PERALTA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

PERALTA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Peralta Community College District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Peralta Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the 2015-2016 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 14, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 68 through 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 28, 2016

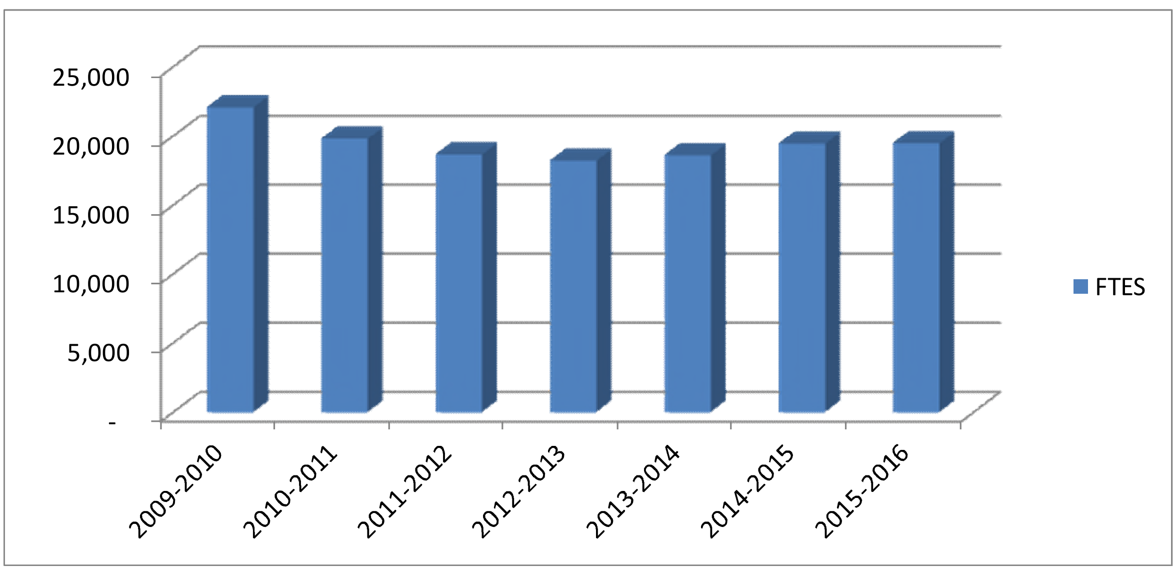
Introduction

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, 2016. 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 four colleges comprising the District include: Berkeley City College, College of Alameda, Laney College, and Merritt College. The District has a reputation for developing effective approaches to serving the varied interests and needs of its vibrant community. The District serves over 25,000 students a semester, and is one of the top community college districts in California in transferring students into the UC system. Currently, 830 full-time employees and over 1,500 part-time faculty and staff are employed by the District.

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 2015-2016, Peralta Colleges generated 18,656 FTES (including credit and noncredit FTES), as compared to 18786 in the fiscal year 2014-2015. This represents a 0.69 percent decrease. FTES is generated at the District's four colleges: Berkeley City College, College of Alameda, Laney College, and Merritt College.
- FTES claimed by the District in 2015-2016, 19,507, included utilizing all of summer enrollment/FTES, thereby slightly surpassing the FTES claimed in 2014-2015 of 19,500 which also included prior year summer enrollment.



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Full-Time Equivalent Students	22,144	19,871	18,712	18,264	18,642	19,500	19,507
Percentage Increase/(Decrease)		-10.26%	-5.83%	-2.39%	2.07%	4.60%	0.04%

- Unrestricted General Fund revenues for the year were $144.6 million, an increase of 15 percent from prior year's revenue of $124.9 million. This was due, in large part, to the base increase community colleges received in the current year.

- Unrestricted General Fund expenditures for the year were $142.9 million, an increase of 13.5 percent over prior year's expenditures of $125.9 million.

- The District received approximately $6.3 million in Student Success and Support Program funding allocated to the four Colleges.

- The District received approximately $3.0 million in Student Equity funding that was distributed among the four Colleges and the District Office.

- The District received approximately $2.5 million in one-time Scheduled Maintenance and Instructional Equipment funding that was distributed among the four Colleges and the District Office.

- Medical benefit rates for both employees and retirees increased by 5 percent for Kaiser and remained flat for the Self-Insurance plan 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 District's actuarial accrued liability as of June 30, 2016, is $152.4 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 costs.

- 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 technology infrastructure District-wide, including wifi at the Colleges.
    - Renovate and improve classrooms, laboratories, and other instructional facilities.
    - District-wide safety systems including disaster preparedness, campus security, and hazardous and toxic waste handling.
    - Renovation of student service buildings and facilities at Laney College, Merritt College, and College of Alameda.
    - Cabling and power upgrades.
    - Construction of a six story urban campus for Berkeley City College in Berkeley.

- The District utilizes Measure B proceeds, its special parcel tax, as approved by the voters in June 2012 in the following manner:
    - Restore and maintain core academic programs such as Math, Science, and English.
    - Train students for careers.
    - Prepare students to transfer to four-year universities.

Statement of Net Position

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

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

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

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

A summary of the Statement of Net Position as of June 30, 2016 and June 30, 2015, is presented below:

NET POSITION
As of June 30,

(in thousands)

	2016	2015 (as restated)
ASSETS		
Current Assets		
Cash and investments	$ 341,557	$ 314,537
Accounts receivable	27,007	19,259
Other current assets	1,383	1,878
Total Current Assets	369,947	335,674
Noncurrent Assets		
Capital assets, net	471,848	465,467
TOTAL ASSETS	841,795	801,141
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	18,115	12,502
Interest rate SWAP	35,819	21,835
Deferred outflows of resources related to pensions	26,446	9,173
TOTAL DEFERRED OUTFLOWS OF RESOURCES	80,380	43,510
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	27,895	23,913
Unearned revenue	13,211	10,241
Other current liabilities	169	3,780
Current portion of long-term obligations	23,200	17,459
Total Current Liabilities	64,475	55,393
Noncurrent Liabilities		
Bonds payable	670,997	619,654
Other long-term liabilities	150,474	125,637
Long-term obligations	821,471	745,291
TOTAL LIABILITIES	885,946	800,684
DEFERRED INFLOWS OF RESOURCES		
SWAP liability	3,751	30
Interest rate SWAP	35,819	21,835
Deferred inflows of resources related to pensions	21,739	23,405
TOTAL DEFERRED INFLOWS OF RESOURCES	61,309	45,270
NET POSITION		
Net investment in capital assets	103,687	96,236
Restricted for:		
Debt service	18,998	16,781
Capital projects	6,834	4,249
Other activities	13,027	15,844
Unrestricted	(167,626)	(134,413)
TOTAL NET POSITION	$ (25,080)	$ (1,303)

- Approximately 92.2 percent of the cash balance is cash deposited in the Alameda County Treasury Pool, and approximately 7.8 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 2015-2016 and 2014-2015.

- The majority of the accounts receivable balance is from Federal and State sources for apportionment, grant and entitlement programs, and student receivables. Receivables totaling $1.2 million for apportionment, $13.8 million for reimbursements from Federal and State agencies related to grant awards, approximately $3,209,919 from local sources, and $8.8 million for student receivables.

- Capital assets had a net increase of $6.4 million. The District had additions of $20 million related to construction in progress. Depreciation expense of $13.9 million was recognized during 2015-2016.

- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2016. Total accounts payable are $15.7 million; $0.8 million of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay. $3.2 million is for amounts due to or on behalf of employees for wages and benefits with the remaining $11.7 million due to vendors and suppliers in the normal course of business.

- The District's noncurrent liabilities primarily consist of bonds payable, related to the issuance of Election 2000 Series B, C, and D of the District General Obligation Bonds; 2005 Series A and B Refunding of the District General Obligation Bonds; Election 2006 Series A, B, and C of the District General Obligation Bonds; and Election 2009 and Other Postemployment Benefit Bonds. The face value of these bonds at the time of initial sale totaled $700.1 million, and $463.7 million represents the remaining long-term debt to satisfy these obligations.

Statement of Revenues, Expenses, and Change in Net Position

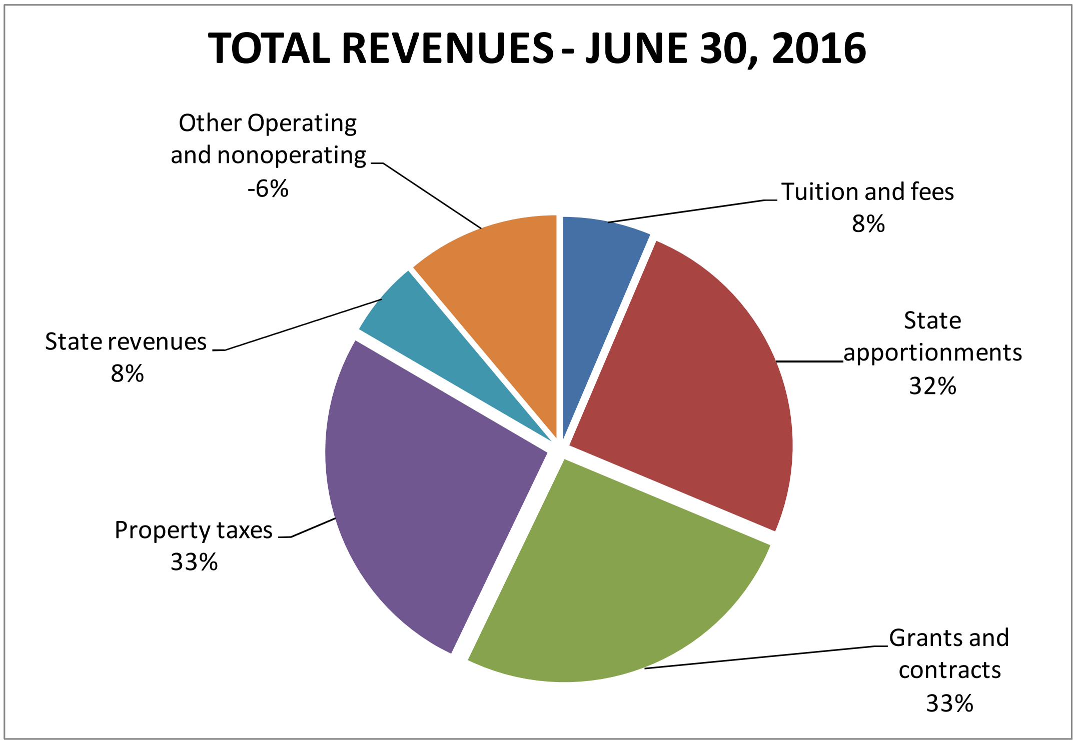
The Statement of Revenues, Expenses, and Change in Net Position presents the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and nonexchange. Operating activities are those in which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

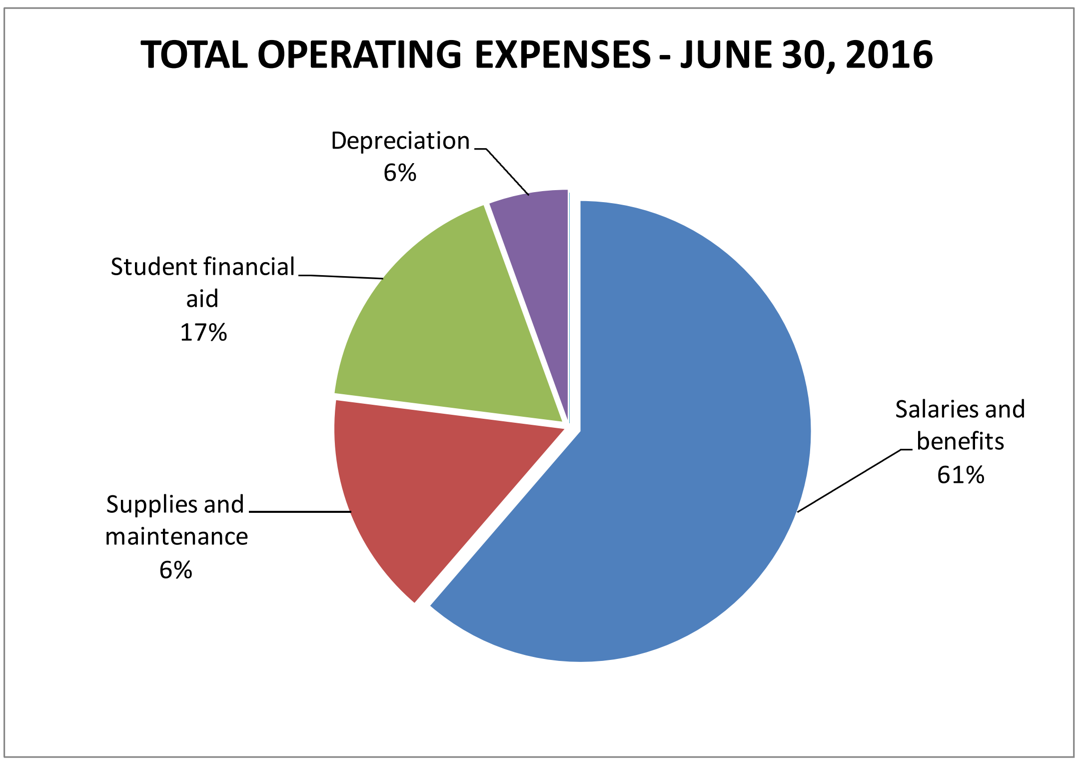
The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016 and June 30, 2015, is summarized below:

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

(in thousands)

	2016	2015
Operating Revenues		
Tuition and fees	$ 18,481	$ 18,662
Other revenues	1,449	1,187
Total Operating Revenues	19,930	19,849
Operating Expenses		
Salaries and benefits	154,253	141,342
Equipment, supplies, and maintenance	39,363	34,283
Student financial aid	43,916	44,884
Depreciation	13,935	12,837
Total Operating Expenses	251,467	233,346
Loss on Operations	(231,537)	(213,497)
Nonoperating Revenues and (Expenses)		
State apportionments	71,991	66,203
Grants and contracts	74,635	68,849
Property taxes	75,964	76,337
State revenues	15,855	5,172
Net investment income	(42,787)	(28,154)
Other nonoperating revenues	9,228	11,469
Total Nonoperating Revenues (Expenses)	204,886	199,876
Other Revenues		
State and local capital income	2,874	3,033
Total Other Revenues	2,874	3,033
Net Increase in Net Position	$ (23,777)	$ (10,588)


TOTAL REVENUES - JUNE 30, 2016
Other Operating and nonoperating -6%
Tuition and fees 8%
State apportionments 32%
State revenues 8%
Property taxes 33%
Grants and contracts 33%


TOTAL OPERATING EXPENSES - JUNE 30, 2016
Depreciation 6%
Student financial aid 17%
Salaries and benefits 61%
Supplies and maintenance 6%

- The primary components of tuition and fees are the $46 per unit enrollment fee that is charged to all students registering for classes and the additional $213 per unit fee that is charged to all non-resident students.

- Personnel costs across all funds account for 61.3 percent of operating expenses in fiscal year 2016 compared to 60.6 percent in 2015. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, equipment, maintenance, and depreciation expense.

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

- A schedule of functional expenses is displayed below:

	Salaries and Benefits	Supplies, Material, and Other Operating Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 69,395,774	$ 2,324,399	$ -	$ -	$ -	$ 71,720,173
Academic support	12,060,779	1,002,999	-	170,312	-	13,234,090
Student services	27,317,300	3,240,578	-	64,630	-	30,622,508
Plant operations and maintenance	6,463,887	6,517,661	-	-	-	12,981,548
Planning, policymaking, and coordination	7,926,992	8,699,133	-	113,526	-	16,739,651
Institutional support services	25,684,415	12,237,112	-	-	-	37,921,527
Community services and economic development	354,178	94,414	-	-	-	448,592
Ancillary services and auxiliary operations	3,779,442	2,774,586	-	3,196	-	6,557,224
Student aid	-	-	43,916,443	-	-	43,916,443
Physical property and related acquisitions	1,269,883	845,951	-	1,274,886	-	3,390,720
Unallocated expense	-	-	-	-	13,935,079	13,935,079
Total	$ 154,252,650	$ 37,736,833	$ 43,916,443	$ 1,626,550	$ 13,935,079	$ 251,467,555

Statement of Cash Flows

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

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

The Statement of Cash Flows for the fiscal years ended June 30, 2016 and June 30, 2015, is summarized below:

Statement of Cash Flows
for the Years Ended June 30,

(in thousands)

	2016	2015
Cash From		
Operating activities	$ (204,327)	$ (195,261)
Noncapital financing activities	229,761	220,246
Capital financing activities	29,015	(42,250)
Investing activities	(10,861)	(1,665)
Net Change in Cash	43,588	(18,930)
Cash, Beginning of Year	95,851	114,781
Cash, End of Year	$ 139,439	$ 95,851

- 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 31.2 percent and 36.2 percent of noncapital financing for fiscal years 2016 and 2015, respectively. Cash receipts from Federal and State grants represent 31.3 percent in 2016 and 34.9 percent in 2015. Cash received from property taxes accounts for 19.7 percent in fiscal year 2016 and 19.2 percent in fiscal year 2015 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.

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 2014 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 approximately $152.4 million. An updated study will be completed as of November 2016.

Economic Factors that May Affect the Future

The District looks forward to 2017-2018 with the same cautious optimism that has served it well over the past few years. Although the Peralta Colleges will take advantage of 'stability funding' from the State in 2016-2017, the District has embarked on strategic and proactive measures to increase student enrollment in the near and longer term. A new District-wide Enrollment Management task force has begun work to enhance outreach and marketing efforts designed to showcase the excellent opportunities that the Peralta Colleges affords its students. The District anticipates that the fruits of these endeavors will manifest in 2017-2018 and thereafter.

The State economy remains robust: property taxes and personal income taxes are forecast to increase, albeit slightly, over the next year, and the extension of Proposition 30 via the November 2016 ballot (Proposition 55) bodes well. The Legislative Analyst's Office, in its most recent assessment of 2017-2018, derives a "positive oulook" with an emphasis on back-up contingencies – e.g. – strong reserve levels – in case of an economic downturn. Similarly, the Peralta Colleges maintain substantial reserves and alternative liquidity options to weather such an event.

With respect to the State's solid economy, after three years of increased funding coming to the California community colleges in the form of targeted, restricted resources – in a ratio of nearly 2:1 – the District anticipates seeing a larger share of the new State resources allocated in the form of unrestricted resources in the future. These additional unrestricted funds would certainly assist with the continued rise in operating costs, the most substantial being, of course, the escalating costs of STRS and PERS.

The District has also recently refined its budget allocation model, through the work of a cross-functional task force, and expects to begin implementation of the changes in 2017-2018. This will allow for the equitable distribution of resources through the four Peralta Colleges.

Contacting the District's Financial Management

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2016

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 10,906,177
Investments	4,158,220
Restricted investments	326,492,599
Accounts receivable	18,245,118
Student receivables	8,761,695
Due from fiduciary funds	277,487
Prepaid expenses	996,010
Inventories	109,889
Total Current Assets	369,947,195
NONCURRENT ASSETS	
Nondepreciable capital assets	175,941,583
Depreciable capital assets, net of depreciation	295,906,449
Total Noncurrent Assets	471,848,032
TOTAL ASSETS	841,795,227
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	18,115,442
Interest rate SWAP	35,818,511
Deferred outflows of resources related to pensions	26,445,738
Total Deferred Outflows of Resources	80,379,691
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	15,701,952
Accrued interest payable	12,193,349
Due to fiduciary funds	168,846
Unearned revenue	13,210,819
General obligation bonds - current portion	16,235,000
Other postemployment benefits bonds - current portion	6,965,271
Total Current Liabilities	64,475,237
NONCURRENT LIABILITIES	
Claims liability	2,733,000
Load banking	1,897,199
Compensated absences	5,373,119
General obligation bonds - noncurrent portion	447,488,112
Other postemployment benefits bonds - noncurrent portion	223,509,126
Other postemployment benefits obligation	35,859,726
Aggregate net pension obligation	104,610,262
Total Noncurrent Liabilities	821,470,544
TOTAL LIABILITIES	885,945,781

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

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT, CONTINUED
JUNE 30, 2016

DEFERRED INFLOWS OF RESOURCES	
SWAP liability	$ 3,751,334
Interest rate SWAP	35,818,511
Deferred inflows of resources related to pensions	21,739,170
Total Deferred Inflows of Resources	61,309,015
NET POSITION	
Net investment in capital assets	103,687,172
Restricted for:	
Debt service	18,997,794
Capital projects	6,834,564
Educational programs	904,044
Other activities	12,122,954
Unrestricted	(167,626,406)
TOTAL NET POSITION	$ (25,079,878)

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Student Tuition and Fees	$ 32,060,301
Less: Scholarship discount and allowance	(13,579,614)
Net tuition and fees	18,480,687
Other Operating Revenues	1,449,159
TOTAL OPERATING REVENUES	19,929,846
OPERATING EXPENSES	
Salaries	100,366,664
Employee benefits	53,885,986
Supplies, materials, and other operating expenses and services	37,736,833
Student financial aid	43,916,443
Equipment, maintenance, and repairs	1,626,550
Depreciation	13,935,079
TOTAL OPERATING EXPENSES	251,467,555
OPERATING LOSS	(231,537,709)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	71,991,147
Federal grants and contracts	43,821,654
State grants and contracts	30,813,804
Local property taxes, levied for general purposes	45,219,964
Taxes levied for other specific purposes	30,743,962
State taxes and other revenues	15,855,030
Interest income	127,025,498
Net unrealized loss on investments	(136,691,108)
Interest expense on capital related debt	(33,214,720)
Investment income on capital asset-related debt, net	92,914
Transfer from fiduciary funds	249,604
Transfer to fiduciary funds	(5,000)
Other nonoperating revenue	8,983,824
TOTAL NONOPERATING REVENUES (EXPENSES)	204,886,573
LOSS BEFORE OTHER REVENUES	(26,651,136)
State revenues, capital	2,435,181
Local revenues, capital	438,774
TOTAL OTHER REVENUES	2,873,955
CHANGE IN NET POSITION	(23,777,181)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	(1,302,697)
NET POSITION, END OF YEAR	$ (25,079,878)

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 18,394,006
Other operating income	1,449,159
Payments to or on behalf of employees	(148,673,761)
Payments made to students from financial aid	(31,580,602)
Payments to vendors for supplies and services	(43,916,443)
Net Cash Flows From Operating Activities	(204,327,641)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	71,604,071
Federal and State grants and contracts	71,872,468
Property taxes - nondebt related	45,219,964
Other State revenues	15,064,947
Other nonoperating revenues	25,999,926
Net Cash Flows From Noncapital Financing Activities	229,761,376
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	2,873,955
Taxes levied for debt repayment	30,743,962
Proceeds from bond issuance	193,345,168
Acquisition and construction of capital assets	(24,167,270)
Principal paid on capital debt	(136,260,710)
Interest received on capital debt	92,914
Deferred costs of issuance	(5,613,659)
Interest paid on capital debt and leases	(31,999,184)
Net Cash Flows From Capital and Related Financing Activities	29,015,176
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(9,665,610)
Investment income	(1,195,344)
Net Cash Flows From Investing Activities	(10,860,954)
NET CHANGE IN CASH AND CASH EQUIVALENTS	43,587,957
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	95,850,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 139,438,569

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, 2016

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (231,537,709)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	13,935,079
Changes in Assets, Liabilities, Deferred Inflows and Deferred Outflows of Resources:	
Receivables	(668,453)
Inventories	3,035
Prepaid expenses	767,075
Accounts payable and accrued liabilities	6,786,471
Unearned revenue	426,479
Aggregate net pension obligation	20,935,219
Net OPEB obligation	3,065,236
Load banking	69,486
Compensated absences	828,423
Change in deferred outflows related to pensions	(17,272,482)
Change in deferred inflows related to pensions	(1,665,500)
Total Adjustments	27,210,068
Net Cash Flows From Operating Activities	$ (204,327,641)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 10,906,177
Investment in county treasury	128,532,392
Total Cash and Cash Equivalents	$ 139,438,569
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 2,657,856

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

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Trust Funds
ASSETS	
Cash and cash equivalents	$ 259,424
Investments	995,855
Accounts receivable	19,912
Due from primary government	168,846
Total Assets	1,444,037
LIABILITIES	
Accounts payable	4,491
Due to primary government	277,487
Due to student groups	16,313
Total Liabilities	298,291
NET POSITION	
Unreserved	$ 1,145,746

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

PERALTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Trust Funds
ADDITIONS	
Local revenues	$ 508,181
DEDUCTIONS	
Classified salaries	11,441
Employee benefits	84
Services and operating expenditures	263,803
Capital outlay	81,668
Total Deductions	356,996
OTHER FINANCING SOURCES	
Transfer from primary government	5,000
Transfer to primary government	(249,604)
Other uses	(6,100)
Total Other Financing Sources	(250,704)
Change in Net Position	(99,519)
Net Position - Beginning, As Restated	1,245,265
Net Position - Ending	$ 1,145,746

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. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

- **Peralta Colleges Foundation, Inc.**

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

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

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2016, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District has performed a detail analysis of the student receivables and believes they are fully collectible.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2016.

Inventories

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

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $50,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Charge on Refunding

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items. The District reports deferred outflows of resources for the unamortized costs on the refunding of general obligation bonds, interest rate SWAPs, and pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items. The District reports deferred inflows of resources for interest rate SWAPs, District's SWAP liability, and pension related items.

Pensions

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

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the 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. The liability for this benefit is reported on the entity-wide financial statements.

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

Unearned Revenue

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

Noncurrent Liabilities

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

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. At June 30, 2016, the District reported $38,859,356 in restricted net position.

State Apportionments

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

Property

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

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

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

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Change in Accounting Principles

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

The District has implemented the provisions of this Statement as of June 30, 2016.

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

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.

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

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

The District has implemented the provisions of this Statement as of June 30, 2016.
In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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

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

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

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

Other Investments

The District maintains investments outside the Alameda County Investment Pool as allowed by the District's investment policy. The District relies on a third party investment firm to manage the investment portfolio. The investments are stated at fair value as determined by quoted market prices in The Wall Street Journal at June 30, 2016.

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code.

Summary of Deposits and Investments

Deposits and investments of as of June 30, 2016, consist of the following:

Primary government	$ 341,556,996
Fiduciary funds	1,255,279
Total Deposits and Investments	$ 342,812,275

Cash on hand and in banks	$ 11,110,601
Cash in revolving	55,000
Investments	331,646,674
Total Deposits and Investments	$ 342,812,275

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Alameda County Investment Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $129,528,247 with the Alameda County Investment Pool with a weighted maturity of 466 days. Additionally, OPEB bond proceeds of $202,118,427 have been invested in other instruments which equate to the CalPERS investment strategy.

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 Alameda County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2016. The District's OPEB investments 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, 2016, the District's bank balance of $11,189,668 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 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

> Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Uncategorized
Alameda County Investment Pool	$ 129,875,106	$ -	$ -	$ 129,875,106
Money Market Funds	4,018,814	-	4,018,814	-
JP Morgan Prime Money Market Fund	1,264,085	-	1,264,085	-
U.S. Government and Agencies	20,048,643	-	20,048,643	-
Mortgage Backed Securities	12,241,549	-	12,241,549	-
Collateralized Mortgage Obligations	3,074,930	-	3,074,930	-
Domestic Corporate Bonds	13,738,864	-	13,738,864	-
Common Stock Domestic	72,393,590	72,393,590	-	-
Convertible Preferred Stock	48,474	48,474	-	-
Common Stock Foreign	9,106,124	9,106,124	-	-
Mutual Funds Fixed Income	22,540,487	-	22,540,487	-
Mutual Funds Equities	36,293,106	36,293,106	-	-
Exchange Traded Funds - Equity	4,856,800	4,856,800	-	-
Private Equity	2,492,961	-	2,492,961	-
Total	$ 331,993,533	$ 122,698,094	$ 79,420,333	$ 129,875,106

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

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

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 10,275,782	$ -
State Government		
Apportionment	1,195,982	-
Categorical aid	1,849,263	-
Lottery	1,687,539	-
Other State sources	26,633	-
Local Sources		
Other local sources	3,209,919	19,912
Total	$ 18,245,118	$ 19,912
Student receivables	$ 8,761,695	$ -

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2016, was as follows:

	Restated July 1, 2015	Additions	Deductions	June 30, 2016
Capital Assets Not Being Depreciated				
Land	$ 11,913,296	$ -	$ -	$ 11,913,296
Construction in progress	147,604,326	20,301,410	3,877,449	164,028,287
Total Capital Assets Not Being Depreciated	159,517,622	20,301,410	3,877,449	175,941,583
Capital Assets Being Depreciated				
Buildings	271,798,751	2,500,003	-	274,298,754
Site improvements	174,078,033	509,074	-	174,587,107
Software and IT development	31,763,616	883,146	-	32,646,762
Machinery and equipment	40,836,669	-	-	40,836,669
Total Capital Assets Being Depreciated	518,477,069	3,892,223	-	522,369,292
Total Capital Assets	677,994,691	24,193,633	3,877,449	698,310,875
Less Accumulated Depreciation				
Buildings	111,931,198	5,417,264	-	117,348,462
Site improvements	28,870,544	7,849,107	-	36,719,651
Software and IT development	31,315,424	354,145	-	31,669,569
Machinery and equipment	40,410,598	314,563	-	40,725,161
Total Accumulated Depreciation	212,527,764	13,935,079	-	226,462,843
Net Capital Assets	$ 465,466,927	$ 10,258,554	$ 3,877,449	$ 471,848,032

Depreciation expense for the year was $13,935,079.

Interest expense on capital related debt for the year ended June 30, 2016, was $39,862,060. Of this amount, $6,647,340 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	$ 3,163,793	$ -
Construction contractors	824,238	-
Vendors and supplies	11,713,921	4,491
Total	$ 15,701,952	$ 4,491

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal categorical aid	$ 181,830
State categorical aid	11,209,427
Other State	39,307
Enrollment fees	1,173,056
Other local	607,199
Total	$ 13,210,819

NOTE 9 - 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, 2016, the amount owed to the Fiduciary Funds from the Primary Government was $168,846, and the amount owed to Primary Government from the Fiduciary Funds was $277,487.

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 2016 fiscal year, the Primary Government transferred $5,000 to the Fiduciary Funds, and the Fiduciary Funds transferred $249,604 to the Primary Government.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the fiscal year 2016 consisted of the following:

	Restated as of July 1, 2015	Additions	(Amortization) Accretion	Deductions	June 30, 2016	Due in One Year
General obligation bonds	$ 413,270,921	$ 184,363,648	$ (1,748,071)	$ (132,163,386)	$ 463,723,112	$ 16,235,000
2005 Taxable Limited Obligation OPEB Bonds	164,183,133	-	8,981,520	-	173,164,653	6,875,000
2006 OPEB Bond modification and restructuring	10,338,997	-	-	(84,253)	10,254,744	90,271
2011 Taxable Refunding bonds	49,320,000	-	-	(2,265,000)	47,055,000	-
Total Bonds Payable	637,113,051	184,363,648	7,233,449	(134,512,639)	694,197,509	23,200,271
Other liabilities						
Other postemployment benefits obligation	32,794,490	10,216,551	-	(7,151,315)	35,859,726	-
Claims liability	2,795,135	-	-	(62,135)	2,733,000	-
Load banking	1,827,713	69,486	-	-	1,897,199	-
Compensated absences	4,544,696	828,423	-	-	5,373,119	-
Aggregate net pension obligation	83,675,043	20,935,219	-	-	104,610,262	-
Total Long-Term Obligations	$ 762,750,128	$ 216,413,327	$ 7,233,449	$ (141,726,089)	$ 844,670,815	$ 23,200,271

Description of Obligations

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

Bonded Debt

2006 General Obligation Bonds, Series A

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

2006 General Obligation Bonds, Series B

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

2006 General Obligation Bonds, Series C

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

2016 General Obligation Bonds, Series D

In June 2016, the District issued $50,000,000 of General Obligation Bonds, Election of 2006, Series D. The bonds are being issued to finance the acquisition, construction, and rehabilitation of District facilities. The bonds mature beginning August 1, 2032 through August 1, 2039, with interest yield rates ranging from 3.50 to 4.00 percent.

2009 General Obligation Refunding Bonds

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

2012 General Obligation Refunding Bonds

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

2014 General Obligation Refunding Bonds Series A

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

2014 General Obligation Refunding Bonds Series B

In August 2014, the District issued, in the amount of $30,220,000, the General Obligation Refunding Bonds to refund portions of the District's prior outstanding bonds. The bonds mature beginning August 1, 2015 through August 1, 2032, with interest yield rates ranging from 2.00 to 5.00 percent.

2016 General Obligation Refunding Bonds

In June 2016, the District issued, in the amount of $107,825,000, the General Obligation Refunding Bonds to refund portions of the District's prior outstanding bonds. The bonds mature beginning August 1, 2016 through August 1, 2039, with interest yield rates ranging from 3.00 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, 2015	Issued/ Amortized	Redeemed	Bonds Outstanding June 30, 2016
2006 A	8/10/2006	8/01/2031	4.00%-5.00%	$ 75,000,000	$ 4,715,000	$ -	$ 2,310,000	$ 2,405,000
2006 B	11/15/2007	8/01/2037	5.00%-5.25%	100,000,000	35,400,000	-	30,820,000	4,580,000
2006 C	8/26/2009	8/01/2039	2.00%-5.50%	100,000,000	95,840,000	-	86,955,000	8,885,000
2006 D	06/16/2016	08/01/2039	3.50%-4.00%	50,000,000	-	50,000,000	-	50,000,000
	Subtotal Election of 2006							65,870,000
2009	12/17/2009	8/01/2031	2.00-5.50%	39,080,000	30,670,000	-	1,395,000	29,275,000
2012	3/28/2012	8/01/2034	2.00-5.00%	59,005,000	56,685,000	-	2,915,000	53,770,000
2014 A	8/21/2014	8/01/2035	2.00%-5.00%	127,505,000	127,505,000	-	1,305,000	126,200,000
2014 B	8/21/2014	8/01/2032	2.00%-5.00%	30,220,000	30,220,000	-	2,445,000	27,775,000
2016	06/16/2016	08/01/2039	3.00%-5.00%	107,825,000	-	107,825,000	-	107,825,000
	Subtotal Refundings							344,845,000
	Subtotal General Obligation Bonds							410,715,000
	Bond Premiums				32,235,921	26,538,648	5,766,457	53,008,112
	Total General Obligation Bonds				$ 413,270,921	$ 184,363,648	$ 133,911,457	$ 463,723,112

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

The general obligation bonds mature through 2040 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 6,710,000	$ 1,808,569	$ 8,518,569
2018	4,520,000	2,305,094	6,825,094
2019	2,265,000	2,142,538	4,407,538
2020	2,375,000	2,023,569	4,398,569
2021	-	1,961,225	1,961,225
2022-2026	-	9,806,125	9,806,125
2027-2031	-	9,806,125	9,806,125
2032-2036	11,930,000	9,100,063	21,030,063
2037-2040	38,070,000	3,729,200	41,799,200
Total	$ 65,870,000	$ 42,682,508	$ 108,552,508

General Obligation Bond - 2009 Refunding

The 2009 general obligation bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 1,440,000	$ 1,479,950	$ 2,919,950
2018	1,495,000	1,407,950	2,902,950
2019	1,555,000	1,333,200	2,888,200
2020	930,000	1,260,450	2,190,450
2021	975,000	1,213,950	2,188,950
2022-2026	11,400,000	4,785,356	16,185,356
2027-2031	9,860,000	1,727,919	11,587,919
3032	1,620,000	85,050	1,705,050
Total	$ 29,275,000	$ 13,293,825	$ 42,568,825

General Obligation Bond - 2012 Refunding

The 2012 general obligation bonds mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 2,970,000	$ 2,516,106	$ 5,486,106
2018	3,085,000	2,397,306	5,482,306
2019	2,600,000	2,243,056	4,843,056
2020	2,730,000	2,113,056	4,843,056
2021	2,860,000	1,976,556	4,836,556
2022-2026	14,405,000	7,594,031	21,999,031
2027-2031	13,440,000	4,580,531	18,020,531
2032-2035	11,680,000	1,136,188	12,816,188
Total	$ 53,770,000	$ 24,556,830	$ 78,326,830

General Obligation Bond - 2014 Refunding

The 2014 general obligation bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 2,815,000	$ 7,145,850	$ 9,960,850
2018	5,210,000	6,977,725	12,187,725
2019	7,765,000	6,668,350	14,433,350
2020	8,170,000	6,269,975	14,439,975
2021	8,570,000	5,851,475	14,421,475
2022-2026	40,905,000	23,234,375	64,139,375
2027-2031	49,840,000	12,459,800	62,299,800
2032-2036	30,700,000	1,995,038	32,695,038
Total	$ 153,975,000	$ 70,602,588	$ 224,577,588

General Obligation Bond - 2016 Refunding

The 2016 general obligation bonds mature through 2040 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 2,300,000	$ 2,823,584	$ 5,123,584
2018	-	4,784,350	4,784,350
2019	-	4,784,350	4,784,350
2020	-	4,784,350	4,784,350
2021	2,465,000	4,735,050	7,200,050
2022-2026	14,170,000	21,727,500	35,897,500
2027-2031	17,950,000	17,873,875	35,823,875
2032-2036	37,710,000	11,777,850	49,487,850
2037-2040	33,230,000	2,265,800	35,495,800
Total	$ 107,825,000	$ 75,556,709	$ 183,381,709

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
2017	$ 4,225,719	$ 2,649,281	$ 1,995,555	$ 8,870,555
2018	4,502,311	2,822,689	1,638,743	8,963,743
2019	4,994,031	3,130,969	1,258,575	9,383,575
2020	5,378,188	3,371,812	836,888	9,586,888
2021	4,533,044	2,841,956	382,763	7,757,763
2022-2026	19,866,112	23,308,888	6,818,363	49,993,363
2027-2031	17,162,316	32,137,684	10,246,358	59,546,358
2032-2036	12,447,282	34,377,718	15,621,900	62,446,900
2037-2041	13,348,159	43,526,841	12,980,190	69,855,190
2042-2046	9,185,735	47,989,265	27,239,715	84,414,715
2047-2050	11,001,193	57,473,807	68,475,000	136,950,000
Subtotal	106,644,090	253,630,910	147,494,050	507,769,050
Accumulated accretion	66,520,563	(6,520,563)	-	60,000,000
Total	$ 173,164,653	$ 247,110,347	$ 147,494,050	$ 567,769,050

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	Interest	Total
2017	$ 90,271	$ 638,101	$ 728,372
2018	96,289	632,271	728,560
2019	102,307	626,065	728,372
2020	108,325	619,482	727,807
2021	114,343	612,524	726,867
2022-2026	698,093	2,941,318	3,639,411
2027-2031	956,869	2,684,611	3,641,480
2032-2036	1,299,897	2,335,001	3,634,898
2037-2041	1,781,341	1,857,318	3,638,659
2042-2046	2,437,307	1,202,668	3,639,975
2047-2050	2,569,702	333,813	2,903,515
Total	$ 10,254,744	$ 14,483,172	$ 24,737,916

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
2017	$ -	$ 3,257,869	$ 3,257,869
2018	1,095,000	3,257,869	4,352,869
2019	1,270,000	3,199,506	4,469,506
2020	1,695,000	3,127,370	4,822,370
2021	2,465,000	3,026,365	5,491,365
2022-2026	13,060,000	13,038,630	26,098,630
2027-2031	20,445,000	7,492,070	27,937,070
3032	7,025,000	513,457	7,538,457
Total	$ 47,055,000	$ 36,913,136	$ 83,968,136

Other Postemployment Benefits Letter of Credit

In August 2015, the District converted $38,450,000 of Convertible Auction Rate Securities (CARS) to variable rate bonds with an LOC from Barclays Bank. The bonds carry Barclays Bank's short-term rating of A-1 (Moody's Investors Service) and A-2 (Standard & Poor's).

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2016, was $9,874,857, and contributions made by the District during the year were $7,151,315. Interest on the net OPEB obligation and adjustments to the annual required contribution were $2,213,628 and $(1,871,934), respectively, which resulted in an increase to the net OPEB obligation of $3,065,236. As of June 30, 2016, the net OPEB obligation was $35,859,726. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Claims Liability

At June 30, 2016, the liability for claims liability was $2,733,000. See Note 13 for additional information.

Load Banking

At June 30, 2016, the liability for load banking agreements was $1,897,199.

Compensated Absences

At June 30, 2016, the liability for compensated absences was $5,373,119.

Aggregate Net Pension Obligation

At June 30, 2016, the liability for aggregate net pension obligation was $104,610,262. See Note 14 for additional information on the aggregate net pension obligation.

NOTE 11 - 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, 2016, the 2005 Series B-2 through B-6 has a fair market value of $(39,569,845). The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 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, 2016, 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, 2016, 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 2016 of $(3,751,334) are reported within the investment revenue classification for the year ended June 30, 2016. The other interest rate swaps, B-3 through B-6, are considered to be hedging derivative instruments and are identified above as fair value hedges, change in market values are shown as deferred cash out flows on the Statement of Net Position.

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

Fair Values

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

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

Trade ID	Trade Date	Effective Date	Maturity Date	Currency	Original Notional	Market Value	Fixed Rate
AUF3X	November 28, 2006	August 5, 2039	August 5, 2049	USD	$ 134,475,000	$ (15,847,971)	4.90%
AUF3W	November 28, 2006	August 5, 2031	August 5, 2039	USD	86,650,000	(9,525,035)	5.16%
AUF3V	November 28, 2006	August 5, 2025	August 5, 2031	USD	57,525,000	(5,699,283)	5.28%
AUF3U	November 28, 2006	August 5, 2020	August 5, 2025	USD	43,175,000	(4,746,222)	5.21%
AUF3T	November 28, 2006	August 5, 2015	August 5, 2020	USD	38,450,000	(3,751,334)	5.06%

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

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

Plan Description

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

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The plan is currently funded on a pay-as-you-go basis. For fiscal year 2015-2016, the District contributed $7,151,315 to the plan, comprised on premiums paid for medical insurance, claims expense, eligible Medicare reimbursements, and life insurance premiums for eligible plan members.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 9,874,857
Interest on net OPEB obligation	2,213,628
Adjustment to annual required contribution	(1,871,934)
Annual OPEB Cost	10,216,551
Contributions made	(7,151,315)
Increase in net OPEB obligation	3,065,236
Net OPEB obligation, beginning of year	32,794,490
Net OPEB obligation, end of year	$ 35,859,726

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
2014	$ 11,511,305	$ 8,756,303	76%	$ 29,916,295
2015	10,186,562	7,308,367	72%	32,794,490
2015	10,216,551	7,151,315	70%	35,859,726

Funding Status and Funding Progress

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

The above noted actuarial accrued liability was based on the November 1, 2014, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the November 1, 2014, actuarial valuation, the entity age normal method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), based on assets invested in the District's retiree health benefits program. Health care cost trend rates ranged from an initial 12 percent and 13 percent for Kaiser and Core Source, respectively, with an ultimate rate of 6.75 percent. The UAAL is being amortized at a level percent of payroll method (same as CalPERS). The initial UAAL is being amortized over a closed 30 year period. There is no actuarial value of assets because funds have not been placed in an irrevocable trust. The District has an active investment portfolio funded through the issuance of bonds and has earmarked funds held in the County Treasury for funding of the OPEB obligation, but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of plan assets.

NOTE 13 - RISK MANAGEMENT

Property and Liability Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2016, 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, 2014 to June 30, 2016:

	Workers' Compensation
Liability Balance, July 1, 2014	$ 2,795,135
Net claims and changes in estimates	504,147
Claims payments	(504,147)
Liability Balance, June 30, 2015	2,795,135
Net claims and changes in estimates	1,681,530
Claims payments	(1,743,665)
Liability Balance, June 30, 2016	$ 2,733,000

At June 30, 2016, the Internal Service Fund had a retained deficit in the amount of $245,627.

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 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 65,754,587	$ 12,776,986	$ 11,639,687	$ 5,480,048
CalPERS	38,855,675	13,668,752	10,099,483	5,708,422
Total	$ 104,610,262	$ 26,445,738	$ 21,739,170	$ 11,188,470

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the District's total contributions were $5,292,541.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 65,754,587
State's proportionate share of net pension liability associated with the District	34,776,928
Total	$ 100,531,515

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.0977 percent and 0.0940 percent, respectively, resulting in a net decrease in the proportionate share of 0.0037 percent.

For the year ended June 30, 2016, the District recognized pension expense of $5,480,048. In addition, the District recognized pension expense and revenue of $2,693,864 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,292,541	$ -
Net change in proportionate share of net pension liability	2,303,600	-
Difference between projected and actual earnings on pension plan investments	5,180,845	10,540,912
Differences between expected and actual experience in the measurement of the total pension liability	-	1,098,775
Total	$ 12,776,986	$ 11,639,687

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (2,218,426)
2018	(2,218,426)
2019	(2,218,426)
2020	1,295,211
Total	$ (5,360,067)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 200,804
2018	200,804
2019	200,804
2020	200,804
2021	200,804
Thereafter	200,805
Total	$ 1,204,825

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 99,284,309
Current discount rate (7.60%)	65,754,587
1% increase (8.60%)	37,888,683

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the total District contributions were $3,898,691.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $38,855,675. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.2636 percent and 0.2533 percent, respectively, resulting in a net increase in the proportionate share of 0.0103 percent.

For the year ended June 30, 2016, the District recognized pension expense of $5,708,422. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,898,691	$ -
Net change in proportionate share of net pension liability	1,167,771	-
Difference between projected and actual earnings on pension plan investments	6,381,631	7,712,082
Differences between expected and actual experience in the measurement of the total pension liability	2,220,659	-
Changes in assumptions	-	2,387,401
Total	$ 13,668,752	$ 10,099,483

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (975,286)
2018	(975,286)
2019	(975,286)
2020	1,595,407
Total	$ (1,330,451)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 345,182
2018	345,185
2019	310,662
Total	$ 1,001,029

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 63,240,848
Current discount rate (7.65%)	38,855,675
1% increase (8.65%)	18,577,774

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2016, amounted to $2,657,856 (7.12589 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2016. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 15 - 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, 2016, the District made payments of $39,170, $1,234,644 (of which $718,523 was for property and liability, $495,452 was for workers' compensation, and $20,669 was for settlements), and $1,006,446 to SELF, ASCIP, and ACSIG, respectively.

NOTE 16 - COMMITMENT AND CONTINGENCIES

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, 2016, the total amount that has been deposited in a separate account owned by the District is $4,019,973. 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 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The beginning net position was restated for the correction of errors. Capital Assets, Accounts Payable, and Accounts Receivable beginning balances were not properly reconciled and cleared in the current year. Also, the campus base revenue accounts were not properly recorded in the prior year within the Fiduciary Funds. See the reconciliation of the beginning net position below.

Primary Government	
Net Position - Beginning	$ (12,156,622)
Capital Assets	9,602,711
Accounts Payable	2,043,103
Accounts Receivable	(791,889)
Net Position - Beginning, as Restated	$ (1,302,697)

Fiduciary Funds - Trust Funds	
Net Position - Beginning	$ 1,270,867
Accounts Payable	200
Campus based revenue activity	(25,802)
Net Position - Beginning, as Restated	$ 1,245,265

REQUIRED SUPPLEMENTARY INFORMATION

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
3/21/2011	$ -	$ 221,198,000	$ 221,198,000	$ -	$ 61,323,546	361%
3/1/2013	-	174,703,920	174,703,920	-	76,212,840	229%
11/1/2014	-	152,429,020	152,429,020	-	91,889,342	166%

See accompanying note to required supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0977%	0.0940%
District's proportionate share of the net pension liability	$ 65,754,587	$ 54,918,256
State's proportionate share of the net pension liability associated with the District	34,776,928	33,162,014
Total	$ 100,531,515	$ 88,080,270
District's covered - employee payroll	$ 45,180,068	$ 39,942,761
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	145.54%	137.49%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.2636%	0.2533%
District's proportionate share of the net pension liability	$ 38,855,675	$ 28,756,787
District's covered - employee payroll	$ 28,389,491	$ 26,688,411
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	136.87%	107.75%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 5,292,541	$ 4,011,990
Contributions in relation to the contractually required contribution	(5,292,541)	(4,011,990)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 49,324,706	$ 45,180,068
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 3,898,691	$ 3,341,727
Contributions in relation to the contractually required contribution	(3,898,691)	(3,341,727)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 32,908,677	$ 28,389,491
Contributions as a percentage of covered - employee payroll	11.847%	11.771%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

PERALTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2016

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
Ms. Meredith Brown	President	2016
Dr. William Riley	Vice President	2018
Mr. Cy Gulassa	Member	2016
Dr. Nicky González Yuen	Member	2016
Ms. Linda Handy	Member	2018
Mr. Bill Withrow	Member	2016
Ms. Julina Bonilla	Member	2018
Mr. Dave Ivan Cruz	Student Trustee	2017
Ms. Marquita Price	Student Trustee	2017

ADMINISTRATION

Dr. Jowel C. Laguerre	Chancellor
Dr. Dr. Frances L. White	Interim President, College of Alameda
Ms. Rowena Tomaneng	President, Berkeley City College
Dr. Marie-Elaine Burns	Interim President, Merritt College
Dr. Patricia Stanley	Interim President, Laney College
Mr. Ronald D. Little II	Vice Chancellor, Finance and Administration
Dr. Michael Orkin	Vice Chancellor, Educational Services
Dr. Sadiq Ikharo	Vice Chancellor, General Services
Ms. Trudy Largent, J.D.	Vice Chancellor for Human Resources
Ms. Nitasha Sawhney	Acting General Counsel

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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			
Federal Pell Grant Program	84.063		$ 32,223,610
Federal Supplemental Education Opportunity Grants	84.007		1,288,226
Federal Work Study Program	84.033		924,159
Federal Work Study Administration Allowance	84.033		35,501
Federal Direct Student Loans	84.268		4,877,763
Total Student Financial Assistance Cluster			39,349,259
Higher Educational Institutional Aid - AANIPISI Initiative	84.031L		50,631
Trio Student Support Services	84.042A		14,897
Passed through the California Community College Chancellor's Office			
Career and Technical Education Act (CTEA) Title I, Part C	84.048	15-C01-041	687,231
Career and Technical Education Act (CTEA) Transitions	84.048	15-C01-041	178,032
Passed through the California Department of Rehabilitation			
State Vocational Rehabilitation Services - Workability	84.126A	29547	523,835
State Vocational Rehabilitation Services - College 2 Career Program	84.126A	29295	249,653
TOTAL U.S. DEPARTMENT OF EDUCATION			41,053,538
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child Care and Adult Food Program	10.558	1912-4A	67,172
U.S. DEPARTMENT OF LABOR			
Advance Manufacturing Jobs and Innovation Program	17.268		153,271
Passed through Contra Costa Community College District			
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23770-12-60-A-6	649,074
Workforce Investment Act (WIA) Cluster			
Passed through Marin County Workforce Investment Board			
Marin Employment Connection - Project Green	17.258	[1]	1,141
Passed through the County of Alameda			
WIA Adult - One Stop Career Center	17.258	90050	226,592
WIA Dislocated Workers - One Stop Career Center	17.278	90050	392,742
Total Workforce Investment Act (WIA) Cluster			620,475
TOTAL U.S. DEPARTMENT OF LABOR			1,422,820
NATIONAL SCIENCE FOUNDATION			
Building Efficiency for a Sustainable Tomorrow (BEST) Center*	47.076		1,005,659

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

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families (TANF) Cluster			
Passed through the California Community College Chancellor's Office			
Temporary Assistance for Needy Families - Child Development Careers	93.558	[1]	$ 143,148
Passed through the International Rescue Committee, Inc.			
County of Alameda Workforce Benefits	93.558	[1]	20,241
Total Temporary Assistance for Needy Families (TANF) Cluster			163,389
Passed through the Yosemite Community College District, Child Development Training Consortium			
Child Care and Development Block Grant - CDTC	93.575	15-16-4170	8,685
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			172,074
U.S. DEPARTMENT OF VETERAN AFFAIRS			
Veterans Administration Fees	64.032		1,538
U.S. DEPARTMENT OF COMMERCE			
Passed through the Corporation for Manufacturing Excellence			
Manex Program	11.609	02-70NANB12H274	10,903
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps - National Service Awards	94.006		84,765
TOTAL FEDERAL EXPENDITURES			$ 43,818,469

[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, 2016

Program	Program Entitlements Current Year	Program Entitlements Prior Year	Program Entitlements Total Entitlement
Alameda County Department	$ 720	$ 1,364	$ 2,084
Song Brown RN Program	-	125,895	125,895
Instructional Equipment	654,475	143,733	798,208
Staff Diversity	8,092	39,308	47,400
CARE	603,183	-	603,183
EOPS	3,071,495	-	3,071,495
SFAA/BFAP	1,298,539	-	1,298,539
DSPS	2,606,329	-	2,606,329
Advanced Welding Course Training	-	15,274	15,274
Deputy Sector Navigator Grant	400,000	-	400,000
Career Pathways Trust	3,747,742	5,267,539	9,015,281
BayClean Prop 39 Clean Energy	933,000	109,924	1,042,924
Student Success and Support Services	6,263,874	1,769,351	8,033,225
CTE Enhancement Funds	1,086,203	-	1,086,203
Assessment, Remediation and Retention	57,000	-	57,000
Work-Based Learning Program Development	100,000	-	100,000
Student Equity Plans	2,972,680	1,165,019	4,137,699
CalWORKs	716,871	-	716,871
Foster Youth Success	818,467	-	818,467
Alameda County Bay Ship	17,247	-	17,247
Nursing Enrollment Growth	101,087	-	101,087
Lottery	-	-	-
Career Ladders Project	-	135,414	135,414
Faculty Entrepreneurship Program	-	11,298	11,298
CTE Community Collaborative	-	-	-
Adult Education Block Grant	919,200	-	919,200
CAA/Contra Costa	300,000	-	300,000
Child Care - Department of Education	736,184	-	736,184
Child Care - Tax Bailout	387,288	-	387,288
Cal Grant B/C	2,046,317	-	2,046,317
Basic Skills	360,000	308,543	668,543
Electronic Transcript Mini Grt	-	10,780	10,780
Full Time Student Success Grant	620,209	-	620,209
	$ 30,826,202	$ 9,103,442	$ 39,929,644

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable (Payables)	Unearned Revenue	Total Revenue	Program Expenditures
$ 2,084	$ -	$ 2,084	$ -	$ -
125,895	-	125,895	-	-
798,208	-	181,714	616,494	616,494
8,092	-	7,347	745	745
602,528	(10,108)	-	592,420	592,420
3,071,382	(18,518)	-	3,052,864	3,052,864
1,298,539	(14,846)	-	1,283,693	1,283,693
2,962,976	-	-	2,962,976	2,962,976
15,274	-	10,543	4,731	4,731
82,877	575,719	-	658,596	658,596
10,502,112	-	5,525,218	4,976,894	4,976,894
483,124	713,644	-	1,196,768	1,196,768
8,031,607	-	2,545,664	5,485,943	5,485,943
575,460	317,901	-	893,361	893,361
52,440	(14,651)	-	37,789	37,789
25,625	55,598	-	81,223	81,223
4,137,213	(297,000)	1,780,980	2,059,233	2,059,233
710,964	(71,873)	-	639,091	639,091
818,467	(416,477)	-	401,990	401,990
6,620	4,504	-	11,124	11,124
-	92,061	-	92,061	92,061
96,161	479,172	-	575,333	575,333
135,414	-	66,562	68,852	68,852
11,298	-	11,298	-	-
55,033	-	55,033	-	-
689,200	-	625,166	64,034	64,034
(3,318)	76,634	-	73,316	73,316
736,184	13,202	-	749,386	749,386
387,288	-	-	387,288	387,288
2,046,317	-	-	2,046,317	2,046,317
675,782	(7,424)	261,143	407,215	407,215
10,780	-	10,780	-	-
571,000	(54,800)	-	516,200	516,200
$ 39,722,626	$ 1,422,738	$ 11,209,427	$ 29,935,937	$ 29,935,937

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2016

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit*	10	-	10
2. Credit	984	-	984
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit*	-	-	-
2. Credit	1,944	-	1,944
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,175	-	13,175
(b) Daily Census Contact Hours	1,055	-	1,055
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	109	-	109
(b) Credit	141	-	141
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,535	-	1,535
(b) Daily Census Contact Hours	575	-	575
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	19,528	-	19,528
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit*	105	-	105
2. Credit	923	-	923

* 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, 2016

		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	Audited Data	Reported Data	Audit Adjustments	Audited Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 22,637,268	$ -	$ 22,637,268	$ 22,637,268	$ -	$ 22,637,268
Other	1300	19,348,338	-	19,348,338	19,353,031	-	19,353,031
Total Instructional Salaries		41,985,606	-	41,985,606	41,990,299	-	41,990,299
Noninstructional Salaries							
Contract or Regular	1200		-	-	10,088,288	-	10,088,288
Other	1400	-	-	-	1,086,558	-	1,086,558
Total Noninstructional Salaries		-	-	-	11,174,846	-	11,174,846
Total Academic Salaries		41,985,606	-	41,985,606	53,165,145	-	53,165,145
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	16,893,058	-	16,893,058
Other	2300	-	-	-	2,084,183	-	2,084,183
Total Noninstructional Salaries		-	-	-	18,977,241	-	18,977,241
Instructional Aides							
Regular Status	2200	1,441,228	-	1,441,228	1,441,228	-	1,441,228
Other	2400	842,817	-	842,817	842,817	-	842,817
Total Instructional Aides		2,284,045	-	2,284,045	2,284,045	-	2,284,045
Total Classified Salaries		2,284,045	-	2,284,045	21,261,286	-	21,261,286
Employee Benefits	3000	23,541,420	-	23,541,420	39,345,797	-	39,345,797
Supplies and Material	4000	-	-	-	1,259,155	-	1,259,155
Other Operating Expenses	5000	-	-	-	17,480,375	-	17,480,375
Equipment Replacement	6420	-	-	-	824,063	-	824,063
Total Expenditures Prior to Exclusions		67,811,071	-	67,811,071	133,335,821	-	133,335,821

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

		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	Audited Data	Reported Data	Audit Adjustments	Audited Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 5,003,794	$ -	$ 5,003,794	$ 5,003,794	$ -	$ 5,003,794
Student Health Services Above Amount Collected	6441	-	-	$ -	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,144,483	-	2,144,483
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, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

		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	Audited Data	Reported Data	Audit Adjustments	Audited Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 3,301,622	$ -	$ 3,301,622
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-			
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		5,003,794	-	5,003,794	10,449,899	-	10,449,899
Total for ECS 84362, 50 Percent Law		$ 62,807,277	$ -	$ 62,807,277	$122,885,922	$ -	$ 122,885,922
Percent of CEE (Instructional Salary Cost/Total CEE)		51.11%		51.11%	100.00%		100.00%
50% of Current Expense of Education					$ 61,442,961		$ 61,442,961

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, 2016

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

	General Fund	Parcel Tax Fund	Child Development Fund
June 30, 2016, Annual Financial and Budget Report (CCFS-311)			
Reported Fund Balance	$ 21,381,102	$ 1,232,065	$ 884,140
Adjustments to Increase (Decrease) Fund Balance			
Cash and cash equivalents	-	-	-
Accounts receivable	(791,889)	-	-
Investments	-	-	-
Prepaid expenses	(1,031,265)	-	-
Accounts payable	1,954,500	58,266	19,904
Claims liability	-	-	-
OPEB bonds	-	-	-
Lottery revenue	604,184	-	-
Apportionment revenue	653,384	-	-
Campus based revenues	249,604	-	-
Interfund transfers	(3,615,952)	-	-
Net Adjustments	(1,977,434)	58,266	19,904
Audited Fund Balance	$ 19,403,668	$ 1,290,331	$ 904,044

See accompanying note to supplementary information.

Special Reserve Fund	Revenue Bond Project Fund	Retiree Benefit Fund	Internal Service Fund	Student Body Center Fees Fund	Student Financial Aid	Associated Students Fund
$ 14,122,954	$ 77,417,912	$ (37,435,486)	$ 201,957	$ 741,115	$ -	$ 654,035
-	-	-	-	-	(720,236)	-
-	-	-	-	-	-	-
-	-	(4,027,382)	-	-	-	-
-	-	-	-	-	-	-
-	28,898	-	(18,465)	200	-	-
-	-	-	62,135	-	-	-
-	-	(11,880,610)	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(249,604)
(2,000,000)	-	2,000,000	-	-	3,615,952	-
(2,000,000)	28,898	(13,907,992)	43,670	200	2,895,716	(249,604)
$ 12,122,954	$ 77,446,810	$ (51,343,478)	$ 245,627	$ 741,315	$ 2,895,716	$ 404,431

PERALTA COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2016

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 17,088,412
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 17,088,412			17,088,412
Total Expenditures for EPA		$ 17,088,412	-	-	$ 17,088,412
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings		
General Funds	$ 19,403,668	
Special Revenue Funds	14,317,329	
Debt Service Fund	31,191,143	
Capital Projects Funds	84,281,374	
Internal Service Fund	245,627	
Fiduciary Funds	(48,447,762)	
Total Fund Balance and Retained Earnings - All District Funds		$ 100,991,379
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	698,310,875	
Accumulated depreciation is	(226,462,843)	
Subtotal		471,848,032
The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense (less the amount already recorded in the Deferred Comp Trust Fund) amounted to:		18,115,442
Contributions to pension plans made subsequent to the measurement date were recognized as expenditures on the modified accrual basis, but are not recognized on the accrual basis.		9,191,232
The net effect in proportionate share of net pension obligation as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits		3,471,371
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On government-wide financial statements, unmatured interest (less the amount already recorded in the Deferred Comp Trust Fund) on long-term obligations is recognized when it is incurred.		(5,526,547)
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.		(3,751,334)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(6,690,518)

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2016

The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		$ 1,121,884
The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(2,387,401)
Long-term obligations at year end consist of:		
General obligation bonds payable	$ 449,582,408	
Premium on debt	14,140,704	
Load banking	1,897,199	
Other postemployment benefits obligation (OPEB)	35,859,726	
Compensated absences	5,373,119	
Aggregate net pension obligation	104,610,262	
Subtotal		$ (611,463,418)
Total Net Position		**$ (25,079,878)**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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

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.

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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

Board of Trustees
Peralta Community College District
Oakland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Peralta Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, 2016-001.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency, 2016-002.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 28, 2016.

Peralta Community College District's Response to Finding

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 28, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Peralta Community College District
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2016. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-004. Our opinion on each major Federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-004 that we consider to be significant deficiencies.

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 28, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Peralta Community College District
Oakland, California

Report on State Compliance

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 426 Students Actively Enrolled (2016-005) and Section 424 State General Apportionment Funding System (2016-006). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2016, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District did not offer an Intersession program; therefore, the compliance test within this compliance is not applicable.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 28, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.007, 84.033, and 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,314,554
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

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

Name of State Program
426 - Students Actively Enrolled
424 - State General Apportionment Funding System

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2016

The following findings represent significant deficiencies and material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2016-001 Financial Reconciliations

Criteria or Specific Requirement

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

Condition

Material Weakness - As noted in the prior year, errors were made within the closing process of the District's financial records as of June 30, 2016. Material adjustments and reclassifications were required to conform to the BAM and GAAP. Errors were found in various accounts including, but not limited to:

- Accounts receivable and payable beginning balances were not properly cleared during the current year.

- Several accounts receivable, inter-fund borrowing accounts, and cash balances had negative ending amounts due to reconciliations not being performed.

- Several suspense accounts that are recorded on the general ledger were not properly reconciled at year end.

- There are several transactions that were posted to accounts payable and prepaid expenses. The majority of these amounts were not properly reconciled from the suspense account to accounts payable. There were also amounts related to the 2016-2017 fiscal year.

- The State apportionment revenue was not properly reconciled to take into account the actual receipts and activity in accounts impacting the State apportionment revenue.

- Amounts owing between funds of the District were not appropriately monitored and reconciled during the year. Inter-fund obligations, in some instances, were not properly set up in both funds to recognize the activity and, in other instances, may have been cleared within one fund, but not in the corresponding fund.

- Capital asset account balance was incorrectly stated. Prior year balances included a negative amount in work in process for projects that could not be identified. Repairs and maintenance costs that were below the threshold and not considered capital assets were being incorrectly included in the construction in progress account.

Questioned Costs

Material adjustments to the financial statements were reviewed with management and accepted for posting. No questioned costs were associated with this finding.

Context

The District maintains individual funds with asset and liability balances subject to the reconciliation process. The net impact to the individual funds is included on page 81 of this report.

Effect

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

Cause

The oversight and monitoring controls over the individual asset and liability accounts and the closing process appear not to have been adhered to.

Recommendation

The District needs to develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. All inter-fund activity accounts should be examined and investigated to determine the purpose of the inter-fund borrowings, the true amount owed to various funds, and to ensure that the accounts balance. A regular and timely reconciliation of the asset and liability accounts should be performed with any inconsistencies reconciled and adjusted prior to year end.

Management's Response and Corrective Action Plan

The District's Finance Division has completed an organizational *re-structuring* to include a senior accountant, who will share in reconciliation responsibilities; a payroll manager, who will assist in quarterly closes; and, a cross-functional Grants Administration Team. These new roles collectively will enhance the monitoring and oversight of year-end closing, regular accounts reconciliation, and grants compliance. In addition, targeted training will be provided for all Finance staff charged with A/P, A/R, cash account reconciliation, and capital assets.

The District has developed a master year-end closing calendar and has implemented quarterly close procedures. This calendar will be monitored closely to ensure adherence to milestones and deadlines. Reconciliation tasks will be included in this quarterly work. These reconciliation tasks have clearly defined oversight from the Director of Fiscal Services and will be checked periodically by the District's CFO, internal and/or external auditors.

In preparation for the current year's annual closing of the books, enhanced preparation will be achieved through more staff focus, as well as external consultants, if deemed necessary.

2016-002 Student Receivables

Criteria or Specific Requirement

Generally accepted accounting principles require an analysis and accounting of accounts receivables for collectability and valuation.

Condition

Significant Deficiency - Balances within the student receivables have not been reviewed as to their collectability for some time. As students attend Peralta Community College District and then transfer or move on to other institutions, the balance owing may not be 100 percent collectable. An Allowance for Doubtful Accounts will provide the ability to properly value the balance outstanding while also allowing for the collectability of the accounts in future years.

Questioned Costs

None.

Context

The student receivable balance at June 30, 2016, is approximately $8.6 million.

Effect

The ability to collect all amounts owed to the District for student tuition and fees may be in jeopardy for amounts that are over two years old.

Cause

The District has not implemented a procedure to analyze the collectability of these balances.

Recommendation

An analysis of the student receivables should be completed as soon as possible. Invoices should be sent out to the student's last known address for collection of the amount owed. The State of California also offers the CO-TOP payment collection process whereby collections may be made from State income tax refunds and other State sources for the repayment of the obligation. The District should explore the opportunity for collection through this process.

Management's Response and Corrective Action Plan

A thorough review of Student Receivables will be undertaken in early 2017 to determine an Allowance for Doubtful Accounts. Outstanding balances that are not expected to be collected will be written off over multiple years.

A staff assistant has been hired and tasked with the responsibility of recovering amounts owed by students. This work includes reaching out actively and strategically to students who have past due accounts. In addition, the District will explore participating in the State's CO-TOP payment collection process in the near term.

The following findings represent significant deficiencies and instances of noncompliance that are required to be reported by the Uniform Guidance.

2016-003 SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV FUNDS

CAMPUS: MERRITT COLLEGE AND LANEY COLLEGE

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007, 84.033, 84.063, and 84.268
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

OMB Compliance Supplement, 34 CFR Section 668.173(b): Timing of Return of Title IV Funds

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

Condition

Significant Deficiency - The District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

Questioned Costs

There were no questioned costs associated to the noncompliance. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

There were three students out of 20 students tested at Merritt College where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement. There were two students out of 12 students tested at Laney College where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

Effect

Without proper monitoring of Title IV returns, the District risks noncompliance with the above referenced criteria.

Cause

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

Recommendation

The District should implement procedures to ensure that the Return to Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes.

Management's Response and Corrective Action Plan

Delay in completion of the 45 day requirement was due to a transition from an Interim Financial Aid Supervisor to a permanent Financial Aid Supervisor. A permanent supervisor was hired in December 2015. The District Office provided guidance and training on R2T4 to the new Financial Aid supervisor December 2015. Since the hire of the new Financial Aid Supervisor, R2T4 calculations have been completed accurately, timely, and in accordance with the Department of Education regulations.

The District Financial Aid Office and Merritt College Financial Aid Offices worked together to ensure that the internal control system established is in compliance. The compliance monitoring and district guidance provided by the District Financial Aid Director will continue, and additionally be further enhanced with the establishment of the Compliance Assurance Program. Return of Title IV procedures and instructions created by the District Financial Aid Office have been published and disseminated to each of the colleges to adhere to. The District Office will continue to monitor the procedures surrounding the R2T4 procedures at the colleges.

As an additional control measure, the District Office has created a monthly compliance checklist to monitor college progress in completion of R2T4 within the 45 day timeline. Supplementing this monthly checklist is an R2T4 Excel spread sheet created by the Merritt Financial Aid Office that indicates the date the funds returned within 45 days. This is done as soon as the R2T4 report is received and calculated.

The District Office has and will continue to provide on-going training and support to the colleges to ensure continued compliance. Trainings are held each semester for Financial Aid staff.

2016-004 REPORTING - COMMON ORIGINATION AND DISBURSEMENT (COD)

CAMPUS: MERRITT COLLEGE

Federal Program Affected

Program Name: Student Financial Assistance Cluster
CFDA Numbers: 84.007, 84.033, 84.063, and 84.268
Direct funded by U.S. Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

OMB Compliance Supplement, 34 CFR Section 690.83: Submission of reports, Disbursements To or On Behalf of Students.

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

Condition

Significant Deficiency **-** During our review of the requirements for disbursement to or on behalf of students processed at the College, it was observed that the process dates reported in the COD files were more than 30 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. Three students, of the 40 students tested, had transactions processed in excess of 30 days.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

The District processed and reported approximately $32,223,610 in Pell grants during the year.

Effect

The District is not in compliance with the Federal requirements described in the OMB Compliance Supplement.

Cause

The District did not follow up on student files that were rejected by COD on a timely basis.

Recommendation

The District should implement review procedures to verify that all information is properly reported and in compliance with Federal guidelines.

Management's Response and Corrective Action Plan

The following corrective action steps are in the process of being implemented:

1. Procedures Established - The District has established a COD transmission procedure and will continue to monitor the procedures surrounding the COD reporting at all colleges and at a system level.
2. Training - The District Office will provide on-going training and support to the college personnel to ensure continued compliance.
3. Financial Aid Program Monthly Task List - The District has also created a monthly compliance checklist to ensure that compliance is met.
4. Additional Staff - The District Office hired a new Financial Aid Systems Analyst to work with the Information Technology team to monitor system controls, provide system quality control assessments for compliance, provide direct support and training to campus users, and identify and prevent any reporting errors within the compliance timeline.

The District Financial Aid Director provides regular oversight and training to campus Financial Aid Offices by: maintaining regular contact with campus via: regular meetings with Financial Aid Supervisors, technical support, review of COD reports prepared by the campuses, and regularly updating the Financial Aid Manual that covers COD reporting. In addition, the District Financial Aid Office also meets and collaborates with District Information Technology to ensure system controls are in place.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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

2016-005 426 - STUDENTS ACTIVELY ENROLLED

Criteria or Specific Requirement

The Community Colleges *Student Attendance Accounting Manual* requires districts to have sufficient internal controls over attendance accounting procedures to ensure that all teachers are taking attendance and that they are clearing the rolls of all inactive students as of census day.

For attendance accounting purposes, districts are required to clear the rolls of all inactive students as of each course section's drop date. The drop date shall be no later than the end of business of the day immediately preceding the beginning of the census week in weekly census procedure courses, or the day immediately preceding census day in daily census procedure courses, and is the date used to clear the rolls of the inactive enrollment for attendance accounting purposes. For noncredit distance learning courses, the drop date to clear the rolls of inactive students shall be the day prior to each of the two census dates.

Condition

For weekly census classes, attendance is to be taken by teachers before the census date. The date will then appear on the Admissions and Records (A&R) roster verification report (online roster) as the "census submit date". Testing revealed many online rosters did not have a date listed for the census submit date. This meant that the teacher had not taken attendance. Thus, all students who had not dropped were recognized as being in class and FTES were generated for those students.

Courses selected for testing show discrepancies between attendance reported on manual and online rosters. Various students were noted as dropped per manual rosters, but not per the online submission. These courses happen to be those which have evidence of manual rosters received by A&R and no evidence of online rosters submitted by instructors. By default, A&R should rely upon manually submitted/certified rosters for attendance records.

Courses selected for testing show that students being dropped on census dates were claimed for attendance for courses where rosters were not cleared until census date.

One course tested showed no evidence of a manual roster, nor of attendance submitted by the instructor online; however, contact hours were still claimed on the CCFS-320 Apportionment Attendance Report.

Questioned Costs

Undetermined at this time.

Context

The District reported 13,175 in FTES related to weekly courses.

Effect

Due to instructors not properly taking roll, and manual and online rosters not agreeing, the attendance submitted on the CCFS-320 Apportionment Attendance Report of the District discrepancies were noted in the calculations. This may also affect the financial aid given to students as their awards will be based on more units than they have.

Cause

The oversight controls within the campuses' admissions and records process were not operating effectively, resulting in not monitoring whether teachers turned in their attendance documents.

Recommendation

The District needs to manually go through all census rosters and verify that the information submitted in the CCFS-320 Apportionment Attendance Report is properly supported.

Management's Response and Corrective Action Plan

The District continues to evaluate this finding.

The Faculty within the Peralta Community College District are aware and do access their course rosters in adherence to the Student Accounting Manual guidelines. Faculty are allowed to submit their Census Rosters electronically up to the midnight prior to census day. Based on a variety of reasons, we have some faculty unable to submit their census roster electronically thus the District allows a hard copy/paper copy of their roster to be submitted to the Admissions and Records Office. The intent use of the paper copy census roster is the same as the electronically submitted roster. Instructors are confirming attendance of students prior to the census day.

Based on last year's recommendation from the audit findings, Peralta changed the language to reflect the action programmed within the PeopleSoft system. The language within the schedule of classes displayed "Census Day-Instructors Verify enrollment in classes" to the statement of "Census Due-Instructors verify enrollment in classes". This change reinforces that the drop date is no later than the day immediate preceding census due date.

The District has recognized the importance of maintaining accurate withdraw date for students eligibility for various programs i.e. financial aid, CalWORKs, EOPS, etc.; therefore, we avoid the practice of any back-dating by reflecting the actual date of the drop/withdraw for all student records.

Lastly, students have the responsibility of dropping themselves for courses they have registered hence the District ensures that published dates are known and made available. Students who drop after census are allowed to be counted for apportionment. Students who drop prior to the census due date will not appear on the CCFS-320 Apportionment Attendance Report.

The District is currently conducting a robust "reconciliation process" that will occur for all manually submitted census rosters with the CCFS-320 reports; consequently, no students noted as dropped or non-attending will appear on the Apportionment Attendance Report. The District's Admissions and Records Office retains the hard copy/paper copy rosters along with the reconciled report as evidence that the reconciliation process removed designated students.

Additionally, District Services will provide training to Vice Presidents and Deans on the regulations and importance of census roster submissions by faculty. Notifications to each College President and Vice President of Instruction will be distributed weekly on outstanding (missing) census rosters.

2016-006 STATE GENERAL APPORTIONMENT FUNDING SYSTEM

Criteria or Specific Requirement

California Code of Regulations, Title 5, Section 58023, and the *Student Attendance Accounting Manual* state that the number of contact hours claimed for FTES apportionment must be based on the regularly scheduled hours for each class as published in the official schedule of classes, and not on the total number of contact hours listed on the course outline of record or college catalog.

Condition

Daily contact hours: Of the 89 courses selected for audit re-calculation for the fiscal year from the P-2 CCFS-320 Apportionment Attendance Report, nine courses were not calculated correctly based on prescribed guidance from the *Student Attendance Accounting Manual*. In addition, one course did not meet the criteria for the minimum number of session meetings in order to be counted for FTES reporting. Also, two courses were identified as not listed in the course catalog. Also, five hybrid courses with lab hours were not properly identified in the course catalog.

Questioned Costs

Undetermined at this time.

Context

See Condition for Context and total population.

Effect

The District has over-reported FTES for contact hours based on the re-calculation of the contact hours.

Cause

The District does not have proper procedures in place for monitoring the daily contact hour calculation and ensuring contact hours are appropriately and accurately calculated for reporting on the CCFS-320 Apportionment Attendance Report. In addition, the District does not have sufficient procedures in place for ensuring when instructors make changes to courses and meeting times that those changes are accurately updated in the attendance module of the system for accurate reporting of meeting times and contact hours.

Recommendation

The District should review the calculation of hours claimed for State apportionment purposes and re-program the system to include the actual approved hours for the course type and meetings. After re-calculating the hours affected, the District should re-submit the CCFS-320 Apportionment Attendance Report for the 2015-2016 fiscal year.

Management's Response and Corrective Action Plan

The District continues to evaluate this finding.

The District acknowledges the Student Attendance Accounting Manual and follows the prescribed apportionment funding guidelines. We recognize that courses listed for the daily accounting method require manual data entry for their contact hours which are based on the regularly scheduled hours, as published in the class schedule and/or posted on the college website. Since this accounting method requires a manual calculation, it becomes imperative that sufficient training and safeguards are integrated into our scheduling of classes process. The District will undertake an immediate review of the college schedulers' practices for data entry and the calculations of daily courses to determine why a minor portion of the audit sample appeared with errors.

The District proposes to employ a consultant, highly recommended by the State Chancellor's Office. He has confirmed his availability to assist the District with the training of designated personnel. In reviewing the administrative procedures, a checklist will also be designed by the Vice Chancellor Academic Affairs and used by Vice Presidents of Instructions and Deans as a secondary means of verifying correct contact hours. Lastly, moving forward, the departments of Finance and Admissions and Records will review all courses classified as daily accounting method and confirm that appropriate and accurate calculation are applied for reporting on the CCFS-320 Apportionment Attendance Report.

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

2015-001 FINANCIAL RECONCILIATION PROCESS

Criteria or Specific Requirement

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

Condition

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

- Capital Assets

  Capital assets are not being maintained and reviewed throughout the year. Year-end reconciliations of the capital asset account were not performed in a timely manner.

- Cash Accounts

  The Cash in County General Fund (01-59) reconciliation is not being properly performed. The auditor observed that the differences between the District and County are tracked as cash differences and rolled forward each month. The District is not reconciling the difference to zero at each month.

  Some cash reconciliations were not performed because an employee was absent during the fiscal year end. This caused a variance of $50,000 that was not reconciled.

  The Student Financial Aid bank reconciliations are not being performed in a timely manner. All year-end reconciliations over student financial aid were performed four months after the fiscal year end. Also, there seems to be a space provided for a review, but no reviews over these reconciliations were performed.

  There are multiple cash accounts with stale dated checks that are not currently categorized as stale dated checks.

- Fund Balance

  Prior year audit adjustments were not properly posted to the general ledger. Beginning balance adjustments were necessary to properly reconcile the beginning balances per the general ledger to the prior year audit report.

- Inter-Fund Activity

  Amounts owing between funds of the District were not appropriately monitored during the year. We noted inter-fund obligations were, in some instances, carried over from prior years and, in other instances, may have been cleared within one fund, but not in the corresponding fund.

- Accounts Payable/Prepaid Expense

  There are several transactions that were posted to accounts payable and prepaid expenses. The majority of these amounts were for the subsequent year end. One material transaction was for the current year and required an audit adjustment to properly record the expense.

Effect

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

Cause

The oversight controls over the closing process were not operating effectively, resulting in adjustments and a material weakness.

Recommendation

The District needs to develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. All inter-fund activity accounts should be examined and investigated to determine the purpose of the inter-fund borrowings and the true amount owed to various funds.

Current Status

Not implemented. See current year finding 2016-001.

2015-002 TRUST ACCOUNTS (AGENCY FUNDS)

Criteria or Specific Requirement

The District currently maintains trust and agency funds. Agency funds are purely custodial in nature. The agreements or instruments that create the trust funds allows the District little or no discretion in regards to these funds.

Condition

Material Weakness - During the fiscal year, the District began to transfer the trust accounts from the colleges to the District Office. The District did not implement an effective oversight control to monitor the transfer of these monies. The District transferred some monies to the Foundation and others to a sub-fund of the General Fund. When the monies were moved over to the General Fund, the District did not accurately account for these activities by individual colleges or agreements. The prior accounting system was discontinued during the year, and no reconciliation process was completed to ensure the ending balance per the system was moved over to the District's accounting system.

Effect

The reconciliation of individual trust fund activity was not completed as of year end.

Cause

The oversight controls over transfer process were not operating effectively.

Recommendation

The District needs to reconcile all trust account balances by college and by individual trust agreements. The District needs to properly account for all activity during the year, and monthly reconciliations need to be performed over all trust accounts.

Current Status

Implemented.

FEDERAL AWARDS FINDINGS

2015-003 REPORTING - COMMON ORIGINATION AND DISBURSEMENT (COD)

Federal Program Affected

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

Criteria or Specific Requirement

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

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

Condition

Significant Deficiency **-** During our review of the requirements for disbursement to or on behalf of students processed at the College, it was observed that the process dates reported in the COD files were more than 30 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall semester. In some instances, the dates of the disbursement did not match those in the COD.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

The District processed and reported approximately $34 million in Pell grants during the year.

Effect

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

Cause

The District's reporting process was not operating effectively.

Recommendation

While it was noted that the District did implement a new process during the Spring semester, thereby addressing the issue, several instances of noncompliance were noted during the Fall semester. The District should continue to monitor the procedures surrounding the COD reporting at all colleges to ensure continued compliance.

Current Status

Not implemented. See current year finding 2016-004.

2015-004 REPORTING

Federal Program Affected

WIA One-Stop Career Center (CFDA #17.258) **-** Department of Labor (DOL), passed through from the County of Alameda.

Criteria or Specific Requirement

2 CFR part 215.52: Financial Reporting: The District is required to submit each financial report 45 days after the end of the reporting quarter.

Condition

Significant Deficiency **-** During our review of the requirements for reporting, it was observed that the District was not submitting the reports within the 45 day requirement.

Questioned Costs

No questioned costs.

Context

One out of the four quarterly reports was not submitted in a timely manner.

Effect

The District is not in compliance with the Federal requirements described in the A-21 Compliance Supplement.

Cause

Due to various approvals needed within the District, the information needed to populate the information noted on the report is not received by the preparer until after the 45 day time limit.

Recommendation

It is recommended that the District put in place a more efficient approval process to ensure that the final amounts are received by the preparer in a timely manner.

Current Status

Implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

STATE AWARDS FINDINGS

None reported.