



Peralta Community College District

333 East Eighth Street • Oakland, California 94606 • (510) 466-7200

Office of Finance and Administration

Memorandum

To: Dr. José M. Ortiz, Chancellor

From: Ronald Gerhard, Vice Chancellor

A handwritten signature in black ink, appearing to read "Ronald Gerhard", is written over the name in the "From" field.

Date: December 11, 2012

Subject: **Budget Update**

Budget Update

Attached are budget variance reports for the District's largest funds: Unrestricted General Fund; Measure B – Parcel Tax Fund; Restricted General Fund; and Measure A Bond Fund. These reports summarize activities recognized during the period of July 1, 2012 through November 30, 2012. Through the first five months of the fiscal year, the District continues to recognize revenue and spend within expectations and budget parameters. It should be noted that for purposes of reviewing and monitoring general operations, the Unrestricted General Fund and Measure B – Parcel Tax Fund should be reviewed collectively as the primary purpose of Measure B is to support and maintain course offerings and services to students. Further, expenditure budgets have not been adjusted as of November 30, 2012 to reflect the passage of Proposition 30.

On the Board agenda for the December 11, 2012 meeting is the audit report for the fiscal year end June 30, 2012. The Board of Trustees are being asked to receive and file this annual and customary report. A few selected highlights contained within the report include:

- The District served 18,712 full-time equivalent students during the fiscal year. This represents a decrease of 5.83% 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 5)
- Unrealized losses on investment from assets held within the OPEB revocable trust was approximately \$1.5 million. (page 7)
- Total operating expenses were reduced by 1.8% or \$3.3 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 non-operating revenues decreased by 19.2% or \$37.9 million, which was mainly attributed to decreases in revenues received from the State through apportionment and in investment income. (page 10)
- Total expenditures, including all funds, were approximately \$196 million during the fiscal year. Of these expenditures, approximately \$71.9 million or 37% was spent on instructional, academic support, or instructional support activities; \$61 million or 31% was spent on student services and student aid; \$42 million or 21% was spent on plant operations and maintenance (construction related to bond measures) and physical property and related acquisitions activities; and \$4.7 million or 2% was spent on auxiliary services and operations. (page 12)
- The District experienced a net reduction of cash of \$37.7 million during the fiscal year. This reduction is

attributed to continue 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)

Similar to what has been done for the last two years, attached is the updated Corrective Action Matrix (CAM). The CAM summarizes the remaining 8 audit findings, appoints an individual(s) responsible for overseeing the corrective action to be taken, provides an estimated date at which the corrective action will be fully implemented, and provides a brief update as to the status of the implementation. Please keep in mind that the annual audit report was just finalized on Thursday, December 6th, and therefore the due dates and statuses of implementation of the corrective actions are preliminary. Updates to the CAM will be provided on a quarterly basis.

Peralta Colleges
Income Statement - GENERAL UNRESTRICT OPER
For the Period Ending
November 30, 2012

| Revenue | | App Budget | Standard Budget | Actuals | % Used | Last Year Actuals |
|---------------------------|-----------|-------------------------|-----------------|---------------------|---------------|---------------------|
| Federal Revenue | \$ | - \$ | - \$ | - | NA \$ | - |
| State Revenue | \$ | (66,110,762) \$ | - \$ | (9,969,174) | 15% \$ | (28,046,915) |
| Local Revenue | \$ | (40,600,700) \$ | - \$ | (12,868,392) | 32% \$ | (9,317,844) |
| Trans Res Revenue | \$ | (11,398,445) \$ | - \$ | - | 0% \$ | (173,442) |
| Beginning Fund Balance | \$ | - \$ | - \$ | - | NA \$ | - |
| Revenue Total | \$ | (118,109,907) \$ | - \$ | (22,837,566) | 19% \$ | (37,538,201) |
| Expenses | | | | | | |
| Full Time Academic | \$ | 18,337,084 \$ | - \$ | 5,469,380 | 30% \$ | 5,701,808 |
| Academic Admin | \$ | 3,221,146 \$ | - \$ | 1,345,259 | 42% \$ | 1,305,253 |
| Other Faculty | \$ | 5,512,484 \$ | - \$ | 1,535,317 | 28% \$ | 1,721,433 |
| Part Time Academic | \$ | 9,049,564 \$ | - \$ | 7,382,923 | 82% \$ | 7,125,342 |
| Classified Salary | \$ | 20,808,933 \$ | - \$ | 8,145,106 | 39% \$ | 7,838,053 |
| Fringe Benefits | \$ | 37,763,486 \$ | - \$ | 13,236,413 | 35% \$ | 13,280,581 |
| Books, Supplies, Services | \$ | 13,704,873 \$ | - \$ | 4,303,688 | 31% \$ | 3,226,470 |
| Equipment Cap Outlay | \$ | 148,457 \$ | - \$ | 39,164 | 26% \$ | 8,510 |
| Debt Service Transfer | \$ | 4,719,658 \$ | - \$ | - | 0% \$ | - |
| Financial Aid | \$ | - \$ | - \$ | - | NA \$ | - |
| Fund Balance | \$ | 955,518 \$ | - \$ | - | 0% \$ | - |
| Expense Total | \$ | 114,221,203 \$ | - \$ | 41,457,249 | 36% \$ | 40,207,449 |

Peralta Colleges
Income Statement - PARCEL TAX, MEASURE B
 For the Period Ending
 November 30, 2012

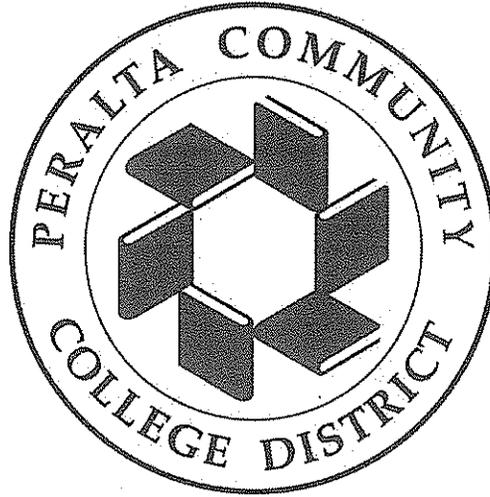
| Revenue | App Budget | Standard Budget | Actuals | % Used | Last Year Actuals |
|---------------------------|-----------------------|-----------------|------------------|------------|-------------------|
| Federal Revenue | \$ - | \$ - | - | NA | - |
| State Revenue | \$ - | \$ - | - | NA | - |
| Local Revenue | \$ (7,517,517) | \$ - | - | 0% | - |
| Trans Res Revenue | \$ - | \$ - | - | NA | - |
| Beginning Fund Balance | \$ - | \$ - | - | NA | - |
| Revenue Total | \$ (7,517,517) | \$ - | - | 0% | - |
| | | | | | |
| Expenses | | | | | |
| Full Time Academic | \$ - | \$ - | - | NA | - |
| Academic Admin | \$ - | \$ - | - | NA | - |
| Other Faculty | \$ - | \$ - | - | NA | - |
| Part Time Academic | \$ 5,417,332 | \$ - | - | 0% | - |
| Classified Salary | \$ 187,500 | \$ - | - | 0% | - |
| Fringe Benefits | \$ 563,853 | \$ - | - | 0% | - |
| Books, Supplies, Services | \$ 1,348,832 | \$ - | 1,172,389 | 87% | - |
| Equipment Cap Outlay | \$ - | \$ - | - | NA | - |
| Debt Service Transfer | \$ - | \$ - | - | NA | - |
| Financial Aid | \$ - | \$ - | - | NA | - |
| Fund Balance | \$ - | \$ - | - | NA | - |
| Expense Total | \$ 7,517,517 | \$ - | 1,172,389 | 16% | - |

Peralta Colleges
Income Statement - General Restricted Fund
For the Period Ending
November 30, 2012

| Revenue | | App Budget | Standard Budget | Actuals | % Used | Last Year Actuals |
|---------------------------|-----------|---------------------|-----------------|--------------------|------------|-----------------------|
| Federal Revenue | \$ | (8,154,452) | \$ - | (1,305,333) | 16% | \$ (1,311,620) |
| State Revenue | \$ | (8,507,930) | \$ - | (4,024,785) | 47% | \$ (4,942,907) |
| Local Revenue | \$ | (1,990,954) | \$ - | (643,472) | 32% | \$ (499,753) |
| Trans Res Revenue | \$ | (1,381,215) | \$ - | - | 0% | - |
| Beginning Fund Balance | \$ | - | \$ - | - | NA | - |
| Revenue Total | \$ | (20,034,551) | \$ - | (5,973,590) | 30% | \$ (6,754,280) |
| | | | | | | |
| Expenses | | | | | | |
| Full Time Academic | \$ | 504,200 | \$ - | 172,228 | 34% | \$ 157,425 |
| Academic Admin | \$ | 675,596 | \$ - | 161,699 | 24% | \$ 179,289 |
| Other Faculty | \$ | 1,689,222 | \$ - | 476,446 | 28% | \$ 483,045 |
| Part Time Academic | \$ | 2,611,741 | \$ - | 1,106,084 | 42% | \$ 880,745 |
| Classified Salary | \$ | 5,163,232 | \$ - | 2,159,107 | 42% | \$ 2,008,934 |
| Fringe Benefits | \$ | 3,423,227 | \$ - | 1,177,855 | 34% | \$ 1,106,553 |
| Books, Supplies, Services | \$ | 4,447,467 | \$ - | 679,761 | 15% | \$ 613,557 |
| Equipment Cap Outlay | \$ | 1,027,819 | \$ - | 425,596 | 41% | \$ 148,663 |
| Debt Service Transfer | \$ | - | \$ - | - | NA | - |
| Financial Aid | \$ | 922,044 | \$ - | 256,886 | 28% | \$ 254,853 |
| Fund Balance | \$ | 17,642 | \$ - | - | 0% | - |
| Expense Total | \$ | 20,482,190 | \$ - | 6,615,664 | 32% | \$ 5,833,065 |

**Peralta Colleges
Income Statement - Bond Measure A
For the Period Ending
November 30, 2012**

| Revenue | App Budget | Standard Budget | Actuals | % Used | Last Year Actuals |
|---------------------------|-----------------------|-----------------|------------------|-----------|-------------------|
| Federal Revenue | \$ - | \$ - | - | NA | - |
| State Revenue | \$ - | \$ - | - | NA | - |
| Local Revenue | \$ (450,000) | \$ - | - | 0% | - |
| Trans Res Revenue | \$ - | \$ - | - | NA | - |
| Beginning Fund Balance | \$ - | \$ - | - | NA | - |
| Revenue Total | \$ (450,000) | \$ - | - | 0% | - |
| Expenses | | | | | |
| Full Time Academic | \$ - | \$ - | - | NA | - |
| Academic Admin | \$ - | \$ - | - | NA | - |
| Other Faculty | \$ - | \$ - | 4,225 | NA | 4,132 |
| Part Time Academic | \$ - | \$ - | - | NA | - |
| Classified Salary | \$ 853,973 | \$ - | 220,198 | 26% | 348,809 |
| Fringe Benefits | \$ 479,575 | \$ - | 116,809 | 24% | 173,399 |
| Books, Supplies, Services | \$ 35,615,800 | \$ - | 213,450 | 1% | 704,660 |
| Equipment Cap Outlay | \$ 165,135,557 | \$ - | 3,062,988 | 2% | 9,015,509 |
| Debt Service Transfer | \$ - | \$ - | - | NA | - |
| Financial Aid | \$ - | \$ - | - | NA | - |
| Fund Balance | \$ - | \$ - | - | NA | - |
| Expense Total | \$ 202,084,905 | \$ - | 3,617,670 | 2% | 10,246,509 |



CORRECTIVE ACTION MATRIX

**PERALTA COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION MATRIX
PENDING ACTIONS**

| Auditing/ Agency | Corrective Action | Responsibility/Point | Due Date | Status | Systematic/Source Integration |
|--|---|---|-------------------------|---|--|
| FINANCIAL STATEMENT FINDINGS | | | | | |
| <p style="text-align: center;">2012-1</p> <p style="text-align: center;">TIME AND EFFORT REPORTING</p> <p>Prior year audit finding 2011-13</p> | <p>Develop Procedures and Controls Over Compliance, Specifying How and When Time Certification Processes are to be Completed.</p> | <p>Responsible: Vice Chancellor For Finance & Administration Point: Associate Vice Chancellor for Finance</p> | <p>June 30, 2013</p> | <p>The District has developed the necessary procedures. The cause for the reoccurrence of this audit finding is due time and effort certifications not be completed and submitted in a timely manner.</p> | <p>Currently performed manually. The District released a Request for Qualifications seeking a vendor to assist with the implementation of the Time and Effort module within PeopleSoft. Implementation of this module will create and integrate within current business processes procedures and control for the collection of accurate data. The implementation will begin after the PeopleSoft Upgrade project has concluded (projected to be Spring 2013)</p> |
| <p style="text-align: center;">2012-2</p> <p style="text-align: center;">PROCUREMENT, SUSPENSION, AND DEBARMENT</p> <p>Prior year audit finding 2011-15</p> | <p>Verify Entities Contracted with for Services are not Suspended or Debarred.</p> | <p>Responsible: Vice Chancellor For Finance & Administration Point: Associate Vice Chancellor for Finance</p> | <p>January 31, 2013</p> | <p>The District has implemented a procedure in which verification of the entities contracted with for services are not suspended, debarred, or otherwise excluded from providing services.</p> | <p>Completed - Procedure created and implemented. Training ongoing.</p> |

**PERALTA COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION MATRIX
PENDING ACTIONS**

| Auditing/ Agency | Corrective Action | Responsibility/Point | Due Date | Status | Systematic/Source Integration |
|--|--|---|----------------------|--|---|
| <p style="text-align: center;">2012-3</p> <p style="text-align: center;">FINANCIAL REPORTING</p> <p>Prior year audit finding 2011-16</p> | <p>Develop and implement procedures to ensure all financial reports are reviewed at the District prior to submission to the granting agencies.</p> <p>Prior year corrective action - Develop and Monitor Reporting Calendar to Document Timelines. Verify Actual Costs Recorded in the Financial System. Completed.</p> | <p>Responsible: Vice Chancellor For Finance & Administration Point: Associate Vice Chancellor for Finance</p> | <p>June 30, 2013</p> | <p>Draft procedures are in the process of being developed.</p> | <p>Once procedures are developed and input sought by constituents, training will be held to educate users on the appropriate procedures.</p> |
| <p style="text-align: center;">2012-4</p> <p style="text-align: center;">EQUIPMENT MANAGEMENT</p> <p>Prior year audit finding 2011-17</p> | <p>With the newly developed procedures in place and the bi-annual inventory taken, procedures are being implemented that will distinctively tag equipment purchased with federal grant funds.</p> <p>Prior year corrective action - Physical Inventory of the Federally Purchased Equipment taken Bi-Annually – Reconciled – Written Procedures Prepared on Inventory Controls – Safeguarded and Accounted For. Completed.</p> | <p>Responsible: Vice Chancellor of Finance Point: Director of Purchasing and Contracts</p> | <p>June 30, 2013</p> | <p>Draft procedures have been developed and the manager on point is working with the Receiving Department and IT to implement.</p> | <p>Operational procedures have been developed and are in the process of being implemented.</p> |
| <p style="text-align: center;">2012-5</p> <p style="text-align: center;">STUDENTS ACTIVELY ENROLLED</p> <p>Prior year audit finding 2011-20</p> | <p>Program Written to Allow Admissions and Records Office to Identify the Rosters that has not Properly Turned in by Instructors. Admissions and Records Office Follow-Up with Instructors on Requirements to Identify Students who are not Enrolled.</p> | <p>Responsible: Chancellor Point: Vice Chancellor of Educational Services, Vice Chancellor of Student Services and Vice Chancellor of Finance</p> | <p>June 30, 2013</p> | <p>Program will be written to allow Admission and Records Office to identify the rosters that have been turned in by the instructors to determine completeness and accuracy.</p> | <p>Training by Staff Development Coordinator of Faculty on correct use of rosters and grade reports. Regular follow up with instructional staff and administration on the campus. Regular reports distributed to Presidents</p> |

**PERALTA COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION MATRIX
PENDING ACTIONS**

| Auditing/ Agency | Corrective Action | Responsibility/Point | Due Date | Status | Systematic/Source Integration |
|---|---|---|----------------------|--|--|
| <p style="text-align: center;">2012-6</p> <p style="text-align: center;">CONCURRENT ENROLLMENT</p> <p>Prior year audit finding 2011-21</p> | <p>Update Admissions and Records system and processes so that all students are removed from concurrently enrolled status once the student reaches the age of 18 years. Exceptions will be handled on a case by case basis.</p> | <p>Responsible: Chancellor Point: Vice Chancellor of Educational Services</p> | <p>June 30, 2013</p> | <p>Changes have been made so that all students taking in excess of 11 units will be assessed all customary fees.</p> | <p>Meetings have been held with program managers with responsibilities over affected programs to educate them of state requirements.</p> |
| <p style="text-align: center;">2012-7</p> <p style="text-align: center;">RESIDENCY DETERMINATION FOR CREDIT COURSES</p> | <p>The District should implement a procedure within Admissions and Records that effectively monitors the information provided by students through CCCApply program to ensure that all students' residency determination is properly reported.</p> | <p>Responsible: Chancellor Point: Vice Chancellor For Student Services</p> | <p>June 30, 2013</p> | <p>The PCCD will implement procedures within Admissions and Records that effectively monitor the information provided by CCCApply to ensure that all students' residency status is properly reported and documented.</p> | <p>Procedures currently being developed.</p> |
| <p style="text-align: center;">2012-8</p> <p style="text-align: center;">CALWORKS – REPORTING</p> <p>Prior year audit finding 2011-22</p> | <p>Existing procedures are currently being reevaluated for control purposes.</p> <p>Prior year corrective action - Timelines of Required Categorical Reporting must be Documented and Sent to all Program Directors – Supervisory Personnel to Ensure Reporting is Complete and Accurate. Completed</p> | <p>Responsible: Chancellor Point: Vice Chancellor of Finance</p> | <p>June 30, 2013</p> | <p>Procedures will be assessed for points of failure and new controls will be implemented that will ensure all reports are reconciled to the general ledger prior to submission to the state.</p> | <p>Procedures currently under evaluation.</p> |