

PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020



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**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT	1
GENERAL OBLIGATION BOND FUNDS (MEASURE A, ELECTION 2006 AND MEASURE G, ELECTION 2018)	
BALANCE SHEETS	3
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE	4
NOTES TO FINANCIAL STATEMENTS	5
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	11
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FINDINGS AND OTHER COSTS	13
SCHEDULE OF PRIOR YEAR FINDINGS AND OTHER COSTS	14



INDEPENDENT AUDITORS' 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's (the District), General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) which comprises the balance sheet and statement of revenues, expenditures, and change in fund balance as of June 30, 2020, 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 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 misstatement, whether due to fraud or error.

Auditors' 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 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) of the District at June 30, 2020, 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 General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018), 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 February 24, 2021, on our consideration of the District's General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) 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 General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018)) internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
February 24, 2021

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
BALANCE SHEETS
JUNE 30, 2020**

	Measure A	Measure G
ASSETS		
Investments	\$ 108,710,565	\$ -
Prepaid Expenses and Other Current Assets	-	102,001
Due from Other Funds	12,085,101	52,209,623
Total Assets	\$ 120,795,666	\$ 52,311,624
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 9,194,454	\$ 867,727
Due to Other Funds	58,246,609	7,620,576
Total Liabilities	67,441,063	8,488,303
FUND BALANCE		
Restricted:		
Capital Projects	53,354,603	43,823,321
Total Fund Equity	53,354,603	43,823,321
Total Liabilities and Fund Balances	\$ 120,795,666	\$ 52,311,624

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

	Measure A	Measure G
REVENUES		
Local Revenues	\$ 781,328	\$ -
EXPENDITURES		
Employee Salaries	516,249	-
Employee Benefits	293,454	-
Services and Operating Expenditures	8,063,012	1,275,795
Capital Outlay	24,755,726	3,525,580
Total Expenditures	33,628,441	4,801,375
EXCESS OF EXPENDITURES OVER REVENUES	(32,847,113)	(4,801,375)
OTHER FINANCING SOURCES		
Proceeds from Sale of Bonds	65,000,000	50,000,000
Total Other Financing Sources	65,000,000	50,000,000
NET CHANGE IN FUND BALANCE	32,152,887	45,198,625
FUND BALANCE		
Beginning of Year	21,201,716	(1,375,304)
End of Year	\$ 53,354,603	\$ 43,823,321

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Peralta Community College District (the District) General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) 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 General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) 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 General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) of Peralta Community College District used to account for the Proposition 39 projects. The General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) was established to account for the expenditures of general obligation bonds issued under the Proposition 39 Measure A and Measure G 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 General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) 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 General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

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, 2020, the fund balance of the General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) 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.

Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Management of the organization is taking appropriate actions to mitigate the impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2020.

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 INVESTMENTS (CONTINUED)

Summary of Investments

	Reported Amount
Alameda County Treasury Investment Pool	\$ 108,710,565

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.

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
Alameda County Treasury Investment Pool	\$ 110,626,639	674 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, 2020.

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.

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Alameda County Treasury Investment Pool	<u>\$ 108,710,565</u>	<u>\$ 108,710,565</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, 2020, represents amounts owed to employees for accrued payroll and benefits and vendors for both ongoing and completed construction projects under the Proposition 39 Measure A and Measure G General Obligation Bonds in the amount of \$9,194,454 and \$867,727, respectively.

NOTE 5 INTER-FUND TRANSACTIONS

The balances of \$58,246,609 and \$12,085,101 under the Measure A General Obligation Bond Fund and \$7,620,576 and \$52,209,623 under the Measure G General Obligation Bond Fund represent due to and due from other funds that resulted from expenditures paid for by other funds, respectively.

NOTE 6 FUND BALANCE

The fund balance is composed of the following element:

<u>Restricted</u>	<u>Measure A</u>	<u>Measure G</u>
Capital Projects	<u>\$ 53,354,603</u>	<u>\$ 43,823,321</u>

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

Lease Commitments

On June 23, 2020, the District Board approved a lease with Mobile Modular for \$997,839 for 24 months beginning on December 9, 2020.

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, 2020.



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

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

We have audited, 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) General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) and the related notes to the financial statements as of and for the year ended June 30, 2020, and have issued our report thereon dated February 24, 2021.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018), 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 opinions are 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) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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 financial statements will not be prevented or detected and corrected on a timely basis. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's General Obligation Bond Funds (Measure A, Election 2006 and Measure G, Election 2018) 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 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.

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.



CliftonLarsonAllen LLP

Glendora, California
February 24, 2021

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
SCHEDULE OF FINDINGS AND OTHER COSTS
YEAR ENDED JUNE 30, 2020**

There were no findings related to the financial audit of the Measure A and Measure G Bond Building Fund for the year ended June 30, 2020.

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE A, ELECTION 2006 AND
MEASURE G, ELECTION 2018
SCHEDULE OF PRIOR YEAR FINDINGS AND OTHER COSTS
YEAR ENDED JUNE 30, 2020**

The corrective action to the finding related to the financial audit of the Measure A and Measure G Bond Building Fund for the year ended June 30, 2019 was implemented.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

