PERALTA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

PERALTA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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, 2018, 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 opinions 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 2017-2018 *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 opinions.

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Opinions

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15, and other required supplementary schedules on pages 73 through 76 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are 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 21, 2018, 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 solely 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 effectiveness of the District's 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 21, 2018

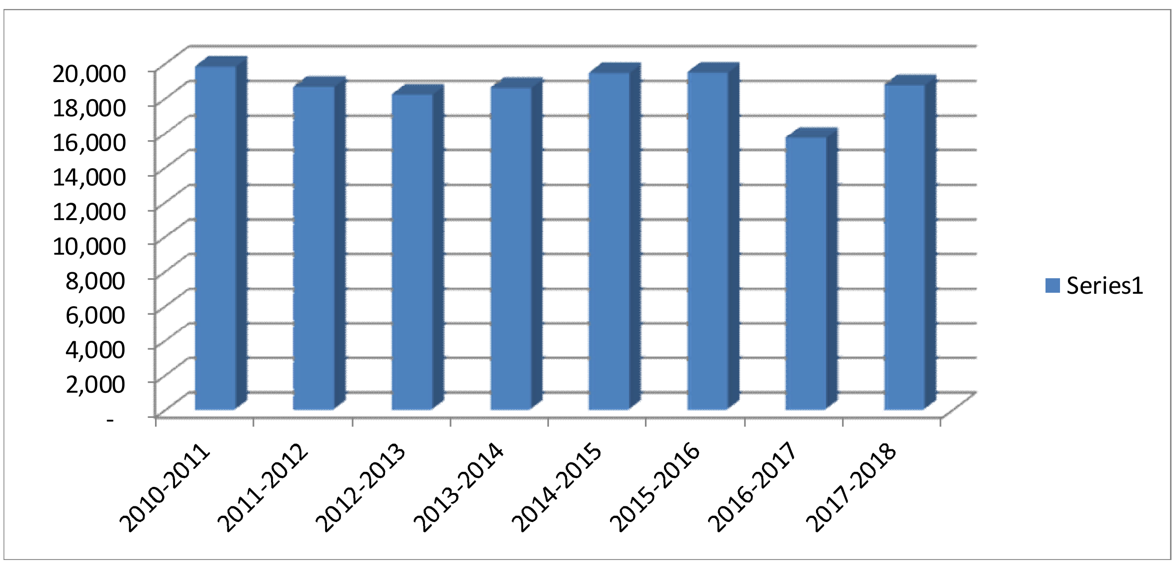
Introduction

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, 2018. 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, 865 full-time employees and over 1,084 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 2017-2018, Peralta Colleges generated 18,802 FTES (including credit and noncredit FTES), as compared to 15,768 in the fiscal year 2016-2017. This represents a 19 percent increase. 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 2017-2018, 18,802, included utilizing all of summer enrollment/FTES, thereby surpassing the FTES claimed in 2016-2017 of 15,768 which also included prior year summer enrollment.



	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Full-Time Equivalent Students	19,871	18,712	18,264	18,642	19,500	19,507	15,768	18,802
Percentage Increase/(Decrease)		-5.83%	-2.39%	2.07%	4.60%	0.04%	-19.17%	19.24%

- Unrestricted General Fund revenues for the year were $144 million, a decrease of 4.27 percent from prior year's revenue of $138.1 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 $ 148.2 million, decrease of 2.16 percent over prior year's expenditures of $151.4 million.

- The District received approximately $5.3 million in Student Success and Support Program funding allocated to the four Colleges.

- The District received approximately $2.3 million in Student Equity funding that was distributed among the four Colleges and the District Office.

- The District received approximately $1.1 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 zero 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 total OPEB liability (TOL) as of June 30, 2018, is $202.7 million ($189.8 million for those employees hired prior to July 1, 2004, and $12.9 million for employees hired after July 1, 2004). 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, 2018 and June 30, 2017, is presented below:

Net Position
As of June 30,

	2018	2017 as Restated
ASSETS		
Current Assets		
Cash and investments	$ 330,087,731	$ 342,618,400
Accounts receivable, net	21,443,584	17,280,117
Other current assets	1,561,944	1,598,253
Total Current Assets	353,093,259	361,496,770
Noncurrent Assets		
Capital assets, net	458,101,304	477,334,321
TOTAL ASSETS	811,194,563	838,831,091
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	16,289,627	17,202,534
Interest rate SWAP	18,647,542	25,145,234
Deferred outflows of resources related to pensions	44,552,270	29,856,598
TOTAL DEFERRED OUTFLOWS OF RESOURCES	79,489,439	72,204,366
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	28,191,727	24,285,764
Unearned revenue	14,404,250	14,400,699
SWAP liability	675,897	1,821,240
Current portion of long-term obligations	23,682,307	22,826,289
Total Current Liabilities	66,954,181	63,333,992
Noncurrent Liabilities		
Bonds payable	413,758,348	430,560,730
Other long-term liabilities	590,418,344	568,408,335
Long-term obligations	1,004,176,692	998,969,065
TOTAL LIABILITIES	1,071,130,873	1,062,303,057
DEFERRED INFLOWS OF RESOURCES		
Interest rate SWAP	18,647,542	25,145,234
Deferred inflows of resources related to pensions	9,073,377	3,529,547
TOTAL DEFERRED INFLOWS OF RESOURCES	27,720,919	28,674,781
NET POSITION		
Net investment in capital assets	97,175,592	114,404,061
Restricted for:		
Debt service	15,151,659	14,056,633
Capital projects	8,535,574	8,837,317
Other activities	8,208,215	15,797,936
Unrestricted	(337,238,830)	(333,038,328)
TOTAL NET POSITION	$ (208,167,790)	$ (179,942,381)

- Approximately 88 percent of the cash equivalent balance is cash deposited in the Alameda County Treasury Pool, and approximately 12 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 the 2017-2018 fiscal year.

- The majority of the accounts receivable balance is from Federal and State sources for grant and entitlement programs, and student receivables. Receivables totaling $10,930,432 for reimbursements from Federal and State agencies related to grant awards, $3,486,717 from local sources, and $7,026,435 for student receivables.

- Capital assets had a net decrease of $19,233,017. The District had additions of $15,381,286 related to construction in progress. Depreciation expense of $20,003,398 was recognized during 2017-2018. Additional information related to capital assets is found in Note 6 of the financial statements.

- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2018. Total accounts payable are $18,072,328; $1,453,904 of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay. $2,618,280 is for amounts due to the state for apportionment repayment. $1,914,714 is for amounts due to or on behalf of employees for wages and benefits, $393,367 is related to Federal and State categorical programs, with the remaining $11,692,063 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 $664,836,601 represents the remaining long-term debt to satisfy these obligations. Additional information related to long-term obligations is found in Note 10 of the financial statements.

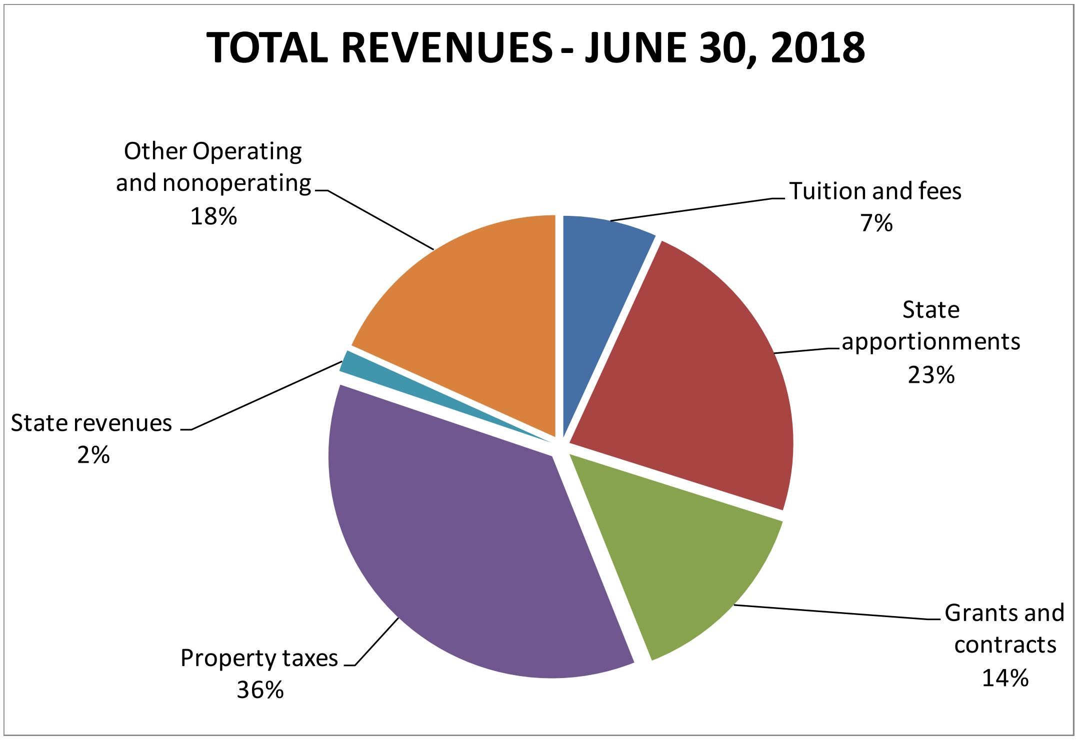
Statement of Revenues, Expenses, and Changes in Net Position

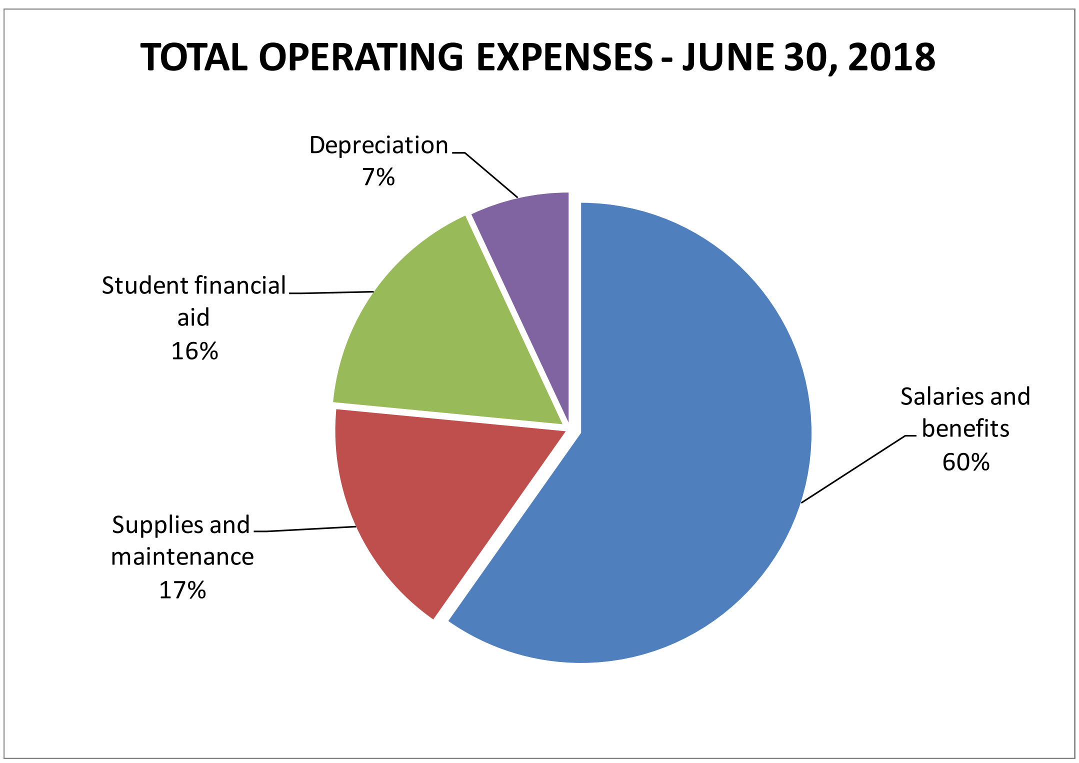
The Statement of Revenues, Expenses, and Changes in Net Position presents the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and nonexchange. Operating activities are those in which 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, 2018 and June 30, 2017, is summarized below:

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

	2018	2017
Operating Revenues		
Tuition and fees	$ 17,508,071	$ 18,784,430
Grants and contracts, noncapital	41,196,903	47,802,980
Total Operating Revenues	58,704,974	66,587,410
Operating Expenses		
Salaries and benefits	172,280,504	166,988,554
Equipment, supplies, and maintenance	48,307,384	40,270,410
Student financial aid	47,668,717	37,623,440
Depreciation	20,003,398	16,042,395
Total Operating Expenses	288,260,003	260,924,799
Operating Loss	(229,555,029)	(194,337,389)
Nonoperating Revenues and (Expenses)		
State apportionments	59,646,620	61,997,011
Financial aid grants and contracts	36,389,548	35,248,326
Property taxes	93,467,158	80,788,128
State revenues	4,023,453	7,933,536
Investment income and unrealized gain on investments	31,333,025	27,008,024
Interest expense on capital related debt	(31,180,958)	(22,801,412)
Other nonoperating revenues	5,659,110	13,333,615
Total Nonoperating Revenues (Expenses)	199,337,956	203,507,228
Other Revenues		
State and local capital income	1,991,664	2,699,083
Net Increase (Decrease) in Net Position	$ (28,225,409)	$ 11,868,922


TOTAL REVENUES - JUNE 30, 2018
Tuition and fees 7%
State apportionments 23%
Grants and contracts 14%
Property taxes 36%
State revenues 2%
Other Operating and nonoperating 18%


TOTAL OPERATING EXPENSES - JUNE 30, 2018
Depreciation 7%
Student financial aid 16%
Salaries and benefits 60%
Supplies and maintenance 17%

- 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 $230 per unit fee that is charged to all non-resident students.

- Personnel costs across all funds account for 60 percent of operating expenses in fiscal year 2018 compared to 64.0 percent in 2017. 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: capital 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	Depreciation	Total
Instructional activities	$ 78,500,662	$ 3,006,338	$ -	$ -	$ 81,507,000
Academic support	14,813,472	2,118,087	-	-	16,931,559
Student services	30,050,122	3,189,853	-	-	33,239,975
Plant operations and maintenance	8,024,120	7,316,806	-	-	15,340,926
Planning, policymaking, and coordination	7,525,048	4,854,303	-	-	12,379,351
Institutional support services	27,645,645	16,624,355	-	-	44,270,000
Community services and economic development	333,304	57,939	-	-	391,243
Ancillary services and auxiliary operations	4,111,185	1,438,563	-	-	5,549,748
Student aid	-	-	47,668,717	-	47,668,717
Physical property and related acquisitions	1,276,946	9,701,140	-	-	10,978,086
Unallocated expense	-	-	-	20,003,398	20,003,398
Total	$ 172,280,504	$ 48,307,384	$ 47,668,717	$ 20,003,398	$ 288,260,003

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, 2018 and June 30, 2017, is summarized below:

Statement of Cash Flows
for the Years Ended June 30,

	2018	2017
Cash From		
Operating activities	$ (200,848,956)	$ (217,555,040)
Noncapital financing activities	170,752,861	226,074,213
Capital and related financing activities	(12,426,370)	(32,402,308)
Investing activities	23,236,749	14,418,642
Net Change in Cash	(19,285,716)	(9,464,493)
Cash, Beginning of Year	129,974,076	139,438,569
Cash, End of Year	$ 110,688,360	$ 129,974,076

- 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 37.7 percent and 27.0 percent of noncapital financing for fiscal years 2018 and 2017, respectively. Cash receipts from Federal and State grants represent 22.9 percent in 2018 and 39.6 percent in 2017. Cash received from property taxes accounts for 35.9 percent in fiscal year 2018 and 24.7 percent in fiscal year 2017 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 (OPEB)

During the year ended June 30, 2018, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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 two actuarial studies performed in November 2018 to identify the District's total OPEB liability (TOL). These studies determined the District's TOL to be approximately $202.7 million.

In December 2005, the District issued $153,749,832 aggregate principal amount of Taxable 2005 Limited Obligation OPEB (Other Postemployment Benefits) Bonds to fund a $150,000,000 deposit to the Retiree Health Benefit Program Fund. The Retiree Health Benefit Program Fund has been invested in various financial instruments as directed by the District's Retirement Board of Authority and/or an investment advisor as selected by the Retirement Board of Authority. The District may cause a draw from the Retiree Health Benefit Fund for the payment of Retiree Health Benefit Costs or defeasance of Outstanding Bonds. From time to time, the District has made deposits and withdrawals from the Retiree Health Benefit Program Fund in accordance with the Indenture of Trust. As of June 30, 2018, the balance of the Retiree Health Benefit Program Fund was $219,399,371.

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 2018 ballot (Proposition 55) bodes well. The Legislative Analyst's Office, in its most recent assessment of 2017-2018, derives a "positive outlook" with an emphasis on back-up contingencies – e.g. – strong reserve levels – in case of an economic downturn.

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, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 13,713,538
Investments	96,974,822
Restricted investments	219,399,371
Accounts receivable	14,417,149
Student receivables, net	7,026,435
Due from fiduciary funds	317,316
Prepaid expenses	1,097,416
Inventories	147,212
Total Current Assets	353,093,259
NONCURRENT ASSETS	
Nondepreciable capital assets	37,214,562
Depreciable capital assets, net of depreciation	420,886,742
Total Noncurrent Assets	458,101,304
TOTAL ASSETS	811,194,563
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	16,289,627
Interest rate SWAP	18,647,542
Deferred outflows of resources related to pensions	44,552,270
Total Deferred Outflows of Resources	79,489,439
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	18,072,328
Accrued interest payable	9,902,068
SWAP liability	675,897
Due to fiduciary funds	217,331
Unearned revenue	14,404,250
General obligation bonds - current portion	14,185,000
Other postemployment benefits bonds - current portion	9,497,307
Total Current Liabilities	66,954,181
NONCURRENT LIABILITIES	
Claims liability	3,951,000
Load banking	2,034,659
Compensated absences	4,629,842
General obligation bonds	413,758,348
Other postemployment benefits bonds	227,395,946
Aggregate net other postemployment benefits (OPEB) liability	203,378,811
Aggregate net pension obligation	149,028,086
Total Noncurrent Liabilities	1,004,176,692
TOTAL LIABILITIES	1,071,130,873

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

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT, Continued
JUNE 30, 2018

DEFERRED INFLOWS OF RESOURCES	
Interest rate SWAP	$ 18,647,542
Deferred inflows of resources related to pensions	9,073,377
Total Deferred Inflows of Resources	27,720,919
NET POSITION	
Net investment in capital assets	97,175,592
Restricted for:	
Debt service	15,151,659
Capital projects	8,535,574
Educational programs	5,166,192
Other activities	3,042,023
Unrestricted	(337,238,830)
TOTAL NET POSITION	$ (208,167,790)

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, 2018

OPERATING REVENUES	
Student Tuition and Fees	$ 29,322,941
Less: Scholarship discount and allowance	(11,814,870)
Net tuition and fees	17,508,071
Grants and Contracts, Noncapital:	
Federal	4,683,908
State	34,018,232
Local	2,494,763
Total grants and contracts, noncapital	41,196,903
TOTAL OPERATING REVENUES	58,704,974
OPERATING EXPENSES	
Salaries	106,972,225
Employee benefits	65,308,279
Supplies, materials, and other operating expenses and services	33,738,794
Student financial aid	47,668,717
Equipment, maintenance, and repairs	14,568,590
Depreciation	20,003,398
TOTAL OPERATING EXPENSES	288,260,003
OPERATING LOSS	(229,555,029)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	59,646,620
Federal financial aid grants and contracts, noncapital	34,048,897
State financial aid grants and contracts, noncapital	2,340,651
Local property taxes, levied for general purposes	61,368,015
Taxes levied for other specific purposes	32,099,143
State taxes and other revenues	4,023,453
Interest income	2,086,170
Net unrealized gain on investments	29,050,969
Interest expense on capital related debt	(31,180,958)
Investment income on capital asset-related debt	195,886
Other nonoperating revenue	5,659,110
TOTAL NONOPERATING REVENUES (EXPENSES)	199,337,956
LOSS BEFORE OTHER REVENUES	(30,217,073)
OTHER REVENUES	
State revenues, capital	982,226
Local revenues, capital	1,009,438
TOTAL OTHER REVENUES	1,991,664
CHANGE IN NET POSITION	(28,225,409)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	(179,942,381)
NET POSITION, END OF YEAR	$ (208,167,790)

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 14,927,263
Federal and state grants and contracts	38,631,613
Payments to or on behalf of employees	(161,631,355)
Payments made to students from financial aid	(47,668,717)
Payments to vendors for supplies and services	(45,107,760)
Net Cash Flows From Operating Activities	(200,848,956)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	64,424,857
Federal and state financial aid grants	35,007,316
Property taxes - nondebt related	61,368,015
State taxes and other revenues	4,023,453
Other nonoperating revenues	5,929,220
Net Cash Flows From Noncapital Financing Activities	170,752,861
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	1,991,664
Taxes levied for debt repayment	32,099,143
Accretion of bonds	7,941,614
Acquisition and construction of capital assets	(1,098,136)
Principal paid on capital debt	(22,620,982)
Interest received on capital debt	195,886
Interest paid on capital debt and leases	(30,935,559)
Net Cash Flows From Capital and Related Financing Activities	(12,426,370)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	(6,755,047)
Investment income	29,991,796
Net Cash Flows From Investing Activities	23,236,749
NET CHANGE IN CASH AND CASH EQUIVALENTS	(19,285,716)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,974,076
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 110,688,360

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (229,555,029)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	20,003,398
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables, net	(6,531,881)
Inventories	(2,899)
Prepaid expenses	9,702
Accounts payable and accrued liabilities	2,250,799
Unearned revenue	1,385,783
Aggregate net pension obligation	16,690,188
Aggregate net OPEB obligation	3,001,785
Claims liability	1,218,000
Load banking	61,908
Compensated absences	(228,868)
Deferred outflows of resources related to pensions	(14,695,672)
Deferred inflows of resources related to pensions	5,543,830
Total Adjustments	28,706,073
Net Cash Flows From Operating Activities	$ (200,848,956)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 13,713,538
Investment in county treasury	96,974,822
Total Cash and Cash Equivalents	$ 110,688,360
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 4,715,634

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

PERALTA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Trust Funds
ASSETS	
Cash and cash equivalents	$ 205,515
Investments	1,361,624
Accounts receivable	52,681
Due from primary government	217,331
Total Assets	1,837,151
LIABILITIES	
Accounts payable	150,282
Due to primary government	317,316
Unearned revenue	54,797
Due to student groups	11,455
Total Liabilities	533,850
NET POSITION	
Unrestricted	$ 1,303,301

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

PERALTA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Trust Funds
ADDITIONS	
Local revenues	$ 404,937
DEDUCTIONS	
Classified salaries	1,793
Employee benefits	125
Services and operating expenditures	253,608
Capital outlay	64,550
Total Deductions	320,076
OTHER FINANCING USES	
Other uses	(3,179)
CHANGE IN NET POSITION	81,682
NET POSITION, BEGINNING OF YEAR	1,221,619
NET POSITION, END OF YEAR	$ 1,303,301

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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 and noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, 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 financial aid grants 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 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, No. 39, and No. 61. 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.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, 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 provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at $7,142,097 for the year ended June 30, 2018.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2018.

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 financial statements.

Hedging Derivative Instruments (Interest Rate SWAPS)

The District accounts for derivatives in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, (GASB Statement No. 53). GASB Statement No. 53 requires that hedging derivative instruments (Hedging Transactions) be recorded at fair value and establishes certain requirements for revenue recognition, measurement, and disclosure related to Hedging Transactions. The District's Hedging Transactions have been tested for effectiveness under the guidelines prescribed by GASB Statement No. 53. The District utilized one of the three quantitative methods required by GASB Statement No. 53, the dollar-off set method.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Charges on Refunding

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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, interest rate SWAPs, and for 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 interest rate SWAPs 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the aggregate net OPEB liability and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 government-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 general obligation bonds, OPEB bond obligations, compensated absences, claims liability, load banking, the aggregate net OPEB liability, and the aggregate net pension obligation 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.

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. The entity-wide financial statements report $31,895,448 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances and Federal, State, and local grants and contracts.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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 Taxes

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, Supplemental Educational Opportunity Grants (SEOG), 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.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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 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. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. 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.

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, 2018, consist of the following:

Primary government	$ 330,087,731
Fiduciary funds	1,567,139
Total Deposits and Investments	$ 331,654,870

Cash on hand and in banks	$ 13,870,836
Cash in revolving	48,217
Investments	317,735,817
Total Deposits and Investments	$ 331,654,870

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 various short 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 $98,336,446 with the Alameda County Investment Pool with a weighted maturity of 357 days. Additionally, OPEB bond proceeds of $219,399,371 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, 2018. The District's OPEB investments ratings range from Aaa to Caa according to Moody's Investors Service as of June 30, 2018.

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, 2018, the District's bank balance of $13,334,079 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, 2018:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Alameda County Investment Pool	$ 98,143,092	$ -	$ -	$ -	$ 98,143,092
First American Government Obligation Fund	770,667	-	770,667	-	-
U.S. Government and Agencies	15,467,349	-	15,467,349	-	-
Foreign Government Bonds	319,949		319,949	-	
Mortgage Backed Securities	11,208,407	-	11,208,407	-	-
Collateralized Mortgage Obligations	7,553,157	-	7,553,157	-	-
Domestic Corporate Bonds	13,907,954	-	13,907,954	-	-
Common Stock Domestic	61,891,657	61,891,657	-	-	-
Convertible Preferred Stock	39,753	-	39,753	-	-
Common Stock Foreign	9,530,334	9,530,334	-	-	-
Mutual Funds Fixed Income	33,229,956	33,229,956	-	-	-
Mutual Funds Equities	53,824,957	53,824,957	-	-	-
Exchange Traded Funds - Equity	4,436,724	4,436,724	-	-	-
Private Equity	4,533,064	-	-	4,533,064	-
Money market	2,685,443	2,685,443	-	-	-
Derivative Instruments (Interest Rate SWAPS)	18,647,542	-	18,647,542	-	-
Total	$ 336,190,005	$ 165,599,071	$ 67,914,778	$ 4,533,064	$ 98,143,092

	Level 3 Inputs
Investments at Fair Value	
Balance at July 1, 2017	$ 3,876,611
Net realized and unrealized Gains	656,453
Balance at June 30, 2018	$ 4,533,064

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 2,106,265	$ -
Student Financial Assistance	6,298,929	-
State Government		
Categorical aid	1,940,380	-
Lottery	584,858	-
Local Sources		
Other local sources	3,486,717	52,681
Total	$ 14,417,149	$ 52,681

Student receivables	$ 14,168,532	$ -
Less allowance for bad debt	(7,142,097)	-
Student receivables, net	$ 7,026,435	$ -

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	$ 11,913,296	$ -	$ -	$ 11,913,296
Construction in progress	117,052,812	15,381,286	107,132,832	25,301,266
Total Capital Assets Not Being Depreciated	128,966,108	15,381,286	107,132,832	37,214,562
Capital Assets Being Depreciated				
Buildings	311,369,176	5,771,833	-	317,141,009
Site improvements	204,165,786	68,914,109	-	273,079,895
Software and IT development	32,652,661	4,667,489	-	37,320,150
Machinery and equipment	42,685,828	13,168,496	-	55,854,324
Total Capital Assets Being Depreciated	590,873,451	92,521,927	-	683,395,378
Total Capital Assets	719,839,559	107,903,213	107,132,832	720,609,940
Less Accumulated Depreciation				
Buildings	123,381,137	6,505,142	-	129,886,279
Site improvements	46,097,441	10,870,739	-	56,968,180
Software and IT development	31,880,867	840,465	-	32,721,332
Machinery and equipment	41,145,793	1,787,052	-	42,932,845
Total Accumulated Depreciation	242,505,238	20,003,398	-	262,508,636
Net Capital Assets	$ 477,334,321	$ 87,899,815	$ 107,132,832	$ 458,101,304

Depreciation expense for the year was $20,003,398.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Apportionment	$ 2,618,280	$ -
Accrued payroll and benefits	1,914,714	-
Construction	1,453,904	-
Federal categorical	3,683	-
State categorical	389,684	-
Student representation fees	-	149,720
Vendors and supplies	11,692,063	562
Total	$ 18,072,328	$ 150,282

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Federal categorical aid	$ 83,058	$ -
State categorical aid	8,042,690	-
Other State	2,075,398	-
Enrollment fees	2,197,472	54,797
Other local	2,005,632	-
Total	$ 14,404,250	$ 54,797

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 primary government 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, 2018, the amount owed to the Fiduciary Funds from the Primary Government was $217,331, and the amount owed to Primary Government from the Fiduciary Funds was $317,316.

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 2018 fiscal year, there were no transfers between the Primary Government and the Fiduciary Funds.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the fiscal year 2018 consisted of the following:

	(as restated) Balance July 1, 2017	Additions	Accretion	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 444,870,730	$ -	$ -	$ 16,927,382	$ 427,943,348	$ 14,185,000
2005 Taxable Limited Obligation OPEB Bonds	177,425,766	-	7,941,614	4,502,311	180,865,069	8,125,000
2006 OPEB Bond modification and restructuring	10,164,473	-	-	96,289	- 10,068,184	102,307
2011 Taxable Refunding bonds	47,055,000	-	-	1,095,000	45,960,000	1,270,000
Total Bonds Payable	679,515,969	-	7,941,614	22,620,982	664,836,601	23,682,307
Other liabilities						
Aggregate net OPEB liability	200,377,026	3,111,077	-	109,292	203,378,811	-
Claims liability	2,733,000	1,218,000	-	-	3,951,000	-
Load banking	1,972,751	61,908	-	-	2,034,659	-
Compensated absences	4,858,710	-	-	228,868	4,629,842	-
Aggregate net pension obligation	132,337,898	16,690,188	-	-	149,028,086	-
Total Long-Term Obligations	$ 1,021,795,354	$ 21,081,173	$ 7,941,614	$ 22,959,142	$ 1,027,858,999	$ 23,682,307

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 and the Deferred Compensation Trust 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 aggregate net OPEB liability 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 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 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 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 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 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 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 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 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 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, 2017	Issued/ Amortized	Redeemed	Bonds Outstanding June 30, 2018
2006 B	11/15/2007	8/01/2037	5.00%-5.25%	$ 100,000,000	$ 2,345,000	$ -	$ 2,345,000	$ -
2006 C	8/26/2009	8/01/2039	2.00%-5.50%	100,000,000	6,815,000	-	2,175,000	4,640,000
2006 D	06/16/2016	8/01/2039	3.50%-4.00%	50,000,000	50,000,000	-	-	50,000,000
	Subtotal Election of 2006							54,640,000
2009	12/17/2009	8/01/2031	2.00%-5.50%	39,080,000	27,835,000	-	1,495,000	26,340,000
2012	3/28/2012	8/01/2034	2.00%-5.00%	59,005,000	50,800,000	-	3,085,000	47,715,000
2014 A	8/21/2014	8/01/2035	2.00%-5.00%	127,505,000	125,515,000	-	3,000,000	122,515,000
2014 B	8/21/2014	8/01/2032	2.00%-5.00%	30,220,000	25,645,000	-	2,210,000	23,435,000
2016	06/16/2016	8/01/2039	3.00%-5.00%	107,825,000	105,525,000	-	-	105,525,000
	Subtotal Refundings							325,530,000
	Subtotal General Obligation Bonds							380,170,000
	Bond Premiums				50,390,730	-	2,617,382	47,773,348
	Total General Obligation Bonds				$ 444,870,730	$ -	$ 16,927,382	$ 427,943,348

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

The general obligation bonds mature through 2040 as follows:

Year Ending June 30,	Principal	Interest	Total
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	-	1,961,225	1,961,225
2023	-	1,961,225	1,961,225
2024-2028	-	9,806,125	9,806,125
2029-2033	1,765,000	9,775,238	11,540,238
2034-2038	21,220,000	7,830,800	29,050,800
2039-2040	27,015,000	1,106,900	28,121,900
Total	$ 54,640,000	$ 38,568,845	$ 93,208,845

General Obligation Bond - 2009 Refunding

The 2009 general obligation bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,060,000	1,174,950	3,234,950
2023	2,170,000	1,070,863	3,240,863
2024-2028	12,615,000	3,568,806	16,183,806
2029-2032	6,035,000	783,706	6,818,706
Total	$ 26,340,000	$ 10,405,925	$ 36,745,925

General Obligation Bond - 2012 Refunding

The 2012 general obligation bonds mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
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	3,000,000	1,833,556	4,833,556
2023	3,145,000	1,683,556	4,828,556
2024-2028	11,505,000	6,224,281	17,729,281
2029-2033	17,710,000	3,294,169	21,004,169
2034-2035	4,165,000	275,188	4,440,188
Total	$ 47,715,000	$ 19,643,418	$ 67,358,418

General Obligation Bond - 2014 Refunding Series A and B

The 2014 general obligation bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
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	8,060,000	5,435,725	13,495,725
2023	7,865,000	5,037,600	12,902,600
2024-2028	41,910,000	19,205,100	61,115,100
2029-2033	55,010,000	7,513,725	62,523,725
2034-2036	8,600,000	497,063	9,097,063
Total	$ 145,950,000	$ 56,479,013	$ 202,429,013

General Obligation Bond - 2016 Refunding

The 2016 general obligation bonds mature through 2040 as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,560,000	4,621,750	7,181,750
2023	2,690,000	4,490,500	7,180,500
2024-2028	15,600,000	20,288,125	35,888,125
2029-2033	19,750,000	16,007,000	35,757,000
2034-2038	50,915,000	7,771,350	58,686,350
2039-2040	11,545,000	466,300	12,011,300
Total	$ 105,525,000	$ 67,948,775	$ 173,473,775

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	Current Interest	Total
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	3,589,014	4,210,986	2,240,783	10,040,783
2023	3,830,582	4,494,418	1,835,963	10,160,963
2024-2028	18,425,477	25,799,523	8,280,645	52,505,645
2029-2033	16,169,522	32,730,478	9,631,343	58,531,343
2034-2038	13,693,194	41,456,806	15,057,488	70,207,488
2039-2043	10,289,115	41,235,885	21,190,770	72,715,770
2044-2048	11,077,506	57,872,494	20,992,253	89,942,253
2049-2050	5,936,386	31,013,614	2,919,375	39,869,375
Subtotal	97,916,059	248,158,941	84,626,846	430,701,846
Accumulated accretion	82,949,010	(82,949,010)	-	-
Total	$ 180,865,069	$ 165,209,931	$ 84,626,846	$ 430,701,846

2006 Limited Obligation Other Postemployment Benefits Bond Modification and Restructuring

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 financing structure was developed to accommodate District wishes to reduce debt service in the initial years of the financing. Interest rate on the bonds is 6.250 percent.

The bonds mature through 2050 as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 102,307	$ 626,065	$ 728,372
2020	108,325	619,482	727,807
2021	114,343	612,524	726,867
2022	120,361	605,189	725,550
2023	132,397	597,291	729,688
2024-2028	794,382	2,848,039	3,642,421
2029-2033	1,077,230	2,557,480	3,634,710
2034-2038	1,474,420	2,161,794	3,636,214
2039-2043	2,022,062	1,619,982	3,642,044
2044-2048	2,756,264	878,258	3,634,522
2049-2050	1,366,093	86,697	1,452,790
Total	$ 10,068,184	$ 13,212,801	$ 23,280,985

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
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	1,570,000	2,874,545	4,444,545
2023	2,120,000	2,775,494	4,895,494
2024-2028	15,785,000	11,187,788	26,972,788
2029-2032	21,055,000	4,206,330	25,261,330
Total	$ 45,960,000	$ 30,397,398	$ 76,357,398

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. As of June 30, 2018, the bonds carry Barclays Bank's short-term rating of VMIG-1 (Moody's Investors Service) and A-1 (Standard & Poor's).

Claims Liability

At June 30, 2018, the liability for claims liability was $3,951,000. See Note 13 for additional information.

Load Banking

At June 30, 2018, the liability for load banking agreements was $2,034,659.

Compensated Absences

At June 30, 2018, the liability for compensated absences was $4,629,842.

Aggregate Net OPEB liability

At June 30, 2018, the liability for the aggregate net OPEB liability was $203,378,811. See Note 11 for additional information on the aggregate net OPEB liability.

Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation was $149,028,086. See Note 14 for additional information on the aggregate net pension obligation.

NOTE 11 - AGGREGATE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported an aggregate net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	OPEB Expense
District Plan - Pre-2004	$ 189,821,787	$ 841,188
District Plan - Post-2004	12,914,792	2,269,889
Medicare Premium Payment (MPP) Program	642,232	(109,292)
Total	$ 203,378,811	$ 3,001,785

The details of each plan are as follows:

District Plan - Pre-2004 Employees

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Management of the Plan is vested in the District management.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	674
Active employees	233
	907

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Peralta Federation of Teachers, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District Board of Trustees. The District contributed $9,781,668 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $189,821,787 was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	3.80 percent
Health care cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 188,980,599
Service cost	3,561,635
Interest	7,061,221
Benefit payments	(9,781,668)
Net change in total OPEB liability	841,188
Balance at June 30, 2018	$ 189,821,787

There were no changes in benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 6.75 percent to 3.80 percent since the previous valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.80%)	$ 212,690,965
Current discount rate (3.80%)	189,821,787
1% increase (4.80%)	170,777,786

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Health Care Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	$ 171,013,349
Current health care cost trend rate (4.0%)	189,821,787
1% increase (5.0%)	211,649,699

District Plan - Post-2004 Employees

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Management of the Plan is vested in the District Management.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	7
Active employees	581
	588

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Peralta Federation of Teachers, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District Board of Trustees. The District contributed $299,127 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $12,914,792 was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	6.75 percent
Health care cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 10,644,903
Service cost	1,801,453
Interest	767,563
Benefit payments	(299,127)
Net change in total OPEB liability	2,269,889
Balance at June 30, 2018	$ 12,914,792

There were no changes in benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.5 percent to 6.75 percent since the previous valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (5.75%)	$ 13,973,662
Current discount rate (6.75%)	12,914,792
1% increase (7.75%)	11,983,000

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Health Care Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	$ 12,050,519
Current health care cost trend rate (4.0%)	12,914,792
1% increase (5.0%)	13,836,915

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liability and OPEB Expense Related to the OPEB

At June 30, 2018, the District reported a liability of $642,232 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, was 0.1527 percent and 0.1606, respectively, resulting in a net decrease in the proportionate share of 0.0079 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(109,292).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB 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 OPEB Liability
1% decrease (2.58%)	$ 710,996
Current discount rate (3.58%)	642,232
1% increase (4.58%)	575,345

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 580,355
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	642,232
1% increase (4.7% Part A and 5.1% Part B)	703,491

NOTE 12 - 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, 2018, the 2005 Series B-2 through B-6 has a fair market value of $(19,323,439). The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.158 percent, 5.279 percent, 5.207 percent, 5.055 percent, and 4.935 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, 2018, 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, 2018, derivative instrument B-2 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 2018 of $1,145,343 are reported within the investment revenue classification for the year ended June 30, 2018. The other interest rate swaps, B-3 through B-6, are considered to be effective 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. This method evaluates the effectiveness of a hedge transaction by dividing changes in the fair values or cash flows of the hedged item with those of the potential hedging derivative instrument, or vice versa.

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 are valued using the discounted cash flow methodology which considers the net present value of the future scheduled payment from each leg of the SWAP. For the floating leg of a swap, future coupon rates are estimated based on forward rates derived from the relevant interest rate swap yield curve data as of the valuation date. The present value discount factors applied to each future scheduled payment is determined by the LIBOR or Overnight Index Swap, curve data using the zero coupon method.

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	$ (7,513,131)	4.935%
AUF3W	November 28, 2006	August 5, 2031	August 5, 2039	USD	86,650,000	(4,873,812)	5.055%
AUF3V	November 28, 2006	August 5, 2025	August 5, 2031	USD	57,525,000	(3,409,219)	5.207%
AUF3U	November 28, 2006	August 5, 2020	August 5, 2025	USD	43,175,000	(2,851,380)	5.279%
AUF3T	November 28, 2006	August 5, 2015	August 5, 2020	USD	38,450,000	(675,897)	5.158%

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, 2018, 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, 2016 to June 30, 2018:

	Workers' Compensation
Liability Balance, July 1, 2016	$ 2,733,000
Net claims and changes in estimates	1,553,386
Claims payments	(1,553,386)
Liability Balance, June 30, 2017	2,733,000
Net claims and changes in estimates	2,431,685
Claims payments	(1,213,685)
Liability Balance, June 30, 2018	$ 3,951,000

At June 30, 2018, the Internal Service Fund had a retained earnings in the amount of $(1,211,923).

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, 2018, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense 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	$ 83,830,537	$ 23,122,003	$ 8,305,756	$ 7,931,443
CalPERS	65,197,549	21,430,267	767,621	12,733,498
Total	$ 149,028,086	$ 44,552,270	$ 9,073,377	$ 20,664,941

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, 2016, 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, 2018, 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	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

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, 2018, are presented above, and the District's total contributions were $7,272,192.

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

At June 30, 2018, 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	$ 83,830,537
State's proportionate share of net pension liability associated with the District	49,593,437
Total	$ 133,423,974

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0906 percent and 0.0977 percent, respectively, resulting in a net decrease in the District's proportionate share by .0071 percent.

For the year ended June 30, 2018, the District recognized pension expense of $7,931,443. In addition, the District recognized pension expense and revenue of $4,992,056 for support provided by the State. At June 30, 2018, 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	$ 7,272,192	$ -
Net change in proportionate share of net pension liability	9,212	4,610,976
Differences between projected and actual earnings on the pension plan investments	-	2,232,641
Differences between expected and actual experience in the measurement of the total pension liability	310,013	1,462,139
Changes of assumptions	15,530,586	-
Total	$ 23,122,003	$ 8,305,756

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
2019	$ (1,856,078)
2020	1,404,502
2021	202,521
2022	(1,983,586)
Total	$ (2,232,641)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,547,026
2020	1,547,026
2021	1,547,026
2022	1,547,028
2023	1,716,987
Thereafter	1,871,603
Total	$ 9,776,696

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	$ 123,089,842
Current discount rate (7.10%)	83,830,537
1% increase (8.10%)	51,968,950

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, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2018, 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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above, and the total District contributions were $5,854,403.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $65,197,549. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.2731 percent and 0.2700 percent, respectively, resulting in a net increase in the proportionate share of 0.0031 percent.

For the year ended June 30, 2018, the District recognized pension expense of $12,733,498. At June 30, 2018, 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	$ 5,854,403	$ -
Net change in proportionate share of net pension liability	1,461,589	-
Differences between projected and actual earnings on the pension plan investments	2,255,389	-
Differences between expected and actual experience in the measurement of the total pension liability	2,335,759	-
Changes of assumptions	9,523,127	767,621
Total	$ 21,430,267	$ 767,621

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
2019	$ (61,113)
2020	2,602,230
2021	949,322
2022	(1,235,050)
Total	$ 2,255,389

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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 4,758,473
2020	4,383,673
2021	3,410,708
Total	$ 12,552,854

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	$ 95,926,487
Current discount rate (7.15%)	65,197,549
1% increase (8.15%)	39,705,321

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, 2018, amounted to $4,715,634 (9.328 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, 2018. 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 operating revenue and employee benefit expense.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of 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). 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, 2018, the District made payments of $1,208,635 and $1,040,373 to 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, 2018, the total amount that has been deposited in a separate account owned by the District is $4,078,793. 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 District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	$ (19,528,882)
Inclusion of Aggregate net OPEB liability from the adoption of GASB Statement No. 75	(160,413,499)
Net Position - Beginning as Restated	$ (179,942,381)

REQUIRED SUPPLEMENTARY INFORMATION

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITIES AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	Pre-2004 Employees
	2018
Total OPEB Liability	
Service cost	$ 3,561,635
Interest	7,061,221
Benefit payments	(9,781,668)
Net change in total OPEB liability	841,188
Total OPEB liability - beginning	188,980,599
Total OPEB liability - ending	$ 189,821,787
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

	Post-2004 Employees
	2018
Total OPEB Liability	
Service cost	$ 1,801,453
Interest	767,563
Benefit payments	(299,127)
Net change in total OPEB liability	2,269,889
Total OPEB liability - beginning	10,644,903
Total OPEB liability - ending	$ 12,914,792
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.1527%
District's proportionate share of the net OPEB liability	$ 642,232
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

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, 2018

	2018	2017	2016
CalSTRS			
District's proportion of the net pension liability	0.0906%	0.0977%	0.0977%
District's proportionate share of the net pension liability	$ 83,830,537	$ 79,009,663	$ 65,754,587
State's proportionate share of the net pension liability associated with the District	49,593,437	44,978,792	34,776,928
Total	$ 133,423,974	$ 123,988,455	$ 100,531,515
District's covered-employee payroll	$ 49,997,536	$ 49,324,706	$ 45,180,068
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.67%	160.18%	145.54%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%
CalPERS			
District's proportion of the net pension liability	0.2731%	0.2700%	0.2636%
District's proportionate share of the net pension liability	$ 65,197,549	$ 53,328,235	$ 38,855,675
District's covered-employee payroll	$ 34,847,408	$ 32,908,677	$ 28,389,491
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.09%	162.05%	136.87%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%

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

See accompanying note to required supplementary information.

2015
0.0940%
$ 54,918,256
33,162,014
$ 88,080,270
$ 39,942,761
137.49%
77%
0.2533%
$ 28,756,787
$ 26,688,411
107.75%
83%

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016
CalSTRS			
Contractually required contribution	$ 7,272,192	$ 6,289,690	$ 5,292,541
Contributions in relation to the contractually required contribution	(7,272,192)	(6,289,690)	(5,292,541)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 50,396,341	$ 49,997,536	$ 49,324,706
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%
CalPERS			
Contractually required contribution	$ 5,854,403	$ 4,839,608	$ 3,898,691
Contributions in relation to the contractually required contribution	(5,854,403)	(4,839,608)	(3,898,691)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 37,694,952	$ 34,847,408	$ 32,908,677
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%

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

See accompanying note to required supplementary information.

2015
$ 4,011,990
(4,011,990)
$ -
$ 45,180,068
8.88%
$ 3,341,727
(3,341,727)
$ -
$ 28,389,491
11.771%

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Total OPEB Liabilities and Related Ratios

This schedule presents information on the District's changes in the total OPEB liabilities, including beginning and ending balances and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

District Plan - Pre-2004

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes of Assumptions - Changes of assumptions and other inputs reflect a change in the discount rate from 6.75 percent to 3.80 percent since the previous valuation.

District Plan - Post-2004

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes of Assumptions - Changes of assumptions and other inputs reflect a change in the discount rate from 4.5 percent to 6.75 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of District Contributions for Pensions

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.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2018

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		TERM EXPIRES
Ms. Meredith Brown	President	2020
Dr. William Riley	Vice President	2018
Ms. Julina Bonilla	Member	2018
Dr. Karen Weinstein	Member	2020
Dr. Nicky González Yuen	Member	2020
Ms. Linda Handy	Member	2018
Mr. Bill Withrow	Member	2020
Ms. Aisha K.L. Jordan	Student Trustee	2019
Mr. Nicholas Galan	Student Trustee	2019

ADMINISTRATION

Dr. Jowel C. Laguerre	Chancellor
Dr. Tammeil Gilkerson	President, Laney College
Dr. Rowena Tomaneng	President, Berkeley City College
Dr. Marie-Elaine Burns	President, Merritt College
Dr. Timothy Karas	President, College of Alameda
Ms. Romaneir Johnson	Vice Chancellor, Finance and Administration
Dr. Sadiq Ikharo	Vice Chancellor, General Services
Ms. Chanelle Whitaker	Interim Vice Chancellor, Human Resources
Dr. Siri Brown	Vice Chancellor, Academic Affairs
Mr. Jason Cifra	Vice Chancellor, Student Affairs
Mr. Minh Lam	Interim Vice Chancellor, Information Technology

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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		$ 29,461,639
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		987,803
Federal Work Study Program	84.033		800,850
Federal Work Study Program Administration Allowance	84.033		232,830
Federal Direct Student Loans	84.268		3,475,441
Total Student Financial Assistance Cluster			34,958,563
Asian Pacific Academic Student Success	84.382B		317,879
Passed through the California Community College Chancellor's Office			
Career and Technical Education, Perkins IV, Title I-C	84.048A	17-C01-041	751,420
Career and Technical Education Transitions	84.048A	17-C01-041	161,343
Passed through the California Department of Rehabilitation			
State Vocational Rehabilitation Services - Workability	84.126A	29547, 292548	526,690
State Vocational Rehabilitation Services - College 2 Career Program	84.126A	30370	250,000
TOTAL U.S. DEPARTMENT OF EDUCATION			36,965,895
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	612600	76,136
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act (WIA) Cluster			
Passed through the County of Alameda			
WIA Adult - One Stop Career Center	17.258	90050	167,926
WIA Dislocated Workers - One Stop Career Center	17.278	90050	256,800
Total Workforce Investment Act (WIA) Cluster			424,726
TOTAL U.S. DEPARTMENT OF LABOR			424,726
U.S. DEPARTMENT OF STATE			
Passed through the Institute of International Education			
Academic Exchange Programs - Fullbright Gateway Orientation Program	19.400	[1]	26,351

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the San Francisco Bay Area Rapid Transit District			
Transit Career Ladders Training Program	20.514	CA-64-7001-00	$ 6,933
Research and Development Cluster			
NATIONAL SCIENCE FOUNDATION			
Environmental Control Technology Education	47.076		951,875
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Regents of the University of California			
Berkeley Bridges to the Baccalaureate	93.859	9231	13,955
Total Research and Development Cluster			965,830
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Community College Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	141,519
U.S. DEPARTMENT OF VETERAN AFFAIRS			
Veterans Administration Fees	64.032		1,400
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps - National Service Awards	94.006		94,395
TOTAL FEDERAL EXPENDITURES			$ 38,703,185

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues			
Program	Cash Received	Accounts Receivable (Payables)	Unearned Revenue	Total Revenue
Strong Workforce Regional	$ 436,725	$ 222,667	$ 54,950	$ 604,442
Alameda County Department	3,362	-	2,922	440
Instructional Equipment	1,227,490	-	667,778	559,712
Staff Diversity	109,008	-	80,404	28,604
CARE	629,654	-	-	629,654
EOPS	2,985,626	(26,877)	-	2,958,749
SFAA/BFAP	1,191,940	(753)	-	1,191,187
DSPS	2,773,503	(18,805)	-	2,754,698
Deputy Sector Navigator Grant	-	534,907	-	534,907
Career Pathways Trust	3,740,135	-	-	3,740,135
BayClean Prop 39 Clean Energy	-	10,818	-	10,818
Student Success and Support Services	5,283,306	1,171	515,062	4,769,415
Student Equity Plans	3,077,378	461	1,046,355	2,031,484
CalWORKs	764,048	(65,501)	-	698,547
Foster Youth Success	1,505,843	(191,473)	-	1,314,370
Nursing Enrollment Growth	-	83,113	-	83,113
Lottery	424,291	217,723	-	642,014
Adult Education Block Grant	9,908,890	168,000	989,647	9,087,243
CAA/Contra Costa	18,818	38,359	-	57,177
Cal Grant B/C	2,266,264	41,613	-	2,307,877
Basic Skills	943,343	(86,275)	542,928	314,140
FTSS Grant	1,015,000	-	-	1,015,000
Basic Skills New Tran	1,186,604	609,456	30,921	1,765,139
Apprenticeship Program	76,353	78,900	37,998	117,255
Strong Workforce Program	4,309,945	-	3,132,964	1,176,981
CTE Unlocked	175,405	-	148,966	26,439
AB 798 Textbook Affordability	30,430	-	18,178	12,252
Institutional Effectiveness	47,560	-	19,393	28,167
Basic Skills Partnership Pilot	-	2,557	-	2,557
Guided Pathways	701,572	-	665,485	36,087
California Water Career	17,914	75,873	-	93,787
Veterans Resource Center	95,414	-	88,739	6,675
Emergency Aid Dreamer Students	60,584	-	-	60,584
Zero Textbook Cost Degree	43,042	-	-	43,042
Child Care - Department of Education	399,737	-	-	399,737
Child Development - California State Preschool Program	948,926	72,485	-	1,021,411
Child and Adult Care Food Program	3,862	-	-	3,862
	$ 46,401,972	$ 1,768,419	$ 8,042,690	$ 40,127,701

See accompanying note to supplementary information.

Program Expenditures
$ 604,442
440
559,712
28,604
629,654
2,958,749
1,191,187
2,754,698
534,907
3,740,135
10,818
4,769,415
2,031,484
698,547
1,314,370
83,113
642,014
9,087,243
57,177
2,307,877
314,140
1,015,000
1,765,139
117,255
1,176,981
26,439
12,252
28,167
2,557
36,087
93,787
6,675
60,584
43,042
399,737
1,021,411
3,862
$ 40,127,701

PERALTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit*	-	-	-
2. Credit	1,802.64	-	1,802.64
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit*	15.27	-	15
2. Credit	1,660.23	-	1,660
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,892.79	-	11,892.79
(b) Daily Census Contact Hours	869.70	-	869.70
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	102.04	-	102.04
(b) Credit	87.65	-	87.65
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,688.54	-	1,688.54
(b) Daily Census Contact Hours	682.98	-	682.98
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	18,801.84	-	18,801.84
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	86.57	-	86.57
2. Credit	1,509.01	-	1,509.01

* Annual report revised as of October 31, 2018.
** 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, 2018

		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
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 23,889,852	$ -	$ 23,889,852	$ 23,889,852	$ -	$ 23,889,852
Other	1300	16,664,831	-	16,664,831	16,664,831	-	16,664,831
Total Instructional Salaries		40,554,683	-	40,554,683	40,554,683	-	40,554,683
Noninstructional Salaries							
Contract or Regular	1200		-	-	10,148,309	-	10,148,309
Other	1400	-	-	-	1,061,343	-	1,061,343
Total Noninstructional Salaries		-	-	-	11,209,652	-	11,209,652
Total Academic Salaries		40,554,683	-	40,554,683	51,764,335	-	51,764,335
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	20,111,911	-	20,111,911
Other	2300	-	-	-	2,039,851	-	2,039,851
Total Noninstructional Salaries		-	-	-	22,151,762	-	22,151,762
Instructional Aides							
Regular Status	2200	2,131,891	-	2,131,891	2,131,891	-	2,131,891
Other	2400	614,226	-	614,226	614,226	-	614,226
Total Instructional Aides		2,746,117	-	2,746,117	2,746,117	-	2,746,117
Total Classified Salaries		2,746,117	-	2,746,117	24,897,879	-	24,897,879
Employee Benefits	3000	21,968,808	-	21,968,808	46,447,181	-	46,447,181
Supplies and Material	4000	-	-	-	986,612	-	986,612
Other Operating Expenses	5000	-	-	-	10,901,293	-	10,901,293
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		65,269,608	-	65,269,608	134,997,300	-	134,997,300

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, 2018

		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>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 3,985,560	$ -	$ 3,985,560	$ 3,985,560	$ -	$ 3,985,560
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,985,560	-	3,985,560
Objects to Exclude							
Rents and Leases	5060	-	-	-	975,200	-	975,200
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	1,535,812	-	1,535,812
Classified Salaries	2000	-	-	-	992,368	-	992,368
Employee Benefits	3000	-	-	-	1,135,960	-	1,135,960
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, 2018

		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	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-			
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		3,985,560	-	3,985,560	12,610,460	-	12,610,460
Total for ECS 84362, 50 Percent Law		$ 61,284,048	$ -	$ 61,284,048	$ 122,386,840	$ -	$ 122,386,840
Percent of CEE (Instructional Salary Cost/Total CEE)		50.07%		50.07%	100.00%		100.00%
50% of Current Expense of Education					$ 61,193,420		$ 61,193,420

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	General Fund	Parcel Tax Fund	Child Development Fund
June 30, 2018, Annual Financial and Budget Report (CCFS-311)			
Reported Fund Balance	$ 17,872,692	$ 99,226	$ 851,992
Adjustments to Increase (Decrease) Fund Balance			
Beginning balance	-	-	-
Cash and cash equivalents	384,454	825	22,400
Accounts receivable	(1,927,132)	224,143	-
Investments	-	-	-
Accounts payable	910,792	-	463,626
Accrued interest	-	-	-
Claims liability	-	-	-
OPEB bonds	-	-	-
Interfund transfers	-	-	-
Audited Fund Balance	$ 17,240,806	$ 324,194	$ 1,338,018

See accompanying note to supplementary information.

Special Reserve Fund	Revenue Bond Project Fund	Internal Service Fund	Deferred Compensation Fund	Student Financial Aid	Student Body Center Fees Fund	Associated Students Fund
$ (2,692,235)	$ 50,849,027	$ (13,461)	$ (10,431,027)	$ (449,599)	$ 840,371	$ 355,760
5,707,844	-	62,135	(15,621,160)	-	-	-
-	1,079	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(100,000)	-	-	-
26,414	(122,097)	(42,597)	-	367,959	(93)	266
-	-	-	343,710	-	-	-
-	-	(1,218,000)	-	-	-	-
-	-	-	(2,248,014)	-	-	-
7,971,120	-	-	(7,971,120)	-	-	-
$ 11,013,143	$ 50,728,009	$ (1,211,923)	$ (36,027,611)	$ (81,640)	$ 840,278	$ 356,026

PERALTA COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 15,671,527
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 15,671,527			15,671,527
Total Expenditures for EPA		$ 15,671,527	-	-	$ 15,671,527
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings		
General Funds	$ 17,240,806	
Special Revenue Funds	12,675,355	
Debt Service Fund	25,053,727	
Capital Projects Funds	59,263,583	
Internal Service Fund	(1,211,923)	
Fiduciary Funds	(36,109,251)	
Total Fund Balance and Retained Earnings - All District Funds		$ 76,912,297
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	720,609,940	
Accumulated depreciation is	(262,508,636)	
Subtotal		458,101,304
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		16,289,627
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.		(7,259,268)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	13,126,595	
Net change in proportionate share of net pension liability	1,470,801	
Differences between projected and actual earnings on pension plan investments	2,255,389	
Differences between expected and actual experience in the measurement of the total pension liability	2,645,772	
Changes of assumptions	25,053,713	
Total Deferred Outflows of Resources Related to Pensions		44,552,270

See accompanying note to supplementary information.

PERALTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued JUNE 30, 2018

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.		$ (675,897)
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	$ 4,610,976	
Differences between projected and actual earnings on pension plan investments	2,232,641	
Differences between expected and actual experience in the measurement of the total pension liability	1,462,139	
Changes of assumptions	767,621	
Total Deferred Outflows of Resources Related to Pensions		(9,073,377)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
Bonds payable	427,943,348	
Compensated absences	4,629,842	
Load banking	2,034,659	
Aggregate net OPEB liability	203,378,811	
Aggregate net pension obligation	149,028,086	(787,014,746)
Total Net Position		**$ (208,167,790)**

See accompanying note to supplementary information.

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position – Primary Government and the related expenditures reported on the Schedule of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Position:		$ 38,732,805
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007	226
Federal Direct Student Loans	84.268	(9,104)
AmeriCorps - National Service Awards	94.006	(20,742)
Total Schedule of Expenditures of Federal Awards		$ 38,703,185

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 Annual (Actual) Attendance

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 Financial Statements

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

Proposition 30 Education Protection Account (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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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 and the aggregate remaining fund information of Peralta Community College District (the District) as of and for the year ended June 30, 2018, 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 21, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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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 as item 2018-001 to be a material weakness.

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 as item 2018-002 to be a significant deficiency.

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 21, 2018.

Peralta Community College District's Responses to Findings

The District's responses to the 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 the financial statements and, accordingly, we express no opinion on the responses.

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 21, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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, 2018. 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 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.

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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, 2018.

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 2018-003 and 2018-004. 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.

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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2108-004, 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 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.

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 21, 2018

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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion on Section 444 - Apprenticeship Related and Supplemental Instruction (RSI) Funds

As described in the accompanying Schedule of Findings and Questioned Costs as item 2018-005, the District did not comply with requirements regarding Section 444 - Apprenticeship Related and Supplemental Instruction (RSI) Funds. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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Qualified Opinion on Section 444 - Apprenticeship Related and Supplemental Instruction (RSI) Funds

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, 2018.

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 State programs noted below that were audited for the year ended June 30, 2018, 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	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District did not offer any Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to TBA Hours; therefore, the compliance tests within this section were not applicable.

The District did not receive funding for Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

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

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 21, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERALTA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

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?	Yes
Identification of major Federal programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,161,096
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 program which was qualified:

Name of State Program
Section 444 - Apprenticeship Related and Supplemental Instruction (RSI) Funds

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2018

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

2018-001 Finding

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, 2018. Material adjustments and reclassifications were required to conform to the BAM and GAAP. Differences were found in various accounts including, but not limited to:

- Accounts payable balances were not properly cleared from the prior year, and ending amounts including suspense accounts were not being reconciled correctly.
- Receivable balances were not being properly reviewed and reconciled.
- Due To/Due From account balances are not being reconciled consistently in a timely manner.
- Prior year audit adjustments for the Deferred Compensation Trust Fund were not posted to the District's general ledger.

Questioned Costs

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

Context

Several adjustments and reclassification entries were posted to ensure accuracy and correct classification of account balances.

Effect

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

Cause

Prior year audit adjustments not posted caused reconciling differences which required research by District management. Management in the current fiscal year, given time constraints, was unable to reconcile and close the account balances stated above completely.

Recommendation

As part of the closing process, the District should develop a closing calendar and procedures to review all accruals recorded in the governmental funds to ensure accuracy and correct recording of all account balances. Carry-over balances from prior years should be analyzed to determine if the transaction still represents a valid liability or receivable. The District should perform a reconciliation of all accounts to ensure they are being properly accounted for.

Corrective Action Plan

The District's Finance Division will implement regular reconciliation of accounts and develop year-end closing process with an appropriate delegation of duties and clearly defined oversight. The District's Finance Division staff will also be trained on reconciliation of accounts and year-end closing process in order to improve internal controls.

2018-002 Capital Assets

Criteria or Specific Requirement

Industry standards and best business practices require a system of internal control over capital asset accounting that will allow the District personnel to properly record the purchases and depreciation of capital assets, as well as safeguarding equipment purchased for use throughout the District.

Condition

Significant Deficiency - The District's capital asset detail includes several items that cannot be clearly identified or separated by project. A reconciliation of construction in progress is not performed accurately. Completed projects are not being correctly removed from the Capital Asset schedule, as well as miscellaneous overhead and routine repairs and maintenance are being included. Construction in process schedule is being completed without proper review. Expenditures not appropriate for capitalization are being included in the Capital Asset accounts.

Questioned Costs

No questioned costs. Adjustments were made to the District's provided Capital Asset schedule.

Context

Total capital assets, including construction in process, is recorded with an initial cost of over $720 million with annual depreciation expense of approximately $20 million.

Effect

The District's Capital Asset schedule was not prepared properly.

Cause

As noted in prior years, the District has not performed a periodical review of the Capital Asset accounts during the year. Prior year audit adjustments that were not posted to the District's capital asset schedule caused reconciling differences which required research by District management. Management in the current fiscal year, given time constraints, was unable to reconcile and close the Capital Asset balance completely.

Recommendation

Coordination of the responsibilities over the accounting for Capital Assets should be shared jointly by the Purchasing Department, Bond oversight personnel, and the Accounting Department. Procedures should be implemented to ensure all transactions meeting the capitalization threshold have been properly identified, capitalized, and depreciated. Reconciliations of construction in progress should be performed in a manner where projects can uniquely be identified. Reconciliations need to be reviewed timely for completeness and accuracy. Capital Assets should be inventoried once every two years.

Corrective Action Plan

The District Finance will work with District Department of General Services and consultants to conduct comprehensive review of all Capital Assets and Constructions-In-Progress (CIP) in order make sure that capital assets are capitalized and depreciated properly. District Finance will also conduct training for staff on reconciliation of Capital Assets. Also, Director of Fiscal Service will review the completeness and accuracy of Capital Assets.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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

2018-003 Finding

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

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

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education (ED) or the appropriate Federal Family Education Loan (FFEL) lender 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 canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

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 ten 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.

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.

Repeat Finding: No

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.

Corrective Action Plan

Merritt College will implement procedures to review and monitor Title IV returns to ensure that the Return to Title IV funds occur within the required 45 days.

2018-004 Finding

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

Common Origination and Disbursement (COD) System (OMB No. 1845-0039) – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement 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. The disbursement record reports 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 15 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. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner

Condition

Significant Deficiency - The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. Nine students of the 15 students tested at Merritt College had transactions processed in excess of 15 days.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

The District processed and reported approximately $29,461,639 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 report student files to COD on a timely basis.

Repeat Finding: No

Recommendation

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

Corrective Action Plan

Merritt College will implement a review procedure to verify that all information is properly reported and in compliance with Federal guidelines.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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

2018-005 Finding

Criteria or Specific Requirement

California Code of Regulations, Title 5, Section 58020, requires district to provide a detailed listing for each course section. Specifically, (6) an alphabetical list of each student actively enrolled in each course indicating: (A) Name (B) Student Identification Code (C) Residency category (D) Scheduled contact hours per week or per day.

Condition

Apprenticeship courses provided to students in the 2018 fiscal year were reported by the District to the California Community Colleges Chancellor's Office (CCCCO). These courses were not supported by appropriate documentation.

Questioned Costs

Of the 2 out of 10 courses selected for testing from the CCFS 321 Apprenticeship Attendance Report, 1 course was not calculated correctly based on prescribed guidance from the Student Attendance Accounting Manual (SAAM). The miscalculation resulted in a net overstatement of apprentice hours reported for funding.

Of the 28 students from two courses tested, 1 of 28 student hours was incorrectly reported for funding for an error rate of 0.036.

Total hours reported on 321 of 5,228 * Error rate = Extrapolated hours of 188.21.

Context

The District claimed a total of 5,228 apprentice hours on the CCFS-321 Annual Report. The net overstatement of 54 hours constitutes a 1.033 percent overstatement.

Effect

The hours reported on the CCFS-321 Annual Report was overstated by 54 hours. Based on the District's funding of $5.90 per hour, the actual overstatement is equivalent to $318.60. The extrapolated error is $1,110.44.

Cause

The District's system did not calculate the hours reported effectively due to data entry error.

Recommendation

The District should amend the CCS-321 Annual Report to reflect the variances noted in Questioned Costs and properly state the amount of hours claimed. The District should create a review process to determine hours are being reflected accurately to reflect guidance provided by the State Chancellor's Office and monitor the calculation to prevent future miscalculations in apprentice hours.

Corrective Action Plan

This finding is based on an APPR class where the faculty did not keep accurate records of attendance hours for the student selected for the audit. Administration has verbally and in writing explained the seriousness of the matter and reiterated the legal imperative and faculty responsibility in keeping and submitting accurate records. In addition, the Dean over the APPR program will hold a training for all APPR faculty on the best practices to use for keeping accurate hours. The District also intends to purchase the software needed to allow faculty to input weekly attendance hours through Canvas our LMS so that any errors can be caught and corrected early in the semester and the District can more accurately claim apportionment in this area.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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

2017-001 Financial Statement 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, 2017. 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 payable balances were not properly cleared from the prior year, and ending amounts including suspense accounts were not being reconciled correctly.
- Prepaid expenditures were not being properly reconciled at year end. Amounts that were paid subsequent to year end were being accrued for as prepaid.
- Capital assets were not being properly accounted for during the year, and Construction in Progress related accounts were not being reconciled at year end.
- Receivable and unearned revenue balances were not being properly reviewed and reconciled.

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

Adjustments to the District's net position were noted as follow:

- Accounts payable balances were adjusted by $9,687,857.

- Prepaid expenditures balances were adjusted by $280,192.

- Due from other funds were adjusted by $5,707,844.

Also, there were several reclassification entries posted to ensure correct classification of account balances.

Effect

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

Cause

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

Recommendation

As part of the closing process, the District should develop a procedure to review all accruals recorded in the governmental funds to ensure accuracy and correct recording of account balances. Carry-over balances from prior years should be analyzed to determine if the transaction still represents a valid liability. The District should perform a reconciliation of all suspense accounts to ensure they are being properly accounted for.

Current Status

Not implemented. See current year finding 2018-001.

STATE AWARDS FINDINGS

2017-002 424 - State General Apportionment Funding System (Calculation of Contact Hours)

Criteria or Specific Requirement

California Code of Regulations, Title 5, Section 58023 and the *Student Attendance Accounting Manual* published by the California Community Colleges Chancellor's Office state that the "class hour" is the basic unit of attendance for computing full-time equivalent student (FTES). It is a period of not less than 50 minutes of scheduled instruction and/or examination. A class scheduled for less than a single 50-minute period is not eligible for apportionment. For purposes of computing full-time equivalent student (FTES), a class hour is commonly referred to as a "contact hour" or Student Contact Hour" (SCH).

Condition

Of our sample, the District incorrectly calculated four out of twenty-five daily and four out of twenty-five weekly census based courses selected for audit re-calculation obtained from the P-2 CCFS-320 report.

Questioned Costs

The District performed a 100 percent re-calculation and was reviewed by the auditor and noted the District's P2 and Annual CCFS-320 reports were over-stated by 14.13 credit FTES. 12.97 was related to Residents and 1.16 was Nonresidents. The over-reporting was at Berkley City College of 3.91 (3.29 Residents and .62 Nonresidents), College of Alameda .63 (.61 Residents and .02 Nonresidents), Laney College 3.59 (3.31 Residents and .28 Nonresidents), and Merritt College 6.00 (5.76 Residents and .24 Nonresidents).

Context

The condition identified was determined through the re-calculation of contact hours of twenty-five daily census based courses and twenty-five weekly census based courses.

Effect

The District has over-reported FTES for contact hours based on the re-calculation of the contact hours. The District performed a 100 percent audit of the specific course types identified below and arrived at a total over-statement of 14.13 credit FTES (5.93 weekly courses and 7.04 daily courses).

Cause

In inputting the course into the District's PeopleSoft system, courses having a lecture portion of less than 50 minutes were included to calculate partial contact hours to the portion of the course falling below the 50 minute minimum.

Recommendation

It is recommended that the District review the calculation of hours claimed for State apportionment purposes and program. In addition, the District should monitor how a course is input into the system to ensure an accurate calculation of contact hours. After re-calculating the hours affected, the District should re-submit the CCFS-320 Annual Report of Attendance for the 2016-2017 fiscal year.

Current Status

Implemented.