

**PERALTA COMMUNITY COLLEGE DISTRICT**  
**Board of Trustees Agenda Report**  
**For the Trustee Meeting Date of January 24, 2012**

**ITEM # 46**

**ITEM TITLE:** 2010-2011 Annual Audit Report

**SPECIFIC BOARD ACTION REQUESTED:**

RECEIVE AND FILE PERALTA COMMUNITY COLLEGE DISTRICT'S JUNE 30, 2011 ANNUAL AUDIT REPORT.

**ITEM SUMMARY:**

THE JUNE 30, 2011 ANNUAL AUDIT REPORT IS BEING PRESENTED TO THE BOARD OF TRUSTEES FOR ACCEPTANCE. THIS ANNUAL FINANCIAL AND COMPLIANCE AUDIT IS A REQUIREMENT UNDER EDUCATION CODE 84040 PROVIDES FOR AN EXAMINATION OF THE DISTRICT'S ANNUAL FINANCIAL STATEMENTS TO ACCESS THEIR FAIRNESS AND RELIABILITY.

**SOURCE OF FUNDS (AND FISCAL/BUDGETARY IMPACT):**

NOT APPLICABLE

**BACKGROUND/ANALYSIS:**

AS IS REQUIRED BY EDUCATION CODE, THE DISTRICT COMPLETED ITS ANNUAL FINANCIAL STATEMENT AUDIT PRIOR TO DECEMBER 31, 2011. THE UNQUALIFIED AUDIT OPINION RENDERED BY VAVRINEK, TRINE, DAY & CO., LLP COMMUNICATES THAT THE DISTRICT'S FINANCIAL STATEMENTS AS PRESENTED WITHIN THE AUDIT REPORT PRESENT FAIRLY THE FINANCIAL POSITION OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011. THE MANAGEMENT DISCUSSION AND ANALYSIS SECTION OF THE AUDIT REPORT, BEGINNING ON PAGE 4, CONTAINS AN EXECUTIVE SUMMARY OF THE RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2011. A FEW SELECTED HIGHLIGHTS ARE PROVIDED BELOW:

- THE DISTRICT SERVED 19,871 FULL-TIME EQUIVALENT STUDENTS DURING THE FISCAL YEAR. THIS REPRESENTS A DECREASE OF 10.26% COMPARED TO THE PRIOR FISCAL YEAR. THIS DECREASE WAS A REFLECTION OF THE DISTRICT'S CONTINUED EFFORT TO BALANCE ITS OPERATING BUDGET AS WELL AS CONTINUED REDUCTION IN FUNDING FROM THE STATE. (PAGE 4)
- UNREALIZED GAINS ON INVESTMENT FROM ASSETS HELD WITHIN THE OPEB REVOCABLE TRUST WAS APPROXIMATELY \$25 MILLION. (PAGE 7)
- UNRESTRICTED NET ASSETS ENDED THE FISCAL YEAR AT \$-12.4 MILLION. THIS REPRESENTS A \$24.9 MILLION IMPROVEMENTS COMPARED TO THE PRIOR FISCAL YEAR. THIS IMPROVEMENT WAS ACHIEVED IN PART DUE TO IMPROVED BUDGET MONITORING AND REPORTING AS WELL AS FROM GAINS ON INVESTMENTS FROM THE OPEB REVOCABLE TRUST. (PAGE 7)
- TOTAL OPERATING EXPENSES WERE REDUCED BY 7.5% OR \$16 MILLION COMPARED TO THE PRIOR FISCAL YEAR. THESE REDUCTIONS WERE TARGETED AS PART OF THE DISTRICT'S EFFORTS TO BALANCE OPERATING BUDGETS. (PAGE 10)

- TOTAL NONOPERATING REVENUES INCREASED BY 5.4% OR \$10.2 MILLION WHICH WAS MAINLY ATTRIBUTED TO AN INCREASE IN REVENUES RECEIVED FROM GRANTS AND CONTRACTS FROM OUTSIDE AGENCIES. (PAGE 10)
- TOTAL EXPENDITURES, INCLUDING ALL FUNDS, WERE APPROXIMATELY \$198 MILLION DURING THE FISCAL YEAR. OF THESE EXPENDITURES APPROXIMATELY \$72 MILLION OR 36% WAS SPENT ON INSTRUCTIONAL, ACADEMIC SUPPORT, OR INSTRUCTIONAL SUPPORT ACTIVITIES; \$57 MILLION OR 29% WERE SPENT ON STUDENT SERVICES AND STUDENT AID; \$45 MILLION OR 23% WAS SPENT ON PLANT OPERATIONS AND MAINTENANCE (CONSTRUCTION RELATED TO BOND MEASURES) AND PHYSICAL PROPERTY AND RELATED ACQUISITIONS ACTIVITIES; AND \$4.6 MILLION OR 2% WAS SPENT ON ANCILLARY SERVICES AND AUXILIARY OPERATIONS. (PAGE 12)
- THE DISTRICT EXPERIENCED A NET REDUCTION OF CASH OF \$39.7 MILLION DURING THE FISCAL YEAR. THIS REDUCTION IS ATTRIBUTED TO CONTINUED NEEDS AND ACTIVITIES WITHIN THE MEASURE A CONSTRUCTION PROGRAM AS WELL AS DUE TO CASH DEFERRALS FROM THE STATE WITHIN THE UNRESTRICTED GENERAL FUND. (PAGE 13)

**DELIVERABLES/SCOPE OF WORK:**

ENTIRE AUDIT REPORT TO BE PRESENTED AND RECEIVED BY THE BOARD OF TRUSTEES. HEIDI WHITE AND VICE CHANCELLOR GERHARD WILL BE IN ATTENDANCE TO DISCUSS AND ANSWER QUESTIONS.

**ANTICIPATED COMPLETION DATE:**

NOT APPLICABLE.

**ALTERNATIVES/OPTIONS:**

N/A

**EVALUATION AND RECOMMENDED ACTION:**

RECEIVE AND FILE

**OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):**

YES \_\_\_\_\_ No \_\_\_\_\_

**COMMENTS:**

**WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING? VICE CHANCELLOR GERHARD AND AUDITOR HEIDI WHITE**

(\*\*\*\*\*Board contract approval is subject to negotiation and execution by the Chancellor.)

**DOCUMENT PREPARED BY:**

Prepared by: Ron Gerhard  
Ron Gerhard, Chief Financial Officer

Date: 1/11/2012

**DOCUMENT PRESENTED AND APPROVED BY:**

Presented and approved by: Ron Gerhard  
Ron Gerhard, Chief Financial Officer

Date: 1/11/2012

**FINANCE DEPARTMENT REVIEW**

Finance review required       Finance review *not* required

If Finance review is required, determination is:       Approved       Not Approved

If not approved, please give reason: \_\_\_\_\_  
\_\_\_\_\_

Signature: Ron Gerhard  
Ron Gerhard, Chief Financial Officer

Date: 1/11/2012

**GENERAL COUNSEL (Legality and Format/adherence to Education Codes):**

Legal review required       Legal review *not* required

If Legal review is required, determination is:       Approved       Not Approved

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Thuy T. Nguyen, General Counsel

**CHANCELLOR'S OFFICE APPROVAL**

Approved, and Place on Agenda       Not Approved, but Place on Agenda

Signature: Wise E. Allen      Date: 1-17-12  
Wise E. Allen, Chancellor