PERALTA
COMMUNITY COLLEGE DISTRICT

MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

AUDIT REPORT

JUNE 30, 2011

PERALTA
COMMUNITY COLLEGE DISTRICT

MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

FINANCIAL AUDIT

JUNE 30, 2011

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

JUNE 30, 2011

CONTENTS

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS

Balance Sheet - Modified Accrual Basis 2

Statement of Revenues, Expenditures, and Change in Fund Balance - Modified Accrual Basis 3

Notes to Financial Statements 4

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings and Recommendations 13

Summary Schedule of Prior Audit Findings 15

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Measure A General Obligation Bond Fund (the Measure A Bond Fund) of Peralta Community College District (the District) as of and for the year ended June 30, 2011, 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 Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2011, 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 1 of the Notes to Financial Statements, the Measure A Bond 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 Bond Fund of Peralta Community College District as of June 30, 2011, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of the District's internal control over financial reporting for the Measure A Bond 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 should be considered in conjunction with this report in considering the results of our audit.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
January 27, 2012

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

This page left blank intentionally.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

BALANCE SHEET - MODIFIED ACCRUAL BASIS
JUNE 30, 2011

ASSETS	
Investments	$ 140,587,327
Cash with fiscal agent	942,159
Due from District	67,948
Total Assets	$ 141,597,434
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 5,749,240
Due to District General Fund	1,501,479
Total Liabilities	7,250,719
FUND BALANCE	
Unreserved	
Designated	134,346,715
Total Liabilities and Fund Balance	$ 141,597,434

See the accompanying notes to financial statements.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS FOR THE YEAR ENDED JUNE 30, 2011

REVENUES	
Local revenues	$ 1,887,544
EXPENDITURES	
Classified salaries	672,481
Employee benefits	351,403
Supplies and books	13,367
Services and operating expenditures	3,115,720
Capital outlay	43,955,579
Total Expenditures	48,108,550
EXCESS OF EXPENDITURES OVER REVENUES	(46,221,006)
FUND BALANCE, BEGINNING OF YEAR	180,567,721
FUND BALANCE, END OF YEAR	$ 134,346,715

See the accompanying notes to financial statements.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The accounting policies of Peralta Community College District (the District) Measure A General Obligation Bond Fund (the Measure A Bond Fund) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. Peralta Community College District's Measure A Bond Fund account for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The audited financial statements include only the Measure A Bond Fund of Peralta Community College District used to account for Proposition 39 project. This Fund was established to account for the expenditures of general obligation bonds issued under the Proposition 39 Measure A General Obligation Bonds. These financial statements are not intended to present fairly the financial position and the changes in financial position of Peralta Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure A Bond Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure A Bond Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balance Designations

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - 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.

Cash With Fiscal Agent

Cash held in an institution, such as a commercial bank or trust company, designated by the District to act as a third-party administrator for funds related to the financing of debt. The District's cash with fiscal agents include money market, escrow, and First American Treasury accounts.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 Cash and Investments

Investments as of June 30, 2011, consist of the following:

	Reported Amount
Alameda County Investment Pool	$ 140,587,327
Cash with Fiscal Agent	942,159
Total Deposits and Investments	$ 141,529,486

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:

Cash and Investment Type	Fair Value	Weighted Average Maturity in Days
Alameda County Investment Pool	$ 140,594,627	520
Cash with Fiscal Agent - First American Treasury	942,286	N/A
Total	$ 141,536,913	

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.

Cash and Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2011
Alameda County Investment Pool	$ 140,594,627	None	Not rated
Cash with Fiscal Agent - First American Treasury	942,286	None	Not rated
Total	$ 141,536,913		

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due to/Due From)

The Measure A Bond Fund owes the District's General Fund $1,501,479 to repay Bond associated expenditures originally paid by the District's General Fund. The District's General Fund and Child Development fund owe the Measure A Bond Fund $55,644 and $12,304, respectively, for miscellaneous operational needs.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - ACCOUNTS PAYABLE

The accounts payable balance at June 30, 2011, represents amounts owed to employees for accrued payroll and benefits and vendors for both ongoing and completed construction projects in the amount of $5,749,240.

NOTE 5 - FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Designated	$ 134,346,715

NOTE 6 - COMMITMENTS AND CONTINGENCIES

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.

Litigation

In the normal course of business, the District may consult or engage attorneys for legal advice related to construction projects.

The District is not currently a party to any legal proceedings involving the Measure A General Obligation Bonds.

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

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

We have audited the accompanying financial statements of the Measure A General Obligation Bond Fund (the Measure A Bond Fund) of Peralta Community College District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2011-1 and 2011-2. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure A Bond 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 the responses.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
January 27, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

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

2011-1 ACCOUNTS PAYABLE

Finding

Significant Deficiency - The District's closing process for the year ended June 30, 2011, did not include adequate oversight and monitoring of cut-off procedures associated with the accounts payable accounts. As a result of the audit procedures applied to the cut-off process, an adjustment was proposed and accepted by management to decrease fund balance in the amount of $378,927.

Recommendation

The District should develop and implement a year-end closing process that allows for the review of accounts payable for proper cut-off, accuracy, and reasonableness to mitigate post-closing adjustments to accounts payable and fund balance.

District Response

The District will institute adequate controls over the year-end closing process to ensure that all valid accruals have been included within the financial activity. Additionally, the District will implement a fiscal year-end closing checklist, as well as provide training to staff to ensure accounting principles are followed.

2011-2 CITIZENS' BOND OVERSIGHT COMMITTEE

Finding

Significant Deficiency - During our review of the Citizens' Bond Oversight Committee minutes and through discussions with management, it was noted that the committee was unable to establish a quorum for numerous scheduled meetings during the year. Several planned oversight meetings did not occur due to a lack of attendance of committee members and, thus, resulted in the committee being limited in passing pertinent motions in a timely manner.

Recommendation

The Citizens' Bond Oversight Committee should specify which members should be present in order to establish a quorum. Attendance at the committee meetings should also be emphasized as Measure A matters should be addressed in a timely manner.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

District Response

The District will put forward an amendment to the by-laws of the Citizens' Bond Oversight Committee that specifies the number of members that constitutes a meeting quorum.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

2010-1 INTERFUND BORROWING

Finding

Material Weakness - The District's General Fund borrowed $35 million from the Measure A Fund for cash flow purposes of paying operating expenses of the District. The District has been unable to provide supporting documentation that such a borrowing is allowable under compliance with the requirements of Proposition 39. This amount was repaid in August 2010 with interest of approximately $58,000.

Recommendation

The District should take all necessary means to ensure that an interfund borrowing for cash flow purposes of paying operating expenses of the District is allowable under compliance with the requirements of Proposition 39.

Current Status

Implemented.

2010-2 ACCOUNTS PAYABLE

Finding

Material Weakness - The District's closing process for the year ended June 30, 2010, did not include adequate oversight and monitoring of cut-off procedures associated with the accounts payable accounts. As a result of the audit procedures applied to the cut-off process, an adjustment was proposed and accepted by management to decrease fund balance in the amount of $1,052,921.

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.

Current Status

Not implemented. See current year finding 2011-1.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

2010-3 FUND BALANCE

Finding

Material Weakness - The District did not post prior year audit adjustments to the Measure A Fund. An adjustment to beginning fund balance of $1,344,104 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.

Current Status

Implemented.

2010-4 PAYROLL EXPENSES

Finding

Material Weakness - The District charged payroll and benefit expenses to the Measure A Fund for employees whose job responsibilities were not directly associated with the Measure A Fund. Vacation and sick leave payouts totaling $26,157 was charged for two employees who did not work 100 percent on the Measure A Fund during their employment at the District. These payouts were charged in their entirety to the Measure A Fund. A portion of another employee's salary was charged to the Measure A Fund in the amount of $10,964; however, District records indicated these charges should have been charged to the General Fund.

Recommendation

The District should establish policies and procedures to ensure charges made against the Measure A Fund are allowable and supported by appropriate documentation. Charges should be reviewed during the year for any changes made to employee positions and/or changes to the account stream to be charged. Amounts that have been charged to the Measure A Fund inappropriately should be reimbursed immediately.

Current Status

Implemented.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

2010-5 CITIZENS' BOND OVERSIGHT COMMITTEE

Finding

Material Weakness - During our review of the Citizens' Bond Oversight Committee minutes and through discussions with management, it was noted that the committee was unable to establish a quorum for the last two meetings of the period in which the audit was conducted. This was due to a lack of attendance of committee members and thus resulted in the committee being unable to pass any pertinent motions in a timely manner.

Recommendation

The Citizens' Bond Oversight Committee should specify which members and how many should be present in order to establish a quorum. Attendance at the committee meetings should also be emphasized as Measure A matters should be addressed in a timely manner.

Current Status

Not implemented. See current year finding 2011-2.

This page left blank intentionally.

PERALTA
COMMUNITY COLLEGE DISTRICT

MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

PERFORMANCE AUDIT

JUNE 30, 2011

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006

PERFORMANCE AUDIT

JUNE 30, 2011

CONTENTS

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE AUDIT 1

Authority for Issuance 2

Purpose of Issuance 2

Authority for the Audit 2

Objectives of the Audit 3

Scope of the Audit 3

Procedures Performed 3

Conclusion 4

Schedule of Findings and Questioned Costs 5

Summary Schedule of Prior Audit Findings 6

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE AUDIT

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

We were engaged to conduct a performance audit of Peralta Community College District (the District) Proposition 39 Measure A General Obligation Bond Fund (the Measure A Bond Fund) for the year ended June 30, 2011.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Proposition 39 Measure A General Obligation Bond Funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
January 27, 2012

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

This page left blank intentionally.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BOND
ELECTION 2006

PERFORMANCE AUDIT
JUNE 30, 2011

AUTHORITY FOR ISSUANCE

The Measure A Bond Funds were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code* and other applicable provisions of law.

The Bonds were authorized to be issued pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on July 25, 2006 (the District Resolution).

The District received authorization at an election held on June 6, 2006, to issue bonds of the District in an aggregate principal amount not to exceed $390,000,000 to repair, renovate, construct, acquire, and equip classrooms, educational buildings, and college campuses in accordance with the ballot measure for the bond. The projects were approved by eligible voters within the District. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The first series of the authorized bonds issued was in August 2006; the District issued Series A in the amount of $75,000,000. The second series of authorized bonds issued was in November 2007; the District issued Series B in the amount of $100,000,000. The third series of authorized bonds issued was in August 2009; the District issued Series C in the amount of $100,000,000.

PURPOSE OF ISSUANCE

The net proceeds of the bonds issued under the 2006 Authorization will be used for the purposes specified in the District bond proposition submitted at election, which will include the repair, renovation, construction, acquiring and equipping classrooms, educational buildings, and college campuses in accordance with the ballot measure for the bond.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.

3. Requires the community college district to appoint a citizens' oversight committee.

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure A Bond Fund have been made in accordance with the Bond project list approved by the voters through the approval of the Measure A.

2. Determine whether salary transactions charged to the Measure A Bond Fund were in support of Measure A and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2011, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the Measure A Bond Fund (Measure A). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and the Measure A as to the approved Bond projects list. We performed the following procedures:

1. We verified that a separate fund of the District has been established to account for the receipt of bond proceeds and expenditure of the funds for the period July 1, 2010 through June 30, 2011.

2. We verified that the District did not receive any proceeds associated with the sale of general obligation bonds in the fiscal year ending June 30, 2011.

3. We reviewed construction expenditures totaling 45 percent of all expenditures from the detailed accounting of expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Our sample included transactions totaling $21,567,582 of the total expenditures of $48,108,550.

4. We selected a total of 45 percent of actual expenditures incurred through the Measure A Bonds and verified that the District's normal purchasing and accounts payable policies and procedures were complied with.

5. We selected all employees charged to the Measure A Bond Fund. For the employees selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of Measure A Bond Funds. The District approves all employees charged to the Measure A Bond Fund and uses encumbrance accounting to ensure all approved disbursements have been budgeted and funds are available. Documentation to support payroll transactions included personnel files and payroll records.

CONCLUSION

The results of our tests indicated that, in all significant respects, Peralta Community College District has properly accounted for the expenditures held in the Measure A Bond Fund and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Measure A Bond Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BOND
ELECTION 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

None reported.

PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BOND
ELECTION 2006

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

None reported.