622,926	3,639,975
2033-2037	1,384,150	2,251,124	3,635,274
2038-2042	1,895,683	1,742,411	3,638,094
2043-2047	2,593,776	1,045,447	3,639,223
2048-2050	1,985,953	191,449	2,177,402
Total	$ 10,561,665	$ 17,086,539	$ 27,648,204

2009 Limited Obligation Other Postemployment Benefits Bonds Refunding

In February 2009, the District refunded a portion of previously issued 2005 fixed rate OPEB Bonds. The refunding was a current refunding and a legal defeasance of the previously issued bonds. The purpose of the refunding was to convert previously issued bonds to fixed rate bonds and to restructure the District's payment obligations. The new refunding bonds carry interest rates ranging from 4.42 percent to 6.42 percent and mature annually through August 1, 2015. The proceeds of the refunding were used to refinance a portion of the District's outstanding 2005 Limited Obligation OPEB Bonds, establish a reserve fund for the new bonds, and pay costs of issuance. These bonds were refunded with the issuance of the 2011 Taxable Refunding Bonds.

2011 Taxable Refunding Bonds

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

The bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 2,667,365	$ 2,667,365
2014	1,595,000	3,517,404	5,112,404
2015	2,590,000	3,462,057	6,052,057
2016	2,265,000	3,359,001	5,624,001
2017	-	3,257,869	3,257,869
2018-2022	8,095,000	15,485,654	23,580,654
2023-2027	14,315,000	12,161,979	26,476,979
2028-2032	24,645,000	6,007,633	30,652,633
Total	$ 53,505,000	$ 49,918,962	$ 103,423,962

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2012, was $12,812,000, and contributions made by the District during the year were $7,893,515. Interest on the net OPEB obligation and adjustments to the annual required contribution were $913,470 and $(719,965), respectively, which resulted in an increase to the net OPEB obligation of $5,111,990. As of June 30, 2012, the net OPEB obligation was $23,381,384. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Claims Liability

At June 30, 2012, the liability for claims liability was $2,778,000. See Note 14 for additional information.

Compensated Absences

At June 30, 2012, the liability for compensated absences was $2,850,116.

Load Banking

At June 30, 2012, the liability for load banking agreements was $1,737,787.

NOTE 12 - INTEREST RATE SWAPS

2005 Limited Obligation Other Postemployment Benefits Bonds

Objective of the Morgan Stanley Interest Rate SWAP. The District entered into a series of six forward starting floating-to-fixed rate interest rate swaps to manage interest rate risk associated with its 2005 Taxable Limited Obligation Other Postemployment Bonds. The OPEB Bonds included six series of bonds that were initially issued at a fixed rate of interest, converting to a variable rate (auction rate) on separate dates and continuing in that mode until maturity of the individual series of bonds. In order to effectively convert the variable rate to a fixed rate for each of the six series of bonds in November 2006, the District entered into separate swap transactions with Morgan Stanley corresponding to each of the individual variable rate periods. Because the swap obligation only arises during the variable rate interest period for each series of bonds, the District does not become obligated to make swap payments until those periods arrive for each series of bonds. As of June 30, 2012, the 2005 Series B-1 through B-6 has a fair market value of $24,530,268. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 4.90 percent, 5.16 percent, 5.28 percent, 5.21 percent, 5.06 percent, and 4.94 percent, respectively.

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

Credit Risk. As of June 30, 2012, the District was not exposed to credit risk because the swap had a negative fair value. Ongoing swap risks lay if the counterparty defaults and the District incur cost to obtain replacement swap at the same economic terms.

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

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

Derivative Instrument Types

Hedge Effectiveness. As of June 30, 2012, derivative instrument B-1 under governmental activities no longer meets the criteria for effectiveness and, thus, is considered to be an investment derivative instrument. Accordingly, the accumulated changes in its fair value in fiscal year 2012 of $767,143 are reported within the investment revenue classification for the year ended June 30, 2012. The other interest rate swaps, B-2 through B-6, are considered to be hedging derivative instruments and are identified above as fair value hedges, change in market values are shown as deferred cash out flows on the Statement of Net Assets.

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

Fair Values

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

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

Trade ID	Trade Date	Effective Date	Maturity Date	Currency	Original Notional	Market Value	Fixed Rate
AUF3X	November 28, 2006	August 5, 2039	August 5, 2049	USD	$ 134,475,000	$ (2,029,479)	4.94%
AUF3W	November 28, 2006	August 5, 2031	August 5, 2039	USD	86,650,000	(3,817,070)	5.06%
AUF3V	November 28, 2006	August 5, 2025	August 5, 2031	USD	57,525,000	(2,505,688)	5.21%
AUF3U	November 28, 2006	August 5, 2020	August 5, 2025	USD	43,175,000	(3,098,339)	5.28%
AUF3T	November 28, 2006	August 5, 2015	August 5, 2020	USD	38,450,000	(5,120,855)	5.16%
AUF3S	November 28, 2006	August 5, 2010	August 5, 2015	USD	33,950,000	(7,958,837)	4.90%

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

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

Plan Description

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The plan is currently funded on a pay-as-you-go basis. For fiscal year 2011-2012, the District contributed $7,893,515 to the plan, comprised on premiums paid for medical insurance, claims expense, eligible Medicare reimbursements, and life insurance premiums for eligible plan members.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 12,812,000
Interest on net OPEB obligation	913,470
Adjustment to annual required contribution	(719,965)
Annual OPEB Cost	13,005,505
Contributions made	(7,893,515)
Increase in net OPEB obligation	5,111,990
Net OPEB obligation, beginning of year	18,269,394
Net OPEB obligation, end of year	$ 23,381,384

Trend Information

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

Year Ended June 30,	Annual OPEB Costs	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2010	$ 12,408,000	$ 9,016,427	73%	$ 13,242,492
2011	13,217,137	8,190,235	62%	18,269,394
2012	13,005,505	7,893,515	61%	23,381,384

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	$ 221,198,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 221,198,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-
Covered Payroll	$ 42,690,375
UAAL as Percentage of Covered Payroll	518%

The above noted actuarial accrued liability was based on the March 2011 actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the March 21, 2011, actuarial valuation, the entity age normal method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), based on assets invested in the District's retiree health benefits program. Healthcare cost trend rates ranged from an initial 12 percent and 13 percent for Kaiser and Core Source, respectively, with an ultimate rate of 5.0 percent. The UAAL is being amortized at a level percent of payroll method (same as CalPERS). The initial UAAL is amortized over a closed 30 year period beginning this year. There is no actuarial value of assets because funds have not been placed in an irrevocable trust. The District has an active investment portfolio funded through the issuance of bonds and has earmarked funds held in the County Treasury for funding of the OPEB obligation, but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of plan assets.

NOTE 14 - RISK MANAGEMENT

Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2012, the District contracted with the Alliance of Schools for Cooperative Insurance Program (ASCIP) Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012:

	Workers' Compensation
Liability Balance, July 1, 2010	$ 1,809,778
Claims and changes in estimates	968,222
Liability Balance, June 30, 2011	2,778,000
Claims and changes in estimates	-
Liability Balance, June 30, 2012	$ 2,778,000

At June 30, 2012, the Internal Service Fund had retained deficits in the amount of $1,224,447.

Employee Medical Benefits

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

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members are required to contribute 8.00 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were $3,161,222, $3,338,029, and $3,233,338, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.00 percent of their salary (7.00 percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2011-2012 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were $2,442,569, $2,624,203, and $2,574,555, respectively, and equaled 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $2,072,446, $1,538,968, and $1,664,847 for the years ending 2012, 2011, and 2010, respectively, (4.855 percent of salaries subject to CalSTRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

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

The District is a member of the Schools Excess Liability Fund (SELF), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Alameda County Schools Insurance Group (ACSIG), and Golden West Financing Authority Joint Powers Authorities (JPAs). SELF, ASCIP, and ACSIG provide property and liability insurance and health insurance. Golden West Financing Authority provides assistance related to school facilities financing. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

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

During the year ended June 30, 2012, the District made payments of $45,034, $606,448, and $1,054,529 to the Schools Excess Liability Fund (SELF), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the Alameda County Schools Insurance Group (ACSIG), respectively.

NOTE 17 - COMMITMENT AND CONTINGENCIES

Deferral of State Apportionments and Reductions in Funding

The cash flow to the District of certified apportionment payments has been altered due to the current economic crisis at the California State level. As a result, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2011-2012 fiscal year have been deferred to the 2012-2013 fiscal year. The total amount of cash payments deferred into the 2012-2013 fiscal year was $21,035,308. As of October 2012, this amount had been received by the District. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

Additional pressures on the District's overall financial condition include the continued funding of the postemployment benefits obligations and related debt obligations. As noted elsewhere within the report, the actuarial determined liability for postemployment benefits is over $221.1 million with annual required contributions of $12.8 million. This obligation has been somewhat funded through the issuance of Other Postemployment Benefits Bonds. These obligations will continue to require a significant portion of the District's unrestricted General Fund operating budget.

The State is continuing to review the funded FTES which are an integral part of the apportionment calculation. Funded levels in the future may impact the operations, programs, and services offered by the District.

Parking Mitigation

The District has set aside funds to mitigate the impact of parking at Berkeley City College. These funds have been requested by the City of Berkeley as part of the development of the area surrounding Berkeley City College. At June 30, 2012, the total amount that has been deposited in a separate account owned by the District is $3,994,594. A formal agreement has not yet been finalized as to the actual mitigation project parameters. The funds that have been set aside are from general obligation bonds sold specifically for the construction of the Berkeley City College Campus.

Construction Commitments

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

NOTE 18 - SUBSEQUENT EVENT

The District issued $22,000,000 of Tax and Revenue Anticipation Notes dated August 8, 2012, to supplement the District's cash flow. The notes mature on June 28, 2013, and yield 2.00 percent interest.

REQUIRED SUPPLEMENTARY INFORMATION

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012

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

SUPPLEMENTARY INFORMATION

PERALTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2012

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mr. Cy Gulassa	President	2012
Dr. William Riley	Vice President	2014
Dr. Nicky González Yuen	Member	2012
Mr. Bill Withrow	Member	2012
Ms. Linda Handy	Member	2014
Ms. Marcie Hodge	Member	2012
Mr. Abel Guillén	Member	2014
Mr. Brian Cervantes	Student Trustee	2013
Ms. Sharon Clegg	Student Trustee	2013

ADMINISTRATION

Dr. Wise Allen	Chancellor
Dr. Jannett Jackson	President, College of Alameda
Dr. Betty Inclan	President, Berkeley Community College
Dr. George Herring	Interim President, Merritt Community College
Dr. Elñora Webb	President, Laney College
Mr. Ronald P. Gerhard, MBA, CPA	Vice Chancellor, Finance and Administration
Dr. Deborah Budd	Vice Chancellor, Educational Services
Dr. Sadiq Ikharo	Vice Chancellor, General Services
Ms. Trudy Largent, Esq.	Vice Chancellor for Human Resources
Dr. Jacob Ng	Vice Chancellor of Student Services
Ms. Thuy Thi Nguyen, Esq.	General Counsel

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Pell Grants	84.063		$ 29,547,999
Federal Supplemental Education Opportunity Grants	84.007		1,166,871
Federal Work Study Program	84.033		867,347
Academic Competitiveness Grant	84.375		2,393
Federal Direct Student Loans	84.268		4,204,084
Total Student Financial Assistance Cluster			35,788,694
Maximum Achievement Project (MAP)	84.382A		16,044
Higher Educational Institutional Aid - Strengthening Institutions Program, Title III	84.031A		440,562
Higher Educational Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success	84.031A		523,309
Higher Educational Institutional Aid - AANIPISI Initiative	84.031L		319,996
Trio Support Services	84.042A		446,046
Carl D. Perkins - Career and Technical Education Act (CTEA)			
Career and Technical Education Act (CTEA) Title I, Part C	84.048	11-C01-041	906,368
Career and Technical Education Act (CTEA) Transitions	84.243	11-112-340	178,995
Vocational Rehabilitation Cluster			
Passed through the California Department of Rehabilitation			
State Vocational Rehabilitation Services - Workability	84.126A	27372	489,974
State Vocational Rehabilitation Services - College 2 Career Program	84.126A	28146	238,328
Total Vocational Rehabilitation Cluster			728,302
TOTAL U.S. DEPARTMENT OF EDUCATION			39,348,316
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care and Adult Food Program	10.558	1912-4A	87,442
U.S. DEPARTMENT OF LABOR			
WIA Community Based Job Training Grants	17.269		1,529,615
Passed through San Mateo County Community College District			
WIA Community Based Job Training Grants - Bay CEC	17.269	[1]	154,596
Workforce Investment Act (WIA) Cluster			
Passed through the State of California, EDD			
WIA Adult - Green Jobs	17.258	R975684	20,284
Adult - Green Jobs SFP	17.258	K183469	189,265
WIA Adult - CA Industries With a Statewide Need	17.258	K076833	74,457
WIA Adult - Clean Energy Project	17.258	K076833	16,829
Passed through the City of Richmond			
WIA Adult - Clean Energy Workforce Training Program	17.258	21000666	1,619
Passed through the Oakland Private Industry Council			
WIA Adult - Medical Device Technology	17.258	10-11-AC-LAN-MD	65,246

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

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR, Continued			
Passed through the County of Alameda			
WIA Adult - One Stop Career Center	17.258	900050	$ 289,518
Total Workforce Investment Act (WIA) Cluster			657,218
Passed through the Oakland Workforce Investment Board			
East Bay Green Jobs Project	17.261	[1]	20,540
Passed through the Spanish Speaking Unity Council			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	[1]	120,463
TOTAL U.S. DEPARTMENT OF LABOR			2,482,432
U.S. DEPARTMENT OF STATE			
Passed through the Institute of International Education			
Academic Exchange Programs - Fullbright Gateway Orientation Program	19.400	[1]	48,904
NATIONAL SCIENCE FOUNDATION			
Educating Technicians for Building Automation and Sustainability*	47.076		283,845
U.S. DEPARTMENT OF ENERGY			
Passed through the Ecology Action			
ARRA State Energy Program	81.041	400-10-004-01-C	39,936
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Foundation for California Community Colleges			
Temporary Assistance for Needy Families - Child Development Careers	93.558	1012-24	182,720
Passed through the Yosemite Community College District, Child Development Training Consortium			
Child Care and Development Block Grant - CDTC	93.575	11-12-4170	8,531
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			191,251
U.S. DEPARTMENT OF JUSTICE			
Center for Public Safety	16.753		106,392
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorp - National Service Awards	94.006		123,484
Passed through the Local Initiatives Support Corporation			
Social Innovation Fund	94.019		37,069
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			160,553
TOTAL FEDERAL EXPENDITURES			$ 42,749,071

[1] Pass-Through Entity Identifying Number not available.
* Research and Development grant.

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

	Program Entitlements		
Program	**Current Year**	**Prior Year**	**Total Entitlement**
Alameda County Department	$ -	$ 720	$ 720
Song Brown RN Program	-	204,558	204,558
Instructional Equipment	-	3,897	3,897
Staff Diversity	8,862	60,476	69,338
CTE Community Collaborative	-	249,685	249,685
CARE	362,385	-	362,385
EOPS	1,873,405	6,354	1,879,759
Career Advancement	-	57,096	57,096
SFAA/BFAP	1,148,242	42,612	1,190,854
Linking After School Employment	-	5,256	5,256
DSPS	1,571,477	3,298	1,574,775
Matriculation	906,730	-	906,730
FCC Youth Empowerment YESS	22,500	-	22,500
CalWORKs	593,218	-	593,218
Nursing Capacity Grant	232,187	-	232,187
Lottery	512,640	277,958	790,598
Career Ladders Project	25,000	41,077	66,077
Job Development Incentive Funds	-	300,000	300,000
Faculty Entreprenuership Program	3,750	-	3,750
CTE Community Collaborative	348,000	399,339	747,339
CAA/Contra Costa	780,000	-	780,000
Child Care - Department of Education	788,375	-	788,375
Child Care - Tax Bailout	370,194	-	370,194
Cal Grant B/C	1,413,521	-	1,413,521
WIA - Richmond Works/EastBay Works	-	157,521	157,521
Young Entreprenuership Program	60,000	-	60,000
Basic Skills	360,000	440,005	800,005
	$ 11,380,486	$ 2,249,852	$ 13,630,338

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable (Payables)	Deferred Revenue	Flex Transfers	Total Revenue	Program Expenditures
$ 720	$ -	$ -	$ -	$ 720	$ 598
204,558	-	161,032	-	43,526	43,526
3,897	-	-	-	3,897	3,897
69,338	-	49,482	-	19,856	19,856
249,685	(32,285)	-	-	217,400	217,400
362,385	(3,449)	-	-	358,936	358,936
1,873,405	(1,879)	-	-	1,871,526	1,871,526
57,096	-	55,107	-	1,989	1,989
1,190,854	-	-	40,545	1,231,399	1,231,399
5,256	-	-	-	5,256	5,256
1,574,775	-	-	1,157,655	2,732,430	2,729,132
906,730	-	-	(40,545)	866,185	866,185
2,233	19,846	-	-	22,079	22,079
593,218	(29,157)	-	-	564,061	564,061
195,037	37,150	-	-	232,187	232,187
-	512,640	-	-	512,640	486,134
66,077	-	32,551	-	33,526	33,526
168,500	88,936	-	-	257,436	257,436
3,750	-	2,798	-	952	952
677,739	-	504,514	-	173,225	173,225
248,000	394,402	-	-	642,402	642,402
787,570	805	-	-	788,375	788,375
370,194	-	-	-	370,194	370,194
1,410,850	2,671	-	-	1,413,521	1,413,521
81,999	-	75,522	-	6,476	6,476
53,634	6,366	-	-	60,000	60,000
800,005	-	386,062	-	413,943	413,943
$ 11,957,505	$ 996,046	$ 1,267,068	$ 1,157,655	$ 12,844,137	$ 12,814,211

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2012

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit**	21	-	21
2. Credit	2,445	-	2,445
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit**	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,656	-	13,656
(b) Daily Census Contact Hours	1,125	-	1,125
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	78	-	78
(b) Credit	178	-	178
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,023	-	1,023
(b) Daily Census Contact Hours	186	-	186
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	18,712	-	18,712
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	38	-	38
2. Credit	1,076	-	1,076

* Annual report revised as of November 15, 2012.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 17,061,854	$ -	$ 17,061,854	$ 17,061,854	$ -	$ 17,061,854
Other	1300	13,717,687	-	13,717,687	13,717,687	-	13,717,687
Total Instructional Salaries		30,779,541	-	30,779,541	30,779,541	-	30,779,541
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	8,211,372	-	8,211,372
Other	1400	-	-	-	1,054,695	-	1,054,695
Total Noninstructional Salaries		-	-	-	9,266,067	-	9,266,067
Total Academic Salaries		30,779,541	-	30,779,541	40,045,608	-	40,045,608
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	15,643,417	-	15,643,417
Other	2300	-	-	-	1,480,898	-	1,480,898
Total Noninstructional Salaries		-	-	-	17,124,315	-	17,124,315
Instructional Aides							
Regular Status	2200	1,331,857	-	1,331,857	1,331,857	-	1,331,857
Other	2400	640,360	-	640,360	640,360	-	640,360
Total Instructional Aides		1,972,217	-	1,972,217	1,972,217	-	1,972,217
Total Classified Salaries		1,972,217	-	1,972,217	19,096,532	-	19,096,532
Employee Benefits	3000	20,562,825	184,137	20,746,962	34,709,719	306,895	35,016,614
Supplies and Material	4000	-	-	-	810,597	-	810,597
Other Operating Expenses	5000	-	-	-	9,305,767	-	9,305,767
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		53,314,583	184,137	53,498,720	103,968,223	306,895	104,275,118

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 6,070,399	$ -	$ 6,070,399	$ 6,070,399	$ -	$ 6,070,399
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,033,466	-	2,033,466
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 2,288,665	$ -	$ 2,288,665
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	2,288,665	-	2,288,665
Total Capital Outlay							
Other Outgo	7000	-	-	-	336,589	-	336,589
Total Exclusions		6,070,399	-	6,070,399	10,729,119	-	10,729,119
Total for ECS 84362, 50 Percent Law		$ 47,244,184	$ 184,137	$ 47,428,321	$ 93,239,104	$ 306,895	$ 93,545,999
Percent of CEE (Instructional Salary Cost/Total CEE)		50.67%		50.70%	100.00%		100.00%
50% of Current Expense of Education					$ 46,619,552		$ 46,773,000

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

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

	General Fund
June 30, 2012, Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	$ 14,321,178
Adjustments to Increase (Decrease) Fund Balance	
Accounts payable	(306,895)
Audited Fund Balance	$ 14,014,283

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

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	$ 14,014,283	
Special Revenue Funds	8,454,351	
Debt Service Fund	23,120,312	
Capital Projects Funds	139,110,769	
Internal Service Fund	(1,224,447)	
Fiduciary Funds	(21,922,493)	
Total Fund Balance and Retained Earnings - All District Funds		$ 161,552,775
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	541,332,111	
Accumulated depreciation is	(169,990,641)	
Subtotal		371,341,470
Governmental funds report cost of issuance associated with the issuance of debt when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Cost of issuance at year end (less Deferred Comp Trust Fund) amounted to:		4,346,326
Amounts held in trust on behalf of others (Trust and Agency Funds)		(1,367,409)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(10,976,673)
In governmental funds, expenses related to Interest Rate SWAPs are recognized in the period in which they are due. On the government-wide financial statements, the SWAP liability is recognized when it is incurred.		(2,029,479)
Long-term liabilities at year end consist of:		
General obligation bonds payable	423,955,000	
Premium on debt	19,120,253	
Load banking	1,737,787	
Other postemployment benefits obligation (OPEB)	23,381,384	
Compensated absences (vacations) - less current portion	2,850,116	
Subtotal		(471,044,540)
Total Net Assets		**$ 51,822,470**

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

Subrecipients

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

Grantor/Program	CFDA Number	Amount Provided to Subrecipients
WIA Community Based Job Training Grants	17.269	$ 705,910

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

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

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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

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

Reconciliation of Governmental Funds to the Statement of Net Assets

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

INDEPENDENT AUDITORS' REPORTS

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

Board of Trustees
Peralta Community College District
Oakland, California

We have audited the basic financial statements of Peralta Community College District (the District) for the year ended June 30, 2012 and have issued our report thereon dated December 5, 2012. 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.

As discussed in Note 17 to the financial statements, the District continues to be impacted by the economic downturn of the State of California, as well as the long-term negative budgetary impact of the postemployment benefits obligations and debt issuances.

Internal Control Over Financial Reporting

Management of Peralta Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered Peralta Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peralta Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Peralta Community College District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Peralta Community College District in a separate letter dated December 5, 2012.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 5, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Peralta Community College District
Oakland, California

Compliance

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Peralta Community College District's major Federal programs for the year ended June 30, 2012. Peralta Community College District's major Federal programs are identified in the summary of auditors' 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 Peralta Community College District's management. Our responsibility is to express an opinion on Peralta Community College 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; 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 Peralta Community College 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 of Peralta Community College District's compliance with those requirements.

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As described in the table below and the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements that are applicable to the following:

Compliance Requirement	Program Name and Catalog of Federal Domestic Assistance (CFDA) Number	Finding Number
Allowable Costs	U.S. Department of Education (DOE), Higher Education Institutional Aid - Strengthening Institutions Program, Title III (CFDA #84.031A), Higher Education Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success (CFDA #84.031A), AANIPISI Initiative (CFDA #84.031L), Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Trio Support Services (CFDA #84.042A), U.S. Department of Labor (DOL), WIA Adult - Green Jobs (CFDA #17.258), WIA Adult - CA Industries With a Statewide Need (CFDA #17.258), WIA Adult - Clean Energy Project (CFDA #17.258), WIA Adult - One Stop Career Center (CFDA #17.258), WIA Adult - Medical Device Technology (CFDA #17.258), WIA Adult - Green Jobs SFP (CFDA #17.258), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269), Workforce Investment Act Community Based Job Training Grants Bay CEC (CFDA #17.269)	2012-1
Procurement, Suspension, and Debarment	U.S. Department of Education (DOE), Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Trio Support Services (CFDA #84.042A), U.S. Department of Labor (DOL), WIA Adult - Green Jobs (CFDA #17.258), WIA Adult - CA Industries With a Statewide Need (CFDA #17.258), WIA Adult - Clean Energy Project (CFDA #17.258), WIA Adult - One Stop Career Center (CFDA #17.258), WIA Adult - Medical Device Technology (CFDA #17.258), WIA Adult - Green Jobs SFP (CFDA #17.258), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269), Workforce Investment Act Community Based Job Training Grants Bay CEC (CFDA #17.269)	2012-2
Reporting	U.S. Department of Labor (DOL), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269)	2012-3
Equipment and Real Property Management	U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048)	2012-4

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

In our opinion, except for the noncompliance described in the preceding paragraph, Peralta Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Peralta Community College District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major Federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Peralta Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 through 2012-4 to be significant deficiencies.

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

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2012

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
Peralta Community College District
Oakland, California

We have audited the basic financial statements of Peralta Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012.

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

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Peralta Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Peralta Community College District's compliance with the State laws and regulations in accordance with Section 400 of the Chancellor's Office *California Community Colleges Contracted District Audit Manual (CDAM)* issued in May 2012 applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	California Work Opportunity and Responsibility to Kids (CalWORKS)
Section 435	Open Enrollment
Section 437	Student Fee – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fees
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
Section 479	To Be Arranged (TBA) Hours

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

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

Based on our audit, we found that for the items tested, the Peralta Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs as items 2012-5 through 2012-8. Our audit does not provide a legal determination on Peralta Community College District's compliance with the State laws and regulations referred to above.

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 5, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs:	Qualified

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

CFDA Numbers	Name of Federal Program or Cluster
84.031A, 84.031L	Higher Educational Institutional Aid - Strengthening Institutions Program, Title III Higher Educational Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Sucess Higher Educational Institutional Aid - AANIPISI Initiative
84.048	Career and Technical Education Act (CTEA), Title I, Part C
17.258	Workforce Investment Act (WIA) Cluster
17.269	WIA Community Based Job Training Grants WIA Community Based Job Training Grants - Bay CEC
84.042A	Trio Support Services

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.375, 84.268	Student Financial Assistance Cluster
84.031A, 84.031L	Higher Educational Institutional Aid - Strengthening Institutions Program, Title III Higher Educational Institutional Aid - Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success Higher Educational Institutional Aid - AANIPISI Initiative
84.048	Career and Technical Education Act (CTEA), Title I, Part C
17.258	Workforce Investment Act Cluster
17.269	WIA Community Based Job Training Grants WIA Community Based Job Training Grants - Bay CEC
84.042A	Trio Support Services

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes

PERALTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

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

2012-1 TIME AND EFFORT REPORTING

Federal Program Affected

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

Criteria or Specific Requirement

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

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

Condition

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

Questioned Costs

No questioned costs are noted.

Context

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

Effect

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

Cause

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

Recommendation

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

Management's Response and Corrective Action Plan

The District will revise its existing procedures to ensure time and effort certifications are completed, reviewed, and submitted timely and accurately.

2012-2 PROCUREMENT, SUSPENSION, AND DEBARMENT

Federal Program Affected

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

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

No questioned costs are noted.

Context

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

Effect

The District is not in compliance with the regulations.

Cause

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

Recommendation

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

Management's Response and Corrective Action Plan

The District has implemented a procedure in which verification of the entities contracted with for services are not suspended, debarred, or otherwise excluded from providing services. The District will assess and strengthen necessary controls needed in order to ensure all required entities contracted with for services are captured for evaluation of suspense, procurement, and debarment.

2012-3 FINANCIAL REPORTING

Federal Program Affected

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

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None.

Context

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

Effect

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

Cause

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

Recommendation

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

Management's Response and Corrective Action Plan

The District will modify the current external reporting procedures to ensure all financial reports are reviewed at the District level prior to submission. The review process will ensure all financial reports agree with the general ledger and are supported by adequate documentation.

2012-4 EQUIPMENT MANAGEMENT

Federal Program Affected

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

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None.

Context

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

Effect

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

Cause

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

Recommendation

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

Management's Response and Corrective Action Plan

A physical inventory of the federally purchased equipment has been performed on a bi-annual basis and reconciled with records of purchases of the equipment. Written procedures have been prepared that provide evidence of appropriate controls over inventory. The District is currently completing procedures to ensure equipment purchased with Federal funds will be tagged upon arrival at the District warehouse.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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

2012-5 STUDENTS ACTIVELY ENROLLED

Criteria or Specific Requirement

CCR, Title 5 Sections 58003.1, 58004, 58005, and 58051
California Community College District's Contracted District Audit Manual: Section 426. Each district may only claim for apportionment purposes the attendance of students actively enrolled as of census day. An internal review system must be in place to ensure that census day parameters are properly set up to ensure attendance is properly calculated and reported.

Condition

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

Questioned Costs

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

Context

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

Effect

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

Recommendation

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

Management's Response and Corrective Action Plan

The District will establish procedures that will identify and remove inactive students as of the census day from all rosters. Through these procedures, contact hours derived from students who have been dropped will be automatically removed from the District's Annual CCFS-320 Attendance Report.

2012-6 CONCURRENT ENROLLMENT

Criteria or Specific Requirement

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

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

Condition

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

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

Questioned Costs

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

Context

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

Effect

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

Recommendation

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

Management's Response and Corrective Action Plan

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

2012-7 RESIDENCY DETERMINATION FOR CREDIT COURSES

Criteria or Specific Requirement

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

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

Condition

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

Effect

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

Context

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

Questioned Costs

There are no questioned costs.

Recommendation

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

Management's Response and Corrective Action Plan

The District will implement a procedure within Admissions and Records that effectively monitors the information provided by CCCApply to ensure that all students' residency determination is properly reported.

2012-8 CALWORKS - REPORTING

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

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

Recommendation

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

Management's Response and Corrective Action Plan

The District will implement procedures and controls that when followed will ensure that future CalWORKs program expenditures reports submitted to the State Chancellor's Office will be reconciled with the District general ledger.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

FINANCIAL STATEMENT FINDINGS

2011-1 CONTROL ENVIRONMENT

Criteria or Specific Requirements

The control environment and related internal controls are an integral part of managing the operations of the District. This is demonstrated through standard reporting, segregation of duties, and personnel training.

Condition

Material Weakness **-** Although the District is currently engaged in the (re)design, implementation, and monitoring of the internal control structure within the control environment, areas such as financial aid accounting and college bursars offices require additional assessment and review related to business practices and training. Specific examples of controls needing assessment are: responsibility, authority, segregation of duties, and procedures.

Context

The District processes transactions in excess of $250 million each year. Weaknesses in the internal controls have the ability to impact all functions of the District and Colleges.

Effect

The lack of sufficient training, cross training, and segregation of duties creates an opportunity that the District could fall behind in the monitoring and reporting of data and activities to external oversight agencies including the CCFS-311.

Recommendation

The District should continue to conduct ongoing training of District personnel to help improve the internal control structure of the District.

Current Status

Implemented.

2011-2 CASH ACCOUNT RECONCILIATIONS

Criteria or Specific Requirement

Adequate internal controls over the account activity require a system of reconciliation of all bank accounts to ensure the proper recognition of revenues and expenses.

Condition

Material Weakness **-** Cash accounts for the various activities of the District were not reconciled as of June 30, 2011. The District does not maintain a complete and comprehensive list of all bank accounts.

- The Cash in County reconciliations are not being performed timely during the year. Without a timely, accurate reconciliation, it is difficult to accurately determine whether anticipated deposits have been received and recorded within the proper general ledger account, or whether expenses have been posted appropriately.
- Coresource Medical account and the Cafeteria Workers' Compensation account were not reconciled in a timely manner; thus resulting in the general ledger not reflecting the appropriate activity for the bank accounts. Audit adjustments were posted to recognize the activity for these accounts.
- Merchant Card Services account was not prepared timely nor did it receive an independent review. The account reconciliation was prepared incorrectly.
- Employee Direct Deposit Bank account reconciliation was not updated to appropriately reflect the final activity for the year.

The following accounts were not reconciled in a timely manner and/or did not have an independent review:

> Alameda Student Financial Aid account, Laney Student Financial Aid account, Merritt Student Financial Aid account, Alameda Revenue account, Berkeley Revenue account, Laney Revenue account, Merritt Revenue account, Pension Dynamic account, and Cal Bank Employee Taxes account.

Context

The District Office maintains numerous bank accounts to record the deposits and expenses for such items as employee tax payments, student financial aid, credit card activity, and small purchases through the Revolving Cash account, as well as other small activities. The activities through these accounts are not recorded within the general ledger until a reimbursement with the County Treasurer is requested or deposits are transmitted to the County Treasurer. The County Treasurer is the primary depository of the District's funds. The County Treasurer also processes all commercial and payroll warrants.

Effect

The activity recorded through these accounts may have a budgetary impact to the District by not recording the transactions on a timely basis.

Recommendation

A standard procedure must be put in place to ensure the reconciliation has been completed and supervisory personnel have reviewed the reconciliation for completeness and accuracy.

Current Status

Implemented.

2011-3 CAPITAL ASSET ACCOUNTING

Criteria or Specific Requirement

Industry standards and best business practices require a system of internal control over capital asset accounting that will allow the District personnel to properly record the purchases and depreciation of capital assets, as well as safeguarding equipment purchased for use throughout the District.

Condition

Significant Deficiency **-** The District's capital asset detail includes items that cannot be clearly identified or separated. The District also had to make a material adjustment to its financial records to record depreciation of previous items that should have been depreciated.

Context

Total capital assets, including construction in process, is recorded with an initial cost of over $350 million with annual depreciation expense of approximately $18 million.

Effect

In prior years, the District did not have a fixed asset system in place, and depreciation was calculated manually on a spreadsheet. The formulas for the depreciation were not updated to reflect the appropriate depreciation for that year.

Recommendation

Coordination of the duties of the personnel should be shared jointly by the Purchasing Department, as well as the Accounting Department to ensure all transactions meeting the capitalization threshold have been properly identified, capitalized, and depreciated and included within the accounting records.

Current Status

Implemented.

2011-4 ACCRUAL ACCOUNTS

Criteria or Specific Requirement

Governmental accounting policies and the California Community Colleges Chancellor's Office *Budget and Accounting Manual* require the use of the modified accrual basis within the governmental fund financial statements. This requires revenues to be recognized in the period they become measurable.

Condition

Significant Deficiency - Poor implementation of cut-off procedures associated with the accrual accounts within the fund financial statements resulted in audit adjustments being proposed and accepted for accounts payable.

Effect

The financial statements reported to the Board of Trustees and the State Chancellor's Office through the CCFS-311 reporting did not reflect the proper accruals for expenditures. The audit adjustment within the governmental funds reduced the total ending fund balances.

Recommendation

The District should institute adequate controls over the year-end closing process to ensure that all valid accruals have been included within the financial activity for the year in accordance with accounting principles generally accepted in the United States of America. Training of District staff to recognize, record, and review the accruals should be a high priority to ensure accounting principles are followed as a routine within the Business Office.

Current Status

Implemented.

2011-5 LOAD BANKING

Criteria or Specific Requirement

The Community College *Budget and Accounting Manual* and the Internal Revenue Code Regulation 1.451-2(a) require the proper accounting and reporting of income that is earned by employees.

Condition

Significant Deficiency - The accumulated banked leave has historically been maintained by the four College Business Offices. Once this liability was brought to the District and additional analysis was performed, it was noted the current policy allows faculty to request a "cash out" of the accrued balance at their discretion. This is a direct violation of the Internal Revenue Code Regulation noted above which states:

> "Income although not actually reduced to a taxpayer's possession is constructively received by the individual in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time, or so that he could have drawn upon it during the taxable year if notice of intention to withdraw had been given. However, income is not constructively received if the taxpayer's control of its receipt it subject to substantial limitations or restrictions."

This is commonly referred to as "Constructive Receipt". Under this regulation, income is taxable at the earliest date that the income could have been received. In accordance with the *Budget and Accounting Manual*, earnings of all employees participating in the load banking program should be reported as income and subject to taxes when such excess services are rendered when a "cash out" option is provided under the program.

Context

The total load banking liability for the four Colleges is in excess of $1.2 million. Current policy and contract language allows instructors to request all or a part of the balance in their load banking account to be paid.

Effect

The District is out of compliance with the Internal Revenue Service's Regulation and requirements of the *Budget and Accounting Manual*.

Recommendation

Policies should be revised to conform with current regulations as required by the Internal Revenue Service section noted above. The practice of allowing employees to cash out of the banked balance must be stopped immediately. Annually, a full accounting of the liability at each of the Colleges must be provided to the District Business Office for appropriate accounting.

Current Status

Implemented.

2011-6 COLLEGE BUSINESS OFFICE ACTIVITY

Criteria or Specific Requirement

The College Business Office and the Bursar's Office are required to collect monies on behalf of the District in accordance with District approved policies and procedures and the California Community Colleges Chancellor's Office *Budget and Accounting Manual* (BAM).

Condition

Significant Deficiency **-** Each of the College Bursar's Offices receive monies from students for enrollment fees, parking fees, and other assessments, as well as facilities rental fees and other amounts that are to be forwarded to the District Office on a timely basis. It was noted that there is not a consistent definition of what is locally controlled revenue and what is District revenue.

Effect

Monies defined by the BAM and the *Education Code* as District General Fund Monies may be inappropriately used for the College discretionary activities when not forwarded to the District Office in accordance with approved procedures. Additionally, the District is at risk of noncompliance with the *Education Code* by not understanding and following the guidance in the BAM.

Recommendation

The District should review the current guidelines for receipt and use of monies that are General Fund monies to be deposited within the District accounts. All activity related to these types of receipts should be reconciled and provided to the District Office on a timely basis. Amounts currently held within the trust funds belonging to the District should be forwarded immediately with a full reconciliation and accounting.

A consistent procedure for identifying District money and remitting the funds to the District Office should be established and provided to each College Business Manager.

Current Status

Partially implemented. See current year Management Letter.

2011-7 EMPLOYEE CONTRACTS

Criteria or Specific Requirement

Industry standards and best practices require that a system of internal control be in place to ensure that contracts and other binding agreements are approved within a reasonable period of time.

Condition

Significant Deficiency - The District entered into employment contracts with multiple employees that were not formally approved and accepted by the Chancellor within a reasonable period of time. In some cases, the contracts were not approved by the Chancellor for a period of up to 12 months. There were two instances where there was no contract available at all.

Effect

By not approving the contracts and salary increases within a reasonable amount of time, unauthorized payments have been made to employees.

Recommendation

The District should ensure that employment contracts and salary increases are approved and accepted by the Chancellor within a week of the employee's acceptance.

Current Status

Partially implemented. See current year Management Letter.

2011-8 STUDENT FINANCIAL AID DISBURSEMENTS

Criteria or Specific Requirement

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for the disbursement of payments to be completed in a way that mitigates the risk of unauthorized disbursements and ensures that payments are properly recorded.

Condition

Significant Deficiency - During testing of trust disbursements, it was noted that financial aid disbursements are being made out of the trust accounts. The College will receive a check from the State for PELL which they deposit into the clearing account trust. From the trust, they cut checks to students.

Context

The trust funds are restricted in use by the trust agreements; expensing checks from these trust accounts is in violation of the trust agreements.

Effect

The students being paid from the trust account may not be eligible students. The expenditures may not be recorded correctly as Federal expenditures in the Schedule of Expenditures of Federal Awards (SEFA). Federal revenue may be understated due to improper recording of revenues.

Recommendation

The District should implement procedures and policies regarding all financial aid disbursements to ensure the proper recording. Monies being received should only be received at the District Office and deposited into a designated account. The trust accounts should not be used as a District clearing account.

Current Status

Implemented.

2011-9 ACCOUNTING FOR RESTRICTED REVENUE

Criteria or Specific Requirement

The District is required to report those restricted revenues from Federal and State agencies appropriately within their general ledger.

Condition

Significant Deficiency - We noted one instance where revenue for a Federal program was recorded as State revenue. Additionally, we noted one program that should have been allocated to State and Federal revenue, but was recorded as 100 percent Federal revenue. The District recorded an unrestricted revenue source (Peralta TV) as deferred revenue rather than local revenue. Two Federal programs where the funds were initially deposited into the site trust funds and subsequently sent to the District Office, which is not the purpose of the trust accounts.

Context

During the current fiscal year, the District reported approximately $41 million of Federal expenditures on the SEFA.

Effect

The District's general ledger was incorrectly reporting their restricted revenue and required reclassifying journal entries.

Cause

The District performed the task of reviewing all activity for Federal, State, and local grants prior to year end. This resulted in a significant clean up of many grant activities. However, three grants were not appropriately reflected in the general ledger as reclassing entries were not posted as of June 30, 2011.

Recommendation

The District should implement procedures to identify all restricted revenues to ensure that Federal and State revenues are accurately reported throughout the year. The District should also adopt a policy that requires all Federal monies to be received directly by the District Office.

Current Status

Implemented.

2011-10 STUDENT ACCOUNTS RECEIVABLE

Criteria or Specific Requirement

The District is required to accurately report those receivables that are owed by the students attending the Colleges.

Condition

Significant Deficiency - The District is recording student overpayments by students as abatements of student accounts receivable. Also, the District records the write-off of student receivables on the balance sheet only and not in the income statement.

Context

The District currently has approximately $800K in student overpayments currently shown as a reduction in student receivables.

Effect

Reclassifying entries were made to properly account for the overpayments as a District liability.

Cause

The District has not adopted a policy regarding the accounting for student overpayments.

Recommendation

The District should adopt a policy and procedure addressing the proper accounting for student accounts receivable including overpayments and write-offs.

Current Status

Implemented.

2011-11 DISTRICT RECEIPTING

Criteria or Specific Requirement

The District is required to ensure that all monies that come through the District Office are correctly receipted and deposited in a timely manner.

Condition

Significant Deficiency **-** For the first half of the year at the District Office, there was only one person receipting the funds and preparing the deposits. Additionally, that person did not log the date that checks were received by the District Office. This process proved difficult to verify deposits are complete and timely. The District changed its procedures in February to have an individual independent of the deposit process maintain a check log. However, there is no reconciliation of this log to the actual deposit.

It was also noted that 4 of the 25 reviewed were not timely. The days between receipt and deposit ranged from 14 to 21.

Context

The District receives numerous receipts daily that require to be deposited into the District's bank account.

Effect

The District did not monitor or review the checks received to ensure the dollar value of checks received were appropriately included in the deposit.

Cause

The District's controls over receipting are not operating effectively.

Recommendation

The District should implement a review procedure to ensure that all receipts are being properly receipted, logged, and deposited in a timely manner.

Current Status

Implemented.

2011-12 DRAW DOWNS

Criteria or Specific Requirement

The District is to draw down available funds for programs in order to meet the needs of the students.

Condition

Significant Deficiency - During the year, the District would draw down monies for financial aid when the monies were available and not based on needs of the District. Also, in some cases, the District had advanced the money from the General Fund, and the District had not drawn the money down to reimburse the General Fund.

Context

The District draws down over $30 million dollars annually. At June 30, 2011, $2.7 million was owed to the General Fund for amounts advanced.

Effect

The District's future funding can be effected and the General Fund continues to experience negative cash flow issues.

Cause

The District did not have a formal policy in regards to the drawing down of funds.

Recommendation

The District should ensure that an effective and efficient control is in place to ensure that all draw downs are completed appropriately.

Current Status

Implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL AWARD FINDINGS

2011-13 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Criteria or Specific Requirement

Circular A-133 requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by Federal agency.
- Include, for Federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition

Significant Deficiency **-** A SEFA was prepared by the District for the Federal categorical programs; however, we noted several errors and omissions in the initial reporting. One Federal program was required to be allocated between Federal and State sources, but it was recorded as 100 percent Federal revenue. There were also some errors noted within the recordings of the total revenue and expenditures. The schedule did not include all the required information including the CFDA numbers.

Questioned Costs

None.

Context

During the current fiscal year, the District reported approximately $41 million of Federal expenditures on the SEFA.

Effect

Without proper control in place over the reporting of Federal awards, the District is at risk of losing future funding for those programs and/or may have to repay funds back to the grantor that were already received.

Cause

Procedures and controls over the collection of data to be included in the SEFA are currently operating ineffectively.

Recommendation

The District should review its procedures over the collection of data to be included in the SEFA and also review its existing format of its SEFA to ensure that it includes all above noted required elements.

Current Status

Implemented.

2011-14 TIME AND EFFORT REPORTING

Federal Program Affected

U.S. Department of Education (DOE), Strengthening Institutions Program, Title III (CFDA #84.031A), Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success (CFDA# 84.031A), AANIPISI Initiative (CFDA #84.031L), U.S. Department of Labor (DOL), ARRA WIA Adult - Green Jobs (CFDA #17.258), ARRA WIA Adult - CA Industries With a Statewide Need (CFDA #17.258), ARRA WIA Adult - Clean Energy Project (CFDA #17.258), ARRA WIA Adult - One Stop Career Center (CFDA #17.258), ARRA WIA Dislocated Workers - One Stop Career Center (CFDA #17.258), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269), Workforce Investment Act Community Based Job Training Grants Bay CEC (CFDA #17.269), and U.S. Department of Energy (DOE), ARRA Energy Commission Clean Energy Project (CFDA #81.041)

Compliance Requirement

Allowable Costs

Criteria or Specific Requirement

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

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

Condition

Material Weakness - Individuals working within the program have not certified the actual time spent working within the Federal programs. Time studies have not been completed for individuals who work either full-time or part-time on the program as required by OMB.

Questioned Costs

Subsequent to the audit procedures being performed, the District was able to obtain after the fact confirmation to support the costs charged to the Federal programs. No questioned costs are noted.

Context

A significant amount of the Federal expenditures related to these programs are derived from payroll costs. While the salaries appear to be reasonable and necessary for the program objectives, the District did not provide the required supporting documentation as outlined in the OMB Circular A-21. Further, there does not appear to be adequate policies and procedures necessary to support that the District has controls over compliance objectives.

Effect

Without the time studies and certifications, the program managers are not able to effectively monitor that individuals are being appropriately charged to the Federal grant.

Cause

Procedures and controls over compliance do not clearly specify how the time certification process should be completed or the process for the review of the certifications.

Recommendation

The District should have all individuals working on any Federal program certify their time as required by OMB.

Current Status

Partially implemented. See current year finding 2012-1.

2011-15 PROCUREMENT, SUSPENSION, AND DEBARMENT

Federal Program Affected

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), Strengthening Institutions Program, Title III (CFDA #84.031A), Strengthening Institutions Pathways, Systems, and Services to Maximize Student Success (CFDA #84.031A), Department of Labor (DOL), ARRA WIA Adult - Green Jobs (CFDA #17.258), ARRA WIA Adult - CA Industries With a Statewide Need (CFDA #17.258), ARRA WIA Adult - Clean Energy Project (CFDA #17.258), ARRA WIA Adult - One Stop Career Center (CFDA #17.258), ARRA WIA Dislocated Workers - One Stop Career Center (CFDA #17.258), ARRA WIA Adult - Clean Energy Workforce Training Program (CFDA #17.258), Workforce Investment Act Community Based Job Training Grants Bay CEC (CFDA #17.269), Workforce Investment Act Community Based Job Training Grants (CFDA #17.269), and U.S. Department of Energy (DOE), ARRA Energy Commission Clean Energy Project (CFDA #81.041)

Compliance Requirement

Procurement, Suspension, and Debarment

Criteria or Specific Requirement

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

Condition

Material Weakness - The District does not have policies and procedures in place necessary to ensure that the District is not violating Federal suspension and debarment regulations.

Questioned Costs

None.

Context

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

Effect

The District is not in compliance with the regulations.

Cause

While no evidence was found that indicates that any of the parties contracted with during the year for services were suspended or debarred, the District failed to recognize and appropriately develop policies and procedures to comply with the regulations.

Recommendation

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

Current Status

Partially implemented. See current year finding 2012-2.

2011-16 FINANCIAL REPORTING

Federal Program Affected

U.S. Department of Education (DOE), Carl D. Perkins - Career and Technical Education Act (CTEA) Title I, Part C (CFDA #84.048), U.S. Department of Labor (DOL), ARRA WIA Adult - Green Jobs (CFDA #17.258), ARRA WIA Adult - CA Industries With a Statewide Need (CFDA #17.258), ARRA WIA Adult - Clean Energy Project (CFDA #17.258), ARRA WIA Adult - One Stop Career Center (CFDA #17.258), ARRA WIA Dislocated Workers - One Stop Career Center (CFDA #17.258), ARRA WIA Adult - Clean Energy Workforce Training Program (CFDA #17.258)

Compliance Requirement

Reporting

Criteria or Specific Requirement

The District is required to report to the oversight agency, on a quarterly basis, the activity for CTEA Title I, Part C. In addition, the District is required to report to the oversight agency, on a monthly basis, the activity for the WIA Cluster.

Condition

Significant Deficiency - CTEA Title I, Part C - The District's quarterly interim reports submitted during the year did not agree to the financial activity reported in the general ledger.

During the 2010-2011 fiscal year, the District did not submit any monthly financial reports for three of the four WIA programs. The fourth quarter financial report was submitted for the WIA One Stop Career Center; however, contract guidelines stipulate monthly reports are required.

Questioned Costs

None.

Context

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

Effect

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

Cause

The District did not have readily available financial information. It appears that there is not adequate oversight of the reporting timelines.

Recommendation

A reporting calendar should be used to document timelines for reporting. Supervisory personnel should monitor the reporting timelines. Each report should be reviewed to verify that it is supported by actual costs recorded in the financial system.

Current Status

Implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-17 EQUIPMENT MANAGEMENT

Federal Program Affected

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

Compliance Requirement

Equipment and Real Property Management

Criteria or Specific Requirement

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

Condition

Significant Deficiency - The District has not maintained an inventory control system that satisfies the compliance criteria noted above.

Questioned Costs

None.

Context

During the current fiscal year, the District spent approximately $162,000 on capital outlay.

Effect

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

Cause

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

Recommendation

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

Current Status

Not implemented. See current year finding 2012-4.

2011-18 RETURN TO TITLE IV

Federal Program Affected

U.S. Department of Education (DOE), Student Financial Assistance Cluster: Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA #84.007), Federal Pell Grant Program (CFDA #84.063), Federal Direct Student Loans (CFDA #84.268), and Academic Competitiveness Grant (CFDA #84.375)

Compliance Requirement

Special Tests and Provisions - Return to Title IV

Criteria or Specific Requirement

34 CFR 668.22(j): The auditee is required to "return the amount of Title IV funds for which it is responsible under paragraph (g) as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew…"

Condition

Significant Deficiency - During our review of the requirements for Return to Title IV at all four campuses, it was noted in some instances, two of the Colleges did not return the Federal funds within the 45 day requirement.

Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

Of the students selected for testing that were required to return funds to the Department of Education, we noted five students that did not meet the 45 day requirement.

Effect

The District is not in compliance with the Federal Return to Title IV requirements.

Cause

The Colleges have not implemented policies and procedures to monitor the Return of Title IV funds.

Recommendation

Routine timelines for running reports to identify students who withdrew should be included in the policies. Records should include support that the reports are run in a timely manner and provide evidence that all students who have completely withdrawn are identified and a calculation performed.

Current Status

Implemented.

2011-19 DIRECT LOANS

Federal Program Affected

Student Financial Assistance Cluster - Direct Loans (CFDA #84.268)

Compliance Requirement

Direct Loan Reconciliation

Criteria or Specific Requirement

At the end of each fiscal month, the Common Origination and Disbursement (COD) provides the District with a School Account Statement (SAS) which consists of Cash Summary, Cash Detail, and Direct Loan Records. The District is required to reconcile these files to the financial aid system.

Condition

Significant Deficiency - All of the four campuses within the Peralta Community College District are not performing formal reconciliations of their direct loan disbursements. The sites monitor the Direct Loan disbursements by periodically tracing the Student Financial Aid (SFA) system to the COD report. Two of the four Colleges had a difference in the disbursement amount recorded in their system when compared to the COD data.

Questioned Costs

Merritt College had a $134,559 discrepancy, and the College of Alameda showed a $633 discrepancy when the SFA system was compared to the COD data. Consequently, the District has $135,192 Direct Loan dollars unaccounted for in reconciliation.

Context

All four campuses were not performing a formal reconciliation of their direct loan dollars. Two of the four campuses had a variance when their SFA system was compared to the COD Direct Loan data.

Effect

The District is not in compliance with the Federal Direct Loan Reconciliations.

Cause

The Colleges have not implemented policies and procedures to monitor the reconciliations of Direct Loan funding.

Recommendation

Accounting policies should be developed that provide uniform reconciliation procedures for the Direct Loans received by the campuses. The site SFA directors should be trained on how to perform and review the calculation. The site SFA directors should be made aware by the District of the reconciliation requirements and review these reconciliations at the District level to ensure completeness and accuracy.

Current Status

Implemented.

STATE AWARD FINDINGS

2011-20 STUDENTS ACTIVELY ENROLLED

Criteria or Specific Requirement

CCR, Title 5 Sections 58003.1, 58004, 58005, and 58051
California Community College District's Contracted District Audit Manual: Section 426. Each district may only claim for apportionment purposes the attendance of students actively enrolled as of census day. An internal review system must be in place to ensure that census day parameters are properly set up to ensure attendance is properly calculated and reported.

Condition

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

Questioned Costs

The District resubmitted the Annual CCFS-320 Attendance Report for the exceptions noted during the audit; however, the total questioned costs could not be determined. Reported FTES are in excess of funded FTES. The effect is not believed to have a material impact on their funded FTES.

Context

Students that did not meet the definition of being actively enrolled were included in the Annual CCFS-320 Attendance Report.

Effect

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

Recommendation

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

Current Status

Not implemented. See current year finding 2012-5.

2011-21 CONCURRENT ENROLLMENT

Criteria or Specific Requirement

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

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

Condition

Significant Deficiency - During the testing, a number of errors were noted within the program as follows:

1. When a student graduated from high school, they were not removed from the SPX code in the attendance system which identifies them as concurrent enrolled students. Therefore, they were not being assessed enrollment fees in subsequent years.
2. The District had a contract with a program (ASTI) in which high school students were attending the College. The students in this program were identified in the system as concurrent enrolled students utilizing the SPX code. Per State compliance, concurrent enrolled students taking more than 11 units should then be assessed enrollment fees. These students were not being assessed enrollment fees after reaching the 11 unit criteria.
3. One student tested that had a current year concurrent enrollment form and was not part of the ASTI program took more than 11 units and enrollment fees were not charged any fees. The student attended Sojourner Trust Independent Study Program and took 19 units in the Spring of 2011.

Effect

The FTES generated for concurrent enrolled high school students is improperly identified. Also, the College's enrollment fees are understated as well. The District is at risk of noncompliance with the *Education Code*s related to concurrent enrolled students.

Context

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

Questioned Costs

There are no questioned costs due to the District resubmitting their Annual CCFS-320 Attendance Report to correct the errors noted.

Recommendation

The District needs to go through an extensive review of all concurrent enrolled students and verify that they meet the criteria of concurrently enrolled and they are being properly assessed the fees. Also the District should generate a restriction in their registration process that does not allow concurrently enrolled students to enroll in more than 11 units.

Current Status

Not implemented. See current year finding 2012-6.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-22 CALWORKS - REPORTING

Criteria or Specific Requirement

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

Condition

Significant Deficiency - One college had not completed and filed the expenditure report within the proper timeline.

Questioned Costs

There are no questioned costs associated with this finding.

Recommendation

Timelines of required categorical reporting must be documented and sent to all program directors with a follow-up by supervisory personnel to ensure the reporting is complete and accurate. It is necessary to ensure the general ledger is posted timely and accurately for all categorical programs in order to ensure the accuracy of the reporting.

Current Status

Implemented.

2011-23 EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS)

Criteria or Specific Requirement

5 CCR § 56220 states that in order to receive programs and services authorized by this chapter, a student must not have completed more than 70 units of degree applicable credit coursework in any combination of postsecondary higher education institutions.

Condition

Significant Deficiency - We noted that 2 of the 25 students reviewed were over the maximum number of units as noted above. Upon further inquiry, it was noted that the process for identifying which students are over the maximum is a manual process which is prone to errors.

Effect

One College is not in compliance with 5 CCR § 56220 and is providing benefits to ineligible participants.

Questioned Costs

There are no questioned costs noted.

Recommendation

It is recommended that the College implement procedures to review and identify EOPS students who are over the maximum number of units.

Current Status

Implemented.