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PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G
GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2023

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Peralta Community College District's (the "District") Measures A & G General Obligation Bonds and the related notes to the financial statements as of and for the year ended June 30, 2023, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measures A & G General Obligation Bonds of Peralta Community College District, as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Peralta Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Measures A & G General Obligation Bonds and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, and the changes in financial position for the year then ended, in conformity 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 December 30, 2023 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and other matters for the Measures A & G General Obligation Bonds. 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 internal control over financial reporting or on compliance for the Bond Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Peralta Community College District's internal control over financial reporting and compliance for the Bond Funds.

CWDL, Certified Public Accountants

San Diego, California
December 30, 2023

FINANCIAL SECTION

**PERALTA COMMUNITY COLLEGE DISTRICT
 MEASURES A & G GENERAL OBLIGATION BONDS
 BALANCE SHEET
 JUNE 30, 2023**

	Measure A	Measure G
ASSETS		
Cash and investments	\$ 27,005,675	\$ 119,323,786
Due from other funds	17,693,448	-
Total Assets	<u>\$ 44,699,123</u>	<u>\$ 119,323,786</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 19,631,422	\$ 17,275,459
Total Liabilities	<u>19,631,422</u>	<u>17,275,459</u>
 Fund Balance		
Restricted	25,067,701	102,048,327
Total Liabilities and Fund Balance	<u>\$ 44,699,123</u>	<u>\$ 119,323,786</u>

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Measure A	Measure G
REVENUES		
Interest income	\$ 511,889	\$ 1,625,718
Total Revenues	<u>511,889</u>	<u>1,625,718</u>
EXPENDITURES		
Salaries and benefits	1,600,251	-
Services and other operating expenses	2,194,141	13,466,591
Capital outlay	8,233,331	24,147,924
Total Expenditures	<u>12,027,723</u>	<u>37,614,515</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,515,834)	(35,988,797)
OTHER FINANCING SOURCES		
Proceeds from long-term debt	-	125,153,537
Total Other Financing Sources	<u>-</u>	<u>125,153,537</u>
Net Change in Fund Balance	(11,515,834)	89,164,740
Restricted Fund Balance, July 1, 2022	<u>36,583,535</u>	<u>12,883,587</u>
Restricted Fund Balance, June 30, 2023	<u>\$ 25,067,701</u>	<u>\$ 102,048,327</u>

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Peralta Community College District Measures A & G General Obligation Bonds 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. The Peralta Community College District Measures A & G General Obligation Bonds accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the Peralta Community College District used to account for Measures A & G projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Elections of 2006 and 2018, respectively. These financial statements are not intended to present fairly the financial position and results of operations of the Peralta Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measures A & G General Obligation Bonds 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 Measures A & G General Obligation Bonds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. For the District, available generally means expected to be received within 60 days of year end. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

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

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Balances - Governmental Funds

As of June 30, 2023, the fund balances of the Measures A & G General Obligation Bonds were 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, 2023.

**PERALTA COMMUNITY COLLEGE DISTRICT
 MEASURES A & G GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 2 – CASH, CASH EQUIVALENTS, 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 instrument; 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 agreement; 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 statement 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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
County Pooled Investment Fund	None	None	None

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 is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains Measures A & G General Obligation Bonds investments of \$27,005,675 and \$119,323,786, respectively with the County of Alameda Investment Pool. The fair value of these investments are approximately \$26,357,333 and \$116,459,104 with an average maturity of 473 days.

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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.

The fair value measurements are as follows at June 30, 2023:

Investment Type	Measure A Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 26,357,333	\$ -	\$ -	\$ -	\$ 26,357,333

Investment Type	Measure G Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 116,459,104	\$ -	\$ -	\$ -	\$ 116,459,104

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2023, consisted of construction payable and retentions amounting to \$19,631,422 and \$17,275,459 for Measures A & G, respectively.

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2023, consisted of due from other funds of \$17,693,448 and \$-0- for Measures A & G, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2023, the Measures A & G General Obligation Bonds had \$31,733,508 and \$74,938,027 in commitments with respect to unfinished capital projects, respectively.

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 Measures A & G General Obligation Bonds at June 30, 2023.

OTHER REPORTS



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 financial statements of the Peralta Community College District (the "District") Measures A & G General Obligation Bonds as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2023.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Measures A & G General Obligation Bonds and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Measures A & G General Obligation Bonds financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Measures A & G General Obligation Bonds.

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

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Peralta Community College District's Measures A & G General Obligation Bonds' financial statements are free of material misstatement, we performed tests of the Bond Funds' compliance with certain provisions of laws, regulations, and contracts, 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*.

Purpose of this Report

The purpose of this 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 entity's internal control or on compliance for the Bond Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance for the Bond Fund. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
December 30, 2023

FINDINGS AND RESPONSES SECTION

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or questioned costs identified during 2022-23

**PERALTA COMMUNITY COLLEGE DISTRICT
MEASURES A & G GENERAL OBLIGATION BONDS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

FINDING #2022 – 001: EXPENDITURES

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Criteria: Internal Controls should be in place to provide reasonable assurance that disbursements are properly preapproved and coded as to cutoff.

Condition / Context: From our testing of fifty-five (55) Bond warrant selections, we noted one (1) selection (Measure G) for which work was performed and funds were thereby obligated prior to documented approval. Additionally, we noted one (1) selection (Measure G) which was coded as a Fiscal Year 2021-22 expenditure despite relating to work performed in Fiscal Year 2020-21.

Effect: Isolated internal control deficiencies over disbursements.

Cause: District controls did not enable the proper approval, coding and usage of disbursements in all cases.

Repeat Finding: No.

Recommendation: We would encourage the District to review its disbursement controls to identify and resolve weaknesses which could result in exceptions.

Action taken in response to finding: District Finance will review and assess the disbursement processes. Policies and procedures will be documented, and districtwide training will be provided to management and staff with an emphasis on expenditure related to bond funds and the year-end closing process (i.e., encumbering liabilities, accounting principles).

Current Status: Implemented during 2022-23