

**PERALTA
COMMUNITY COLLEGE DISTRICT**

**MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2019

**PERALTA
COMMUNITY COLLEGE DISTRICT**

**MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

FINANCIAL AUDIT

JUNE 30, 2019

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**FINANCIAL AUDIT
TABLE OF CONTENTS
JUNE 30, 2019**

FINANCIAL SECTION

Independent Auditor's Report 2

Measure A General Obligation Bonds Election 2006

 Balance Sheet 4

 Statement of Revenues, Expenditures, and Change in Fund Balance 5

 Notes to Financial Statements 6

INDEPENDENT AUDITOR'S REPORT

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* 12

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings 15

Summary Schedule of Prior Audit Findings 16

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Peralta Community College District (the District), Measure A General Obligation Bonds' Fund (Measure A Bonds' Fund, Election 2006), as of and for the year ended June 30, 2019, and the related notes to the 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 statement 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statements, whether due to error or fraud. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure A General Obligation Bonds' Fund (Measure A Bonds' Fund, Election 2006) of the District at June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure A Bonds' Fund specific to Measure A General Obligation Bonds' Fund, Election 2006, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the District's Measure A General Obligation Bonds' Fund (Measure A Bonds' Fund, Election 2006) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure A General Obligation Bonds' Fund (Measure A Bonds' Fund, Election 2006) internal control over financial reporting and compliance.



San Ramon, CA
March 26, 2020

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**BALANCE SHEET
JUNE 30, 2019**

ASSETS

Investments	\$ 24,618,729
Receivables	87
Due from other funds	7,078,630
Total Assets	<u><u>\$ 31,697,446</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 4,230,744
Due to other funds	6,047,639
Total Liabilities	<u>10,278,383</u>

FUND BALANCE

Restricted	
Capital projects	21,419,063
Total Fund Equity	<u>21,419,063</u>
Total Liabilities and Fund Balance	<u><u>\$ 31,697,446</u></u>

See the accompanying notes to financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Local revenues \$ 528,379

EXPENDITURES

Employee salaries 743,385

Employee benefits 383,445

Services and operating expenditures 2,532,276

Capital outlay 18,622,900

Total Expenditures 22,282,006

EXCESS OF EXPENDITURES OVER REVENUES (21,753,627)

FUND BALANCE, BEGINNING OF YEAR 43,172,690

FUND BALANCE, END OF YEAR \$ 21,419,063

See the accompanying notes to financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

Budgets and Budgetary Accounting

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

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance

As of June 30, 2019, the fund balance of the Measure A General Obligation Bonds was classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of Estimates

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

NOTE 2 - INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

General Authorizations

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

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

Summary of Investments

Investments as of June 30, 2019, consist of the following:

Alameda County Treasury Investment Pool	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: center;">Reported Amount</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">\$ 24,618,729</td> </tr> </table>	Reported Amount	\$ 24,618,729
Reported Amount			
\$ 24,618,729			

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 Treasury Investment Pool.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
Alameda County Treasury Investment Pool	<u>\$ 24,712,883</u>	420 days

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 Alameda County Investment Pool is not required to be rated nor is it rated as of June 30, 2019.

NOTE 3 - 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 Treasury 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Alameda County Treasury Investment Pool	<u>\$ 24,618,729</u>	<u>\$ 24,618,729</u>

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

NOTE 4 - ACCOUNTS PAYABLE

The accounts payable balance at June 30, 2019, represents amounts owed to employees for accrued payroll and benefits and vendors for both ongoing and completed construction projects in the amount of \$4,230,744.

NOTE 5 - INTER-FUND TRANSACTIONS

The balance of \$7,078,630 and \$6,047,639 due to and from other funds resulted from expenditures paid for by other funds.

NOTE 6 - FUND BALANCE

The fund balance is composed of the following element:

Restricted	
Capital projects	<u>\$ 21,419,063</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District is involved with various long-term construction and renovation projects throughout the four college campuses and the District Office. The projects are in various stages of completion and are funded primarily through the voter-approved general obligation bonds.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

INDEPENDENT AUDITOR'S REPORT



**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 and
Independent Citizens' Oversight Committee
Peralta Community College District
Oakland, California

We have audited, in accordance with the 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 accompanying financial statements of Peralta Community College District's (the District) Measure A General Obligation Bonds' Fund (Measure A Bonds' Fund, Election 2006) and the related notes to the financial statements as of and for the year ended June 30, 2019, and have issued our report thereon dated March 26, 2020.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure A General Obligation Bonds' Fund specific to Measure A Bonds' Fund, Election 2006, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. 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 significant deficiencies or material weaknesses, 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 a material weakness.

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 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 2019-01 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure A General Obligation Bonds' Fund (Measure A Bonds' Fund, Election 2006) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

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 response.

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.



San Ramon, California
March 26, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

2019-001 Finding – Year End Closing Process

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

- Receivable balances were not being properly reviewed and reconciled.
- Prior year audit adjustments were reversed out of the District’s general ledger.
- The journal entry review process is not being completed effectively. Several reversals and corrections were observed throughout the general ledger activity involving journal entries.
- Bank reconciliations are not being prepared accurately or reviewed in a timely manner.
- Ineffective control environment. There are multiple key management roles vacant including: Vice Chancellor of Finance and Administration, Director of Fiscal Services, Internal Auditor and Purchasing Director.

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 the 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

Corrective Action Plan

The District's Finance Division will implement regular reconciliation of accounts and develop a 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

2018-001 Finding – Year End Closing Process

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 Account 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. Material adjustments and reclassifications were required to conform to the BAM and GAAP. Differences were found in various accounts, 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.
- Due To/Due From account balances are not being reconciled in a consistent a timely manner.

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 the 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

Corrective Action Plan

The District's Finance Division will implement regular reconciliation of accounts and develop a 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.

Status

Not implemented, See Finding 2019-001.

**PERALTA
COMMUNITY COLLEGE DISTRICT**

**MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006
PERFORMANCE AUDIT**

JUNE 30, 2019

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**PERFORMANCE AUDIT
TABLE OF CONTENTS
JUNE 30, 2019**

Independent Auditor's Report on Performance	1
Authority for Issuance	2
Purpose of Issuance	2
Authority for the Audit.....	2
Objectives of the Audit.....	3
Scope of the Audit.....	3
Procedures Performed	3
Conclusion.....	4
Schedule of Findings and Questioned Costs	5
Summary Schedule of Prior Audit Findings.....	6



VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of Peralta Community College District (the District) Proposition 39 Measure A General Obligation Bonds' Fund (the Measure A Bonds' Fund) for the year ended June 30, 2019.

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

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

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

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

San Ramon, California
March 26, 2020

PERALTA COMMUNITY COLLEGE DISTRICT MEASURE A GENERAL OBLIGATION BONDS ELECTION 2006

JUNE 30, 2019

AUTHORITY FOR ISSUANCE

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

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

The District received authorization from an election held on June 6, 2006, to issue bonds of the District in an aggregate principal amount not to exceed \$390,000,000 to repair, renovate, construct, acquire, and equip classrooms, educational buildings, and college campuses in accordance with the ballot measure for the Bonds. The projects were approved by eligible voters within the District. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District. The District issued Series A of the authorized Bonds in August 2006 in the amount of \$75,000,000. Series B of the authorized Bonds was issued in November 2007 in the amount of \$100,000,000. Series C of the authorized Bonds was issued August 2009 in the amount of \$100,000,000. Series D of the authorized Bonds was issued in June 2016 in the amount of \$50,000,000.

PURPOSE OF ISSUANCE

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

AUTHORITY FOR THE AUDIT

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

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. Requires the community college district to list the specific school facilities projects to be funded in the ballot measure, and to certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

JUNE 30, 2019

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

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure A Bonds' Fund have been made in accordance with the Bonds' project list approved by the voters through the approval of the Measure A General Obligation Bonds.
2. Determine whether salary transactions charged to the Measure A Bonds' Fund were in support of Measure A General Obligation Bonds and not for District general administration or operations.
3. Determine whether proceeds from the sale of bonds have been appropriately recorded within the Measure A Bonds' Fund.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all object and project codes associated with the Bonds' projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Measure A Bonds' Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Measure A General Obligation Bonds as to the approved Bonds' projects list. We performed the following procedures:

1. We verified that a separate fund of the District has been established to account for the receipt of Bonds' proceeds and expenditure of the funds for the period July 1, 2018 through June 30, 2019.
2. There were no bond proceeds received for the period July 1, 2018 through June 30, 2019, therefore no procedures over bond proceeds were performed in the current fiscal year.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

JUNE 30, 2019

3. We reviewed construction expenditures totaling 59 percent of all expenditures from the detailed accounting of expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. We verified the District's purchasing procedures and accounts payable policies and procedures were complied with. Our sample included transactions totaling \$9,709,405 of the total expenditures of \$22,282,006.
4. We selected one of the awarded contracts associated with Measure A bond projects to ensure that requirements for bids were adhered to. The program contracts was further analyzed to ensure the Board approval matched the contract, and the contract was properly awarded to the lowest responsible bidder.
5. We selected three employees charged to the Measure A Bonds' Fund. This accounted for 33 percent of the actual employees and 41 percent of payroll charges. For the employees selected for testing, there were no exceptions noted in the District's procedures related to the disbursement of the Measure A Bonds' Fund. The District approves all employees charged to the Measure A Bonds' Fund and uses encumbrance accounting to ensure all approved disbursements have been budgeted and funds are available. Documentation to support payroll transactions included personnel files and payroll records.

CONCLUSION

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

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

None reported.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURE A GENERAL OBLIGATION BONDS
ELECTION 2006**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

There were no findings reported in the prior year's financial statements.