

**PERALTA COMMUNITY COLLEGE DISTRICT**

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**MEASURE A GENERAL OBLIGATION BONDS  
WITH  
INDEPENDENT AUDITORS' REPORT**

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**JUNE 30, 2008**

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**JUNE 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

Peralta Community College District  
Board of Trustees and Independent  
Citizen's Oversight Committee  
Oakland, California

We have audited the accompanying financial statements of the Measure A Fund of Peralta Community College District (the District) as of June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 of the Notes to Financial Statements, the financial statements present only the Measure A Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 2 of the Notes to Financial Statements, the Measure A Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified accrual basis of the Measure A Fund of Peralta Community College District as of June 30, 2008, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2009, on our consideration of the District's internal control over financial reporting for the Measure A Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

*Vavrinek, Trine, Day & Co., LLP.*

Rancho Cucamonga, California  
June 23, 2009

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**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**BALANCE SHEET - MODIFIED ACCRUAL BASIS  
JUNE 30, 2008**

**ASSETS**

Investments	\$ 146,083,026
Accounts receivable	10,094
Prepaid expenses	25,690
<b>Total Assets</b>	<u>\$ 146,118,810</u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 3,959,508</u>
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**FUND BALANCE**

Fund Balance	
Unreserved	
Designated	<u>142,159,302</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 146,118,810</u>

See the accompanying notes to financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>REVENUES</b>		
Local revenues		<u>\$ 5,093,364</u>
<b>EXPENDITURES</b>		
Classified salaries		159,442
Employee benefits		66,321
Supplies and books		40,494
Services and operating expenditures		19,367,256
Capital outlay		<u>16,445,183</u>
<b>Total Expenditures</b>		<u>36,078,696</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>		<u>(30,985,332)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Other sources - proceeds from debt issuance		101,280,995
Other uses - costs of issuance		<u>(1,280,995)</u>
<b>Total Other Financing Sources</b>		<u>100,000,000</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>		69,014,668
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>73,144,634</u>
<b>FUND BALANCE, END OF YEAR</b>		<u><u>\$ 142,159,302</u></u>

See the accompanying notes to financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

***NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES***

The Measure A General Obligation Bonds (the Measure A Fund) is a governmental fund of Peralta Community College District (the District). This fund is used to account for the activity of the Proposition 39 Measure A General Obligation Bonds approved by the voters of the District. These financial statements present only the Measure A Fund and do not purport to, and do not, present fairly the financial position of the District and the changes in its financial position in conformity with accounting standards generally accepted in the United States of America.

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES***

**Financial Statement Presentation**

The financial statements of the Measure A Fund have been prepared on the modified accrual basis of accounting. The statement of activities is a statement of financial activities related to the current reporting period. Using this method, revenues are recognized when they are both measurable and available, and expenses are recognized when goods are received or services are rendered.

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets and Long-Term Debt**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure A Fund are determined by its measurement focus. The Measure A Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of "available spendable resources". Thus, the capital assets and long-term liabilities associated with the Measure A Fund are accounted for in the basic financial statements of the Peralta Community College District.

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

***NOTE 3 - INVESTMENTS***

**Policies and Practices**

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

**Investment in County Treasury**

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

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**General Authorizations**

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

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

**Summary of Investments**

Investments as of June 30, 2008, consist of the following:

County Pool - Alameda	<u>Reported Amount</u> <u>\$ 146,083,026</u>
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**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted Average Maturity in Days
County Pool - Alameda	\$ 146,818,876	334

**Credit Risk**

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

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2008
County Pool - Alameda	\$ 146,818,876	None	Not rated

**NOTE 4 - ACCOUNTS RECEIVABLE**

The accounts receivable at June 30, 2008, in the amount of \$10,094 represents interest earnings that have yet to be received. All amounts have been determined by management to be fully collectable.

**NOTE 5 - PREPAID EXPENDITURES**

The prepaid expenditures at June 30, 2008, in the amount of \$25,690 represent expenditures that benefit a future period.

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

***NOTE 6 - ACCOUNTS PAYABLE***

The accounts payable balance at June 30, 2008, represents amounts owed to vendors for both ongoing and completed construction projects in the amount of \$3,959,508.

***NOTE 7 - FUND BALANCE***

Fund balance is composed of the following element:

Unreserved

Designated

\$ 142,159,302

***NOTE 8 - COMMITMENTS AND CONTINGENCIES***

As of June 30, 2008, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$15 million.

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**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***

Peralta Community College District  
Board of Trustees and Independent  
Citizen's Oversight Committee  
Oakland, California

We have audited the accompanying balance sheet and statement of revenues, expenditures, and change in fund balance for the Measure A Fund of the Peralta Community College District (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated June 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Peralta Community College District's internal control over the Measure A Fund's financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Measure A Fund's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Peralta Community College District's internal control over the Measure A Fund's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Peralta Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Measure A Fund's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, items 08-1 through 08-2, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Measure A Fund's financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-1 to be a material weakness.

### **Compliance and Other Matters**

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

Peralta Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Peralta Community College District's responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, and the Citizen's Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
June 23, 2009

**PERALTA COMMUNITY COLLEGE DISTRICT  
MEASURE A GENERAL OBLIGATION BONDS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2008**

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

**08-1      ACCOUNTS PAYABLE**

**Finding**

*Material Weakness* - The District's closing process for the year ended June 30, 2008, did not include adequate oversight and monitoring of cut-off procedures associated with the accounts payable accounts. Retention balances owed to contractors for services rendered were not properly accrued as liabilities. As a result of the audit procedures applied to the cut-off procedures, an adjustment was proposed and accepted by management to decrease fund balance in the amount of \$3,044,749.

**Recommendation**

The District should develop a year-end closing process that allows for the review of accounts payable for proper cut-off, accuracy, and reasonableness.

**District Response**

The District will comply in order to attain an accurate closing.

**08-2      FUND BALANCE**

**Finding**

*Significant Deficiency* - The District did not post prior year audit adjustments to the Measure A Fund. An adjustment to beginning fund balance of \$1,244,853 was necessary to reconcile beginning fund balance to the prior year audited amount.

**Recommendation**

The District must post all approved audit adjustments in a timely manner.

**District Response**

The District will comply and post the audit adjustments.