

PERALTA COMMUNITY COLLEGE DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
YEAR ENDED JUNE 30, 2020



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Peralta Community College District
Oakland, California

Report on the Financial

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Peralta Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required supplementary information schedules as listed in the aforementioned table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Trustees
Peralta Community College District

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 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
February 24, 2021

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

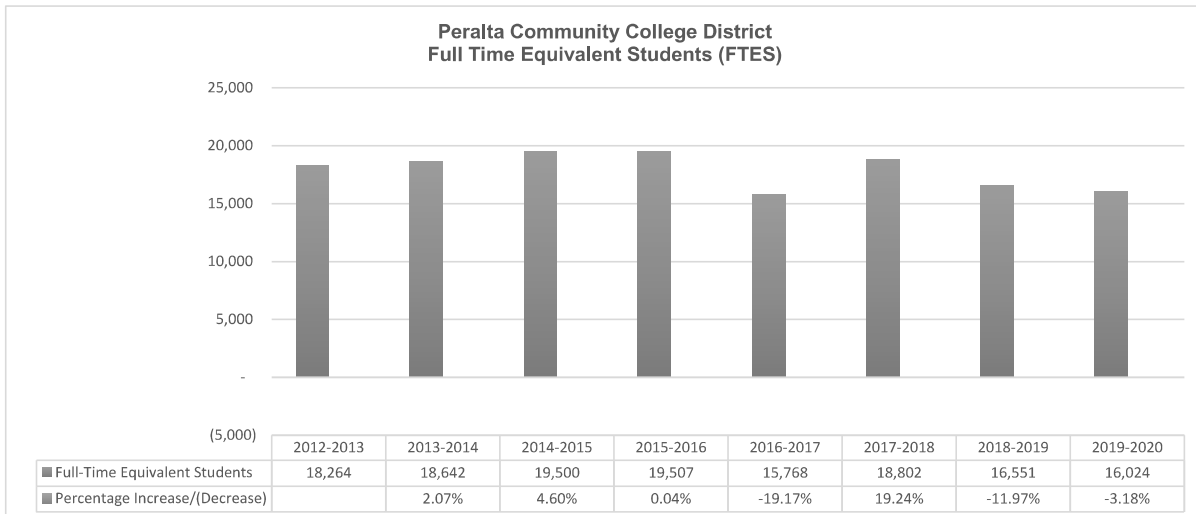
Introduction

The following discussion and analysis provides an overview of the financial position and activities of Peralta Community College District (the District) for the year ended June 30, 2020. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

The Peralta Community College District was founded in 1964 and serves six cities in the East Bay Area, including Albany, Alameda, Berkeley, Emeryville, Oakland, and Piedmont. The four colleges comprising the District include: Berkeley City College, College of Alameda, Laney College, and Merritt College. The District has a reputation for developing effective approaches to serving the varied interests and needs of its vibrant community. The District serves over 22,105 students a semester, and is one of the top community college districts in California in transferring students into the UC system. Currently, 927 full time employees and over 1,970 part-time faculty and staff are employed by the District.

Selected Highlights

- The District's primary funding source is based upon apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the fiscal year 2019-2020, Peralta Colleges generated 16,024 FTES (including credit and noncredit FTES), as compared to 16,551 in the fiscal year 2018-19. This represents a 3.18 percent decrease. FTES is generated at the District's four colleges: Berkeley City College, College of Alameda, Laney College, and Merritt College.
- FTES claimed by the District in 2019-20, 16,024 included utilizing all of summer enrollment/FTES, a decrease in the FTES claimed in 2018-2019 of 16,511 which also included prior year summer enrollment.



**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Selected Highlights (Continued)

- Unrestricted General Fund revenues for the year were \$147,153,473, an increase of 3.5 percent from prior year's revenue of \$141,592,515. This was due, in large part, to the base increase community colleges received in the current year.
- Unrestricted General Fund expenditures for the year were \$142,261,867, decrease of 3.4 percent over prior year's expenditures of \$137,623,147.
- The District received approximately \$2,051,289 in Student Success and Support Program funding allocated to the four Colleges.
- The District received approximately \$8,353,443 in Student Equity funding that was distributed among the four Colleges and the District Office.
- The District received approximately \$203,035 in one-time Scheduled Maintenance and Instructional Equipment funding that was distributed among the four Colleges and the District Office.
- Medical benefit rates for both employees and retirees increased by zero percent for Kaiser and remained flat for the Self-Insurance plan over the prior year. The District continues to provide retirees who were hired prior to July 1, 2004, with lifetime medical benefits. For employees hired after July 1, 2004, medical benefits upon retirement are provided until age 65 or Medicare eligibility. The District's aggregate net OPEB liability (TOL) as of June 30, 2020, is \$246,620,677 (\$230,562,491 for those employees hired prior to July 1, 2004, and \$15,551,726 for employees hired after July 1, 2004 and \$506,460 for the Medicare Premium Payment (MPP) Program). In December 2005, the District issued \$153 million in Other Postemployment Benefits (OPEB) Bonds. The proceeds of the bonds have been placed in a revocable trust fund, which may be used only to pay or reimburse the District for payment of retiree health benefit costs or related debt service costs.
- The District will continue to use Measures A and G bonds to pay for various capital improvements to our educational facilities including where progress was subjected to interruption in spring 2020 as a result of the pandemic. They include, but are not limited to, the following:
 - Investment in technology infrastructure District-wide, including wifi at the Colleges.
 - Renovate and improve classrooms, laboratories, and other instructional facilities.
 - District-wide safety systems including disaster preparedness, campus security, and hazardous and toxic waste handling.
 - Renovation of student service buildings and facilities at Laney College, Merritt College, and College of Alameda.
 - Cabling and power upgrades.
 - Construction of a multi-level urban campus for Berkeley City College in Berkeley.
- The District utilizes Measure B proceeds, its special parcel tax, as approved by the voters in June 2012 in the following manner:
 - Restore and maintain core academic programs such as Math, Science, and English.
 - Train students for careers.
 - Prepare students to transfer to four-year universities.

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the District as of the end of the fiscal year and was prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the reader a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, liabilities, and net position.

From the data presented, the reader of the Statement of Net Position is able to determine the assets available to continue operations of the District. The reader is also able to determine how much the District owes to vendors and employees. Finally, the Statement of Net Position provides a picture of the assets and their availability for expenditure by the District.

The difference between total assets, deferred outflows, total liabilities, and deferred inflows is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost, less accumulated depreciation.

The net position is divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted assets; these assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, which is available to the District for any lawful purpose of the District.

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

A summary of the Statement of Net Position as of June 30, 2020 and June 30, 2019, is presented below:

	2020	2019*
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 15,030,205	\$ 30,302,579
Accounts Receivable, Net	32,532,506	23,827,988
Other Current Assets	3,709,505	1,609,969
Total Current Assets	51,272,216	55,740,536
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	361,834,723	270,365,014
Capital Assets, Net	450,280,251	447,161,347
Total Noncurrent Assets	812,114,974	717,526,361
Total Assets	863,387,190	773,266,897
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding	15,047,106	15,376,720
Interest Rate SWAP	48,844,006	27,371,014
Deferred Outflows of Resources Related to Pensions	36,492,543	43,895,258
Deferred Outflows of Resources Related to OPEB	560,496	594,447
Total Deferred Outflows of Resources	100,944,151	87,237,439
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	45,216,506	20,886,947
Unearned Revenue	13,385,727	16,584,492
SWAP Liability	42,824	307,602
Current Portion of Long-Term Obligations	57,994,343	21,386,513
Total Current Liabilities	116,639,400	59,165,554
NONCURRENT LIABILITIES		
Bonds Payable	475,542,174	396,935,966
Other Long-Term Obligations	631,944,481	616,719,522
Total Liabilities	1,107,486,655	1,013,655,488
DEFERRED INFLOWS OF RESOURCES		
Interest Rate SWAP	48,844,006	27,371,014
Deferred Inflows of Resources Related to Pensions	16,799,796	8,309,061
Deferred Inflows of Resources Related to OPEB	1,836,678	15,281
Total Deferred Inflows of Resources	67,480,480	35,695,356
NET POSITION		
Net Investment in Capital Assets	39,174,217	75,628,609
Restricted for:		
Debt Service	49,423,291	14,270,881
Capital Projects	3,515,756	5,804,951
Other Activities	7,079,427	19,458,583
Unrestricted Deficit	(426,467,885)	(363,175,091)
Total Net Position	\$ (327,275,194)	\$ (248,012,067)

* Amounts have been reclassified to conform to current year reporting

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

- Approximately 91 percent of the cash equivalent balance per the Statement of Cash Flows is cash deposited in the Alameda County Treasury Pool, and approximately 9 percent is cash deposited in local financial banking institutions. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash, and the net increase in cash during the 2019-20 fiscal year.
- The majority of the accounts receivable balance is from Federal and State sources for grant and entitlement programs, and student receivables. Receivables totaling \$7,902,589 for reimbursements from Federal and State agencies related to grant awards, \$13,961,317 from local sources, and \$10,668,600 for student receivables.
- Capital assets had a net increase of \$3,118,904. The District had additions of \$27,875,060 related to construction in progress. Depreciation expense of \$22,789,129 was recognized during 2019-20. Additional information related to capital assets is found in Note 6 of the financial statements.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2020. Total accounts payable are \$13,296,611; \$9,632,880 of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay, \$552,893 is related to Federal and State categorical programs, with the remaining \$3,110,838 due to vendors and suppliers in the normal course of business.
- The District's noncurrent liabilities primarily consist of bonds payable, related to the issuance of Election 2000 Series B, C, and D of the District General Obligation Bonds; Election 2006 Series A, B, and C of the District General Obligation Bonds; Election 2018 Series A of the District General Obligation Bonds and Other Post-Employment Benefit Bonds. The face value of these General Obligation Bonds at the time of initial sale totaled \$727.7 million, and \$663.9 million represents the remaining long-term debt to satisfy these obligations. Additional information related to long-term obligations is found in Note 10 of the financial statements.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and nonexchange. Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. For example, tuition fees paid by the student are considered an exchange for instructional services. The receipt of State apportionments and property taxes, however, do not include this exchange relationship between the payment and receipt of specified goods or services. These revenues and related expenses are classified as nonoperating activities. It is because of the methodology used to categorize between operating and nonoperating, combined with the fact that the primary source of funding that supports the District's instructional activities comes from State apportionment and local property taxes, results in a net operating loss for the District's operations.

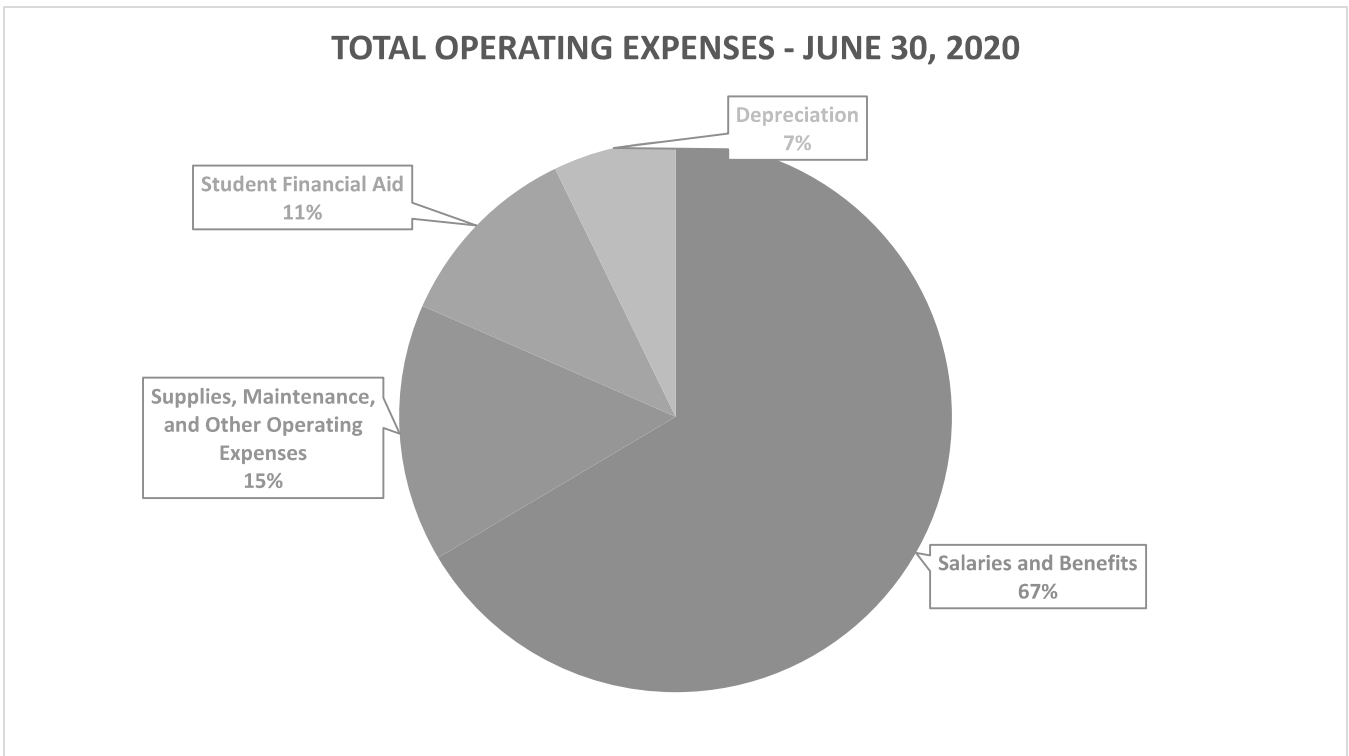
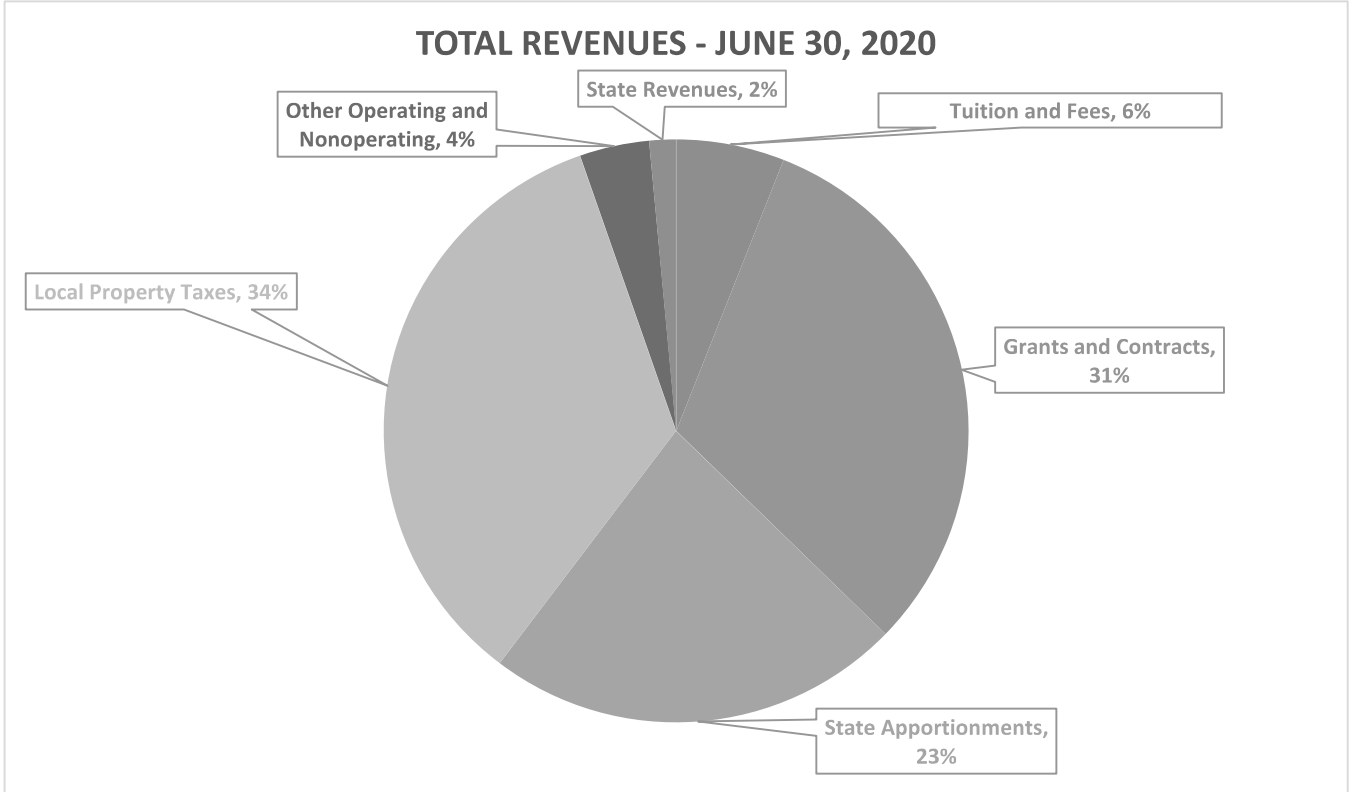
**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020 and June 30, 2019, is summarized below:

	2020	2019*
OPERATING REVENUES		
Tuition and Fees	\$ 16,495,452	\$ 16,542,629
Grants and Contracts, Noncapital	54,222,418	60,378,869
Total Operating Revenues	70,717,870	76,921,498
OPERATING EXPENSES		
Salaries and Benefits	210,660,845	179,540,791
Equipment, Supplies, and Maintenance	47,954,365	48,669,210
Student Financial Aid	35,573,198	35,643,289
Depreciation	22,789,129	21,993,756
Total Operating Expenses	316,977,537	285,847,046
OPERATING LOSS	(246,259,667)	(208,925,548)
NONOPERATING REVENUES AND (EXPENSES)		
Federal Grants and Contracts, Noncapital	28,787,638	29,973,569
State Grants and Contracts, Noncapital	3,118,428	2,075,255
State Apportionments, Noncapital	63,223,237	55,673,252
Local Property Taxes	63,654,812	64,188,585
State Taxes and Other Revenues	4,068,267	6,291,482
Interest and Investment Income	9,715,823	11,484,620
Interfund Transfers Out to Fiduciary Funds	(350,000)	2,078,031
Total Nonoperating Revenues (Expenses)	172,218,205	171,764,794
OTHER REVENUES AND EXPENSES		
State Apportionments, Capital	203,035	185,612
Local Property Taxes and Revenues, Capital	30,921,271	30,971,227
Interest and Investment Income, Capital	906,127	680,342
Loss on Disposal of Fixed Assets	(5,133,391)	-
Interest Expense and Costs of Issuing Capital Asset-Related Debt	(32,118,707)	(31,006,671)
Total Other Revenues, Expenses, Gains and Losses	(5,221,665)	830,510
Net Decrease in Net Position	\$ (79,263,127)	\$ (36,330,244)

* Amounts have been reclassified to conform to current year reporting

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**



**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

- The primary components of tuition and fees are the \$46 per unit enrollment fee that is charged to all students registering for classes and the additional \$258 per unit fee that is charged to all non-resident students.
- Personnel costs across all funds account for 67 percent of operating expenses in fiscal year 2020 compared to 68 percent in 2019. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, equipment, maintenance, and depreciation expense.
- The principal components of the District's nonoperating revenue are: capital Federal and State grants, State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income, the majority of this revenue is received to support the District's instructional activities. The amount of State general apportionment received by the District is dependent upon the number of FTES generated and reported to the State, less amounts received from enrollment fees and local property taxes. Increases in either of the latter two revenue-categories lead to a corresponding decrease in apportionment.

A schedule of functional expenses is displayed below:

	Salaries	Employee Benefits	Supplies, Material, and Other Operating Expenses and Services	Student Financial Aid	Depreciation	Total
(1) Instructional (0100-5900)	\$ 47,961,610	\$ 44,409,556	\$ 2,268,038	\$ 3,386	\$ -	\$ 94,642,590
(2) Academic Support (6000-6100)	10,624,096	9,287,738	1,825,311	-	-	21,737,145
(3) Student Services (6200-6400)	20,321,591	16,924,363	3,907,884	207,704	-	41,361,542
(4) Operation & Maintenance of Plant (6500)	4,083,896	4,859,489	9,592,725	-	-	18,536,110
(5) Institutional Support (6600-6700)	17,346,729	28,984,633	16,633,836	5,390,051	-	68,355,249
(6) Community Services & Economic Development (6800)	245,796	52,046	53,991	-	-	351,833
(7) Ancillary Services & Auxiliary Operations (6900-7000)	2,358,627	2,048,288	(30,883,358)	162	-	(26,476,281)
(8) Student Aid (Program 732000)	49,780	-	128,341	29,677,819	-	29,855,940
(9) Other Outgo (7100 - Balance of 7300)	546,363	556,244	44,427,597	294,076	-	45,824,280
(10) Depreciation Expense	-	-	-	-	22,789,129	22,789,129
Total	\$ 103,538,488	\$ 107,122,357	\$ 47,954,365	\$ 35,573,198	\$ 22,789,129	\$ 316,977,537

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities. It deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The Statement of Cash Flows for the fiscal years ended June 30, 2020 and June 30, 2019, is summarized below:

	2020	2019
CASH FROM:		
Operating Activities	\$ (169,616,282)	\$ (189,455,682)
Noncapital Financing Activities	128,100,974	169,778,586
Capital and Related Financing Activities	107,559,249	(22,239,875)
Investing Activities	19,699,893	17,664,956
NET CHANGE IN CASH	85,743,834	(24,252,015)
Cash - Beginning of Year	86,436,345	110,688,360
CASH - END OF YEAR	\$ 172,180,179	\$ 86,436,345

- Cash receipts from operating activities are from student tuition. Use of cash is for payments to employees, vendors, and students related to the instructional program.
- State apportionment received based on the workload measures generated by the District accounts for 45.7 percent and 33.3 percent of noncapital financing for fiscal years 2020 and 2019, respectively. Cash receipts from Federal and State grants represent 18 percent in 2020 and 30.2 percent in 2019. Cash received from property taxes accounts for 49.7 percent in fiscal year 2020 and 37.8 percent in fiscal year 2019 of the cash generated in this section.
- The majority of the activity in the capital and related financing activities is for the purchase of capital assets (buildings, building improvements, and equipment).
- Cash from investing activities is purchase of investments and investment income for interest earned on cash in bank and cash invested through the Alameda County pool, and on investments with local banking institutions.

Aggregate Net Pension Liability (NPL)

At year end, the District has an aggregate net pension liability of \$153,387,901 versus \$160,121,635 last year, a decrease of \$6,733,734 or 4.4 percent.

Other Postemployment Benefits Obligation (OPEB)

During the year ended June 30, 2018, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. The District's has a total OPEB liability (TOL) of \$246,620,677.

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Other Postemployment Benefits Obligation (OPEB) (Continued)

In December 2005, the District issued \$153,749,832 aggregate principal amount of Taxable 2005 Limited Obligation OPEB (Other Postemployment Benefits) Bonds to fund a \$150,000,000 deposit to the Retiree Health Benefit Program Fund. The Retiree Health Benefit Program Fund has been invested in various financial instruments as directed by the District's Retirement Board of Authority and/or an investment advisor as selected by the Retirement Board of Authority. The District may cause a draw from the Retiree Health Benefit Fund for the payment of Retiree Health Benefit Costs or defeasance of Outstanding Bonds. From time to time, the District has made deposits and withdrawals from the Retiree Health Benefit Program Fund in accordance with the Indenture of Trust. As of June 30, 2020, the balance of the Retiree Health Benefit Program Fund was \$1,103,673.

Economic Factors that May Affect the Future

The District continues to focus its efforts in enhancing strategic enrollment management designed to provide excellent educational opportunities. The District looks forward with continued cautious optimism that has served it well over the recent past. Importantly, the District has begun engaging in marketing and educational programming strategies, hopeful that these endeavors position it to meet with vigor, the post-pandemic environment in 2020-21 and thereafter.

The State economy is improved but yet uncertain: property taxes and personal income taxes are forecasted to increase, albeit slightly, over the next year, and the extension of Proposition 30 via the November 2018 ballot (Proposition 55) bodes well. The Legislative Analyst's Office, in its most recent assessment, derives an "improved outlook" with an emphasis on economic recovery from an operational deficit as a result of the impact of the pandemic – e.g. – tax credits – incentives for job creation - workforce investments – rebuilding of reserves.

With respect to the State's economy, a slight increase in funding is projected for the California community colleges in the form of targeted, restricted resources – additional unrestricted funds would assist with the continued rise in operating costs, the most substantial being, of course, the escalating costs of STRS and PERS.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the District at: Peralta Community College District, 333 East 8th Street, Oakland, California 94606.

FINANCIAL SECTION

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 15,030,205
Accounts Receivable, Net	32,532,506
Prepaid Expenses	3,566,281
Inventories	143,224
Total Current Assets	<u>51,272,216</u>

NONCURRENT ASSETS

Restricted Cash and Cash Equivalents	157,149,978
Restricted Investments	204,684,745
Capital Assets, Net	450,280,251
Total Noncurrent Assets	<u>812,114,974</u>

Total Assets	<u>863,387,190</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Charge on Refunding	15,047,106
Interest Rate SWAP	48,844,006
Deferred Outflows of Resources Related to Pensions	36,492,543
Deferred Outflows of Resources Related to OPEB	560,496
Total Deferred Outflows of Resources	<u>100,944,151</u>

Total Assets and Deferred Outflows of Resources	<u><u>\$ 964,331,341</u></u>
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See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2020**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 13,296,611
Accrued Interest Payable	10,177,799
Accrued Liabilities	21,742,096
Interest Rate SWAP	42,824
Unearned Revenue	13,385,727
Current Portion of Long-Term Obligations	57,994,343
Total Current Liabilities	<u>116,639,400</u>

NONCURRENT LIABILITIES

Long-Term Debt Obligations	<u>1,107,486,655</u>
Total Noncurrent Liabilities	<u>1,107,486,655</u>

Total Liabilities	<u>1,224,126,055</u>
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DEFERRED INFLOWS OF RESOURCES

Interest Rate SWAP	48,844,006
Deferred Inflows of Resources Related to Pensions	16,799,796
Deferred Inflows of Resources Related to OPEB	1,836,678
Total Deferred Inflows of Resources	<u>67,480,480</u>

NET POSITION

Net Investment in Capital Assets	39,174,217
Restricted for:	
Debt Service	49,423,291
Capital Projects	3,515,756
Scholarships and Loans	(162,919)
Other Special Services	7,242,346
Unrestricted	<u>(426,467,885)</u>
Total Net Position	<u>(327,275,194)</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 964,331,341</u></u>
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See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

OPERATING REVENUES	
Student Tuition and Fees	\$ 23,845,478
Less: Scholarship Discount and Allowance	<u>(7,350,026)</u>
Net Tuition and Fees	16,495,452
Grants and Contracts, Noncapital:	
Federal	4,441,457
State	35,903,533
Local	<u>13,877,428</u>
Total Grants and Contracts, Noncapital	<u>54,222,418</u>
Total Operating Revenues	<u>70,717,870</u>
OPERATING EXPENSES	
Salaries	103,538,488
Employee Benefits	107,122,357
Supplies, Materials, and Other Operating Expenses and Services	43,546,638
Student Financial Aid	35,573,198
Utilities	4,407,727
Depreciation	<u>22,789,129</u>
Total Operating Expenses	<u>316,977,537</u>
OPERATING LOSS	(246,259,667)
NONOPERATING REVENUES (EXPENSES)	
Federal Grants and Contracts, Noncapital	28,787,638
State Grants and Contracts, Noncapital	3,118,428
State Apportionments, Noncapital	63,223,237
Local Property Taxes	63,654,812
State Taxes and Other Revenues	4,068,267
Interest and Investment Income	9,715,823
Interfund Transfers Out to Fiduciary Funds	<u>(350,000)</u>
Total Nonoperating Revenues (Expenses)	<u>172,218,205</u>
Income Before Other Revenues, Expenses, Gains and Losses	(74,041,462)
Other Revenues, Expenses, Gains and Losses	
State Apportionments, Capital	203,035
Local Property Taxes and Revenues, Capital	30,921,271
Interest and Investment Income, Capital	906,127
Loss on Disposal of Fixed Assets	(5,133,391)
Interest Expense and Costs of Issuing Capital Asset-Related Debt	<u>(32,118,707)</u>
Total Other Revenues, Expenses, Gains and Losses	<u>(5,221,665)</u>
CHANGE IN NET POSITION	(79,263,127)
Net Position - Beginning of Year	<u>(248,012,067)</u>
NET POSITION - END OF YEAR	<u>\$ (327,275,194)</u>

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees (Net)	\$ 15,290,968
Federal and State Grants and Contracts	45,054,295
Local Grants and Contracts	4,157,214
Payments to Vendors for Supplies and Services	(33,475,327)
Payments to or on Behalf of Employees	(165,047,576)
Payments to or on Behalf of Students	(35,573,198)
Amounts received/(paid) in trust	(22,658)
Net Cash Provided (Used) by Operating Activities	<u>(169,616,282)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Apportionments and Receipts	58,523,237
Local Property Taxes	63,654,812
State Taxes and Other Revenue	5,922,925
Net Cash Provided (Used) by Noncapital Financing Activities	<u>128,100,974</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Local Revenue for Capital Purposes	25,380,484
Federal Grants and Contracts	27,939,054
State Apportionment for Capital Purposes	203,035
Proceeds of Debt Issuance	153,831,076
Transfer to Escrow Account for Defeased Debt	(23,467,474)
Interest on Investments, Capital Funds	1,257,077
Net Purchase and Sale of Capital Assets	(20,767,199)
Principal Paid on Capital Related Debt	(24,758,325)
Interest Paid on Capital Related Debt	(32,058,479)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>107,559,249</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales of Investments	143,978,305
Purchase of Investments	(125,729,572)
Investment Income, net	1,451,160
Net Cash Provided (Used) by Investing Activities	<u>19,699,893</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

85,743,834

Cash and Cash Equivalents - Beginning of Year

86,436,349

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 172,180,183

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$(246,259,667)
Adjustments to Reconcile Operating Loss to Net Cash Flows Provided by Operating Activities:	
Depreciation	22,789,129
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows	
Receivables, Net	(3,475,215)
Inventories	(3,844)
Prepaid Expenses	(2,173,341)
Deferred Outflows of Resources related to OPEB	33,951
Deferred Outflows of Resources Related to Pensions	7,402,715
Deferred Outflows of Resources related to Interest Rate SWAP	(21,472,992)
Accounts Payable	2,100,000
Accrued Liabilities	14,113,620
Due From and Due To Fiduciary Funds, net	(100,307)
Unearned Revenue	(2,662,529)
Aggregate Net OPEB Liability	34,666,822
Aggregate Net Pension Obligation	(6,733,734)
Medical Premium Payment	(81,621)
Load Banking	409,360
Compensated Absences	46,247
Deferred Inflows of Resources Related to OPEB	1,821,397
Deferred Inflows of Resources Related to Pensions	8,490,735
Deferred Inflows of Resources Related to Interest Rate SWAP	21,472,992
Total Adjustments	<u>76,643,385</u>
Net Cash Provided by Operating Activities	<u><u>\$(169,616,282)</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash in Banks	15,030,205
Investment in County Treasury	157,149,978
Total Cash and Cash Equivalents	<u><u>\$ 172,180,183</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING
AND FINANCING ACTIVITIES**

On Behalf Payments for Benefits	<u><u>\$ 5,680,180</u></u>
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See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	Other Trust
ASSETS	
Cash and Cash Equivalents	\$ 1,986,416
Accounts Receivable	91,368
Total Assets	2,077,784
LIABILITIES	
Accounts Payable	185,087
Amount Held for Others	13,325
Unearned Revenue	74,180
Total Liabilities	272,592
NET POSITION	
Restricted for:	
Held in Trust - Student Representation Fee	200,822
Held in Trust - Student Center Fees	858,988
Held in Trust - Associated Students	745,382
Total Net Position	\$ 1,805,192

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Other Trust
ADDITIONS	
Student Fees	\$ 177,449
Other Local Revenues	173,431
Interest and Investment Income	38,121
Interfund Transfers In to Governmental Funds	350,000
Total Additions	739,001
DEDUCTIONS	
Classified Salaries	10,786
Employee Benefits	213
Services and Operating Expenditures	176,661
Total Deductions	187,660
CHANGE IN NET POSITION	551,341
Net Position - Beginning of Year	1,253,851
NET POSITION - END OF YEAR	\$ 1,805,192

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2020**

	<u>Retiree (OPEB) Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,103,673
Total Assets	<u>1,103,673</u>
 NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	 <u>\$ 1,103,673</u>

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION
OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2020**

	Retiree (OPEB) Trust
ADDITIONS	
Employer Contributions	\$ 425,856
Investment Income:	
Interest and Investment Income	54,347
Investment Expense	(1,276)
Net Investment Income	53,071
Total Additions	478,927
DEDUCTIONS	
Benefit Payments	425,856
Total Deductions	425,856
CHANGE IN NET POSITION	53,071
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, BEGINNING OF YEAR	1,050,602
NET POSITION - RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS, END OF YEAR	\$ 1,103,673

See accompanying Notes to Financial Statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 ORGANIZATION

Peralta Community College District (the District) was established in 1964 as a political subdivision of the state of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member board of trustees form of government, which establishes the policies and procedures by which the District operates. The board of trustees must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates four college campuses located in Alameda, Oakland, and Berkeley, California. While the District is a political subdivision of the state of California, it is legally separate and is independent of other state and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

Peralta Community College District and the Golden West Financing Authority, as represented by the 2005 General Obligation Revenue Bonds, Series B, have a financial and operational relationship that meets the reporting definition antenna of GASB Statement No. 14, The Financial Reporting Entity, for the inclusion of the related debt. Therefore, the related debt has been included in the financial statements of the District.

The following entity does not meet the above criteria for inclusion as a component unit of the District.

Peralta Colleges Foundation, Inc.

Peralta Colleges Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors. Because the amount of receipts from the Foundation is insignificant to the District as a whole, the Foundation is not considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. Financial statements for the Foundation can be obtained from the Foundation's Business Office at 333 East 8th Street, Oakland, California 94606.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, federal and state financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges chancellor's office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from federal and state financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

In accordance with GASB Statement No. 72, *Accounting and Financial Reporting for*, investments held at June 30, 2020, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required to be set aside by the District for the purpose of satisfying certain requirements.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of California. The District has recorded an allowance for uncollectible related to student receivables. The allowance is based upon management's estimates and analysis. The allowance was estimated at \$8,841,673 for the year ended June 30, 2020.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2020.

Inventories

Inventories consist primarily of operating supplies. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$50,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 to 40 years; equipment, 5 to 20 years; vehicles, 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hedging Derivative Instruments (Interest Rate SWAPS)

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

Debt Premiums

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

Deferred Charges on Refunding

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, interest rate SWAPS, for pension related items and OPEB related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for interest rate SWAPS, pension related items and OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Medicare Premium Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no significant deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements; as the plan is not material additional disclosures are not included.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the District's OPEB Plan and the CalSTRS Medicare Premium Payment (MPP) Program fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by District's OPEB Plan and MPP. For this purpose, the District's OPEB Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms.

Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified employees who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue arises when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from federal and state grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include general obligation bonds, OPEB bond obligations, compensated absences, claims liability, load banking, the aggregate net OPEB liability, and the aggregate net pension obligation with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted - Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$60,018,474 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues

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

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

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

Classification of Expenses

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

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

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

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The Alameda County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded in the unrestricted General Fund when received.

The voters of the District passed a general obligation bond in 2006 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and set aside for repayment to the bond holders in the Bond Interest and Redemption Fund.

The voters of the District passed a Parcel Tax on June 5, 2012, for the general revenues of the District. The parcel tax levies \$48 per parcel for eight years to provide for core academic programs, training, and education of students attending the District and transferring to university. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the board of governors are included within the scholarships, discounts, and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government.

Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

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

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the county treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the Alameda County Investment Pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the county treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Alameda County Treasurer, which is recorded on the amortized cost basis.

Other Investments

The District maintains investments outside the Alameda County Investment Pool as allowed by the District's investment policy. The District relies on a third party investment firm to manage the investment portfolio. The investments are stated at fair value.

General Authorizations

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

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

<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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code.

Summary of Deposits and Investments

Deposits and investments as of June 30 consist of the following:

Primary Government	\$ 376,864,928
Fiduciary Funds	1,986,416
Total Deposits and Investments	<u>\$ 378,851,344</u>
Cash on Hand and in Banks	9,822,320
Cash in Revolving	52,208
Investments	368,976,816
Total Deposits and Investments	<u>\$ 378,851,344</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Alameda County Investment Pool and various short-term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$164,292,071 with the Alameda County Investment Pool with a weighted maturity of 674 days. Additionally, OPEB bond proceeds of \$204,684,745 and

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

\$1,103,673 in an OPEB Trust have been invested in other instruments which equate to the CalPERS investment strategy.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Alameda County Investment Pool and OPEB Trust are not required to be rated, nor have they been rated as of June 30, 2020. The District's OPEB investments (bond proceeds) ratings range from Aaa to Caa according to Moody's Investors Service as of June 30, 2020.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2020, the District's bank balance of \$10,124,353 of the District's bank balance of \$11,282,813 was not collateralized.

NOTE 4 FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 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 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>Asset Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Uncategorized</u>
Alameda County Investment Pool	\$ 157,149,978	\$ -	\$ -	\$ -	\$ 157,149,978
First American Government Obligation Fund	788,301	-	788,301	-	-
Fixed Income	78,118,130	50,829,004	27,289,126	-	-
Equities	111,618,481	111,618,481	-	-	-
Private Equities	5,513,781	-	-	5,513,781	-
Money Market	8,646,052	8,646,052	-	-	-
Derivative Instruments (Interest Rate SWAPS)	48,844,006	-	48,844,006	-	-
Total	<u>\$ 410,678,729</u>	<u>\$ 171,093,537</u>	<u>\$ 76,921,433</u>	<u>\$ 5,513,781</u>	<u>\$ 157,149,978</u>

<u>Investments at Fair Value</u>	<u>Level 3 Inputs</u>
Balance - July 1, 2019	\$ 4,843,888
Net Realized and Unrealized Gains	669,893
Balance - June 30, 2020	<u>\$ 5,513,781</u>

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

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

	Primary Government	Fiduciary Funds
Federal Government		
Categorical Aid	\$ 2,360,089	\$ -
Student Financial Assistance	3,393,727	-
State Government		
Categorical Aid	1,667,575	-
Lottery	481,198	-
Local Sources		
Other Local Sources	13,961,317	58,562
Total	21,863,906	58,562
Student Receivables	19,510,273	32,806
Less: Allowance for Bad Debt	(8,841,673)	-
Student Receivables, Net	10,668,600	32,806
 Total Accounts Receivable	 \$ 32,532,506	 \$ 91,368

NOTE 6 CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Transfers	Additions	Deductions	Balance June 30, 2020
Capital Assets not Being Depreciated					
Land	\$ 11,913,296	\$ -	\$ -	\$ -	\$ 11,913,296
Construction in Progress	27,926,153	3,676,612	27,875,060	(2,515,026)	56,962,799
Total Capital Assets not Being Depreciated	39,839,449	3,676,612	27,875,060	(2,515,026)	68,876,095
Capital Assets Being Depreciated					
Buildings	317,141,009	(1,827,069)	-	-	315,313,940
Site Improvements	276,125,025	(640,741)	-	(3,437,012)	272,047,272
Software and IT Development	39,298,296	(298,208)	-	-	39,000,088
Machinery and Equipment	59,259,960	(910,594)	3,166,364	-	61,515,730
Total Capital Assets Being Depreciated	691,824,290	(3,676,612)	3,166,364	(3,437,012)	687,877,030
Total Capital Assets	731,663,739	-	31,041,424	(5,952,038)	756,753,125
Less: Accumulated Depreciation Buildings					
Buildings	136,389,271	-	6,402,047	-	142,791,318
Site Improvements	68,711,960	-	11,895,594	(818,647)	79,788,907
Software and IT Development	33,769,118	-	1,300,015	-	35,069,133
Machinery and Equipment	45,632,043	-	3,191,473	-	48,823,516
Total Accumulated Depreciation	284,502,392	-	22,789,129	(818,647)	306,472,874
Net Capital Assets	\$ 447,161,347	\$ -	\$ 8,252,295	\$ (5,133,391)	\$ 450,280,251

Depreciation expense of \$22,789,129 was recorded during the year.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 ACCOUNTS PAYABLE

Accounts payable at June 30, 2020 consists of the following:

	Primary Government	Fiduciary Funds
Construction	9,632,880	\$ -
State Categorical	552,893	-
Student Representation Fees	-	164,639
Other Vendors and Supplies	3,110,838	20,448
Total	\$ 13,296,611	\$ 185,087

NOTE 8 UNEARNED REVENUE

Unearned revenue at June 30, 2020 consists of the following:

	Primary Government	Fiduciary Funds
Federal Categorical Aid	\$ 339,970	\$ -
State Categorical Aid	10,999,290	-
Other State	935,788	-
Enrollment Fees	1,105,286	74,180
Other Local	5,393	-
Total	\$ 13,385,727	\$ 74,180

NOTE 9 INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements.

Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, there were no due to or due from transactions between the Primary Government and the Fiduciary Funds.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2020 fiscal year, the Primary Government transferred \$350,000 to the Fiduciary Funds.

NOTE 10 LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations during the fiscal year June 30, 2020 consist of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
General Obligation Bonds					
Measure E (2000)					
Construction Bonds Payable	\$ 208,085,000	\$ 19,550,000	\$ 34,710,000	\$ 192,925,000	\$ 12,405,000
Premiums	22,149,440	4,181,840	2,956,708	23,374,572	-
Measure A (2006)					
Construction Bonds Payable	157,900,000	65,000,000	2,375,000	220,525,000	13,840,000
Premiums	23,006,526	12,372,123	1,333,009	34,045,640	-
Measure G (2018)					
Construction Bonds Payable	-	50,000,000	-	50,000,000	21,795,000
Premiums	-	2,727,112	15,151	2,711,961	-
Limited Obligation Bonds					
Other Postemployment Benefits (OPEB) Bonds Payable	147,577,908	-	7,181,513	140,396,395	7,112,387
Accreted Interest	91,331,087	244,041	3,371,812	88,203,316	2,841,956
Other Long Term Obligations					
Claims Liability	3,951,000	-	-	3,951,000	-
Compensated Absences	6,736,165	409,360	-	7,145,525	-
Load Banking	2,147,764	46,247	-	2,194,011	-
Medicare Premium Payment Plan	588,081	-	81,621	506,460	-
Net OPEB Liability	211,447,395	34,666,822	-	246,114,217	-
Net Pension Liability	160,121,635	-	6,733,734	153,387,901	-
Total Long-Term Obligation	<u>\$ 1,035,042,001</u>	<u>\$ 189,197,545</u>	<u>\$ 58,758,548</u>	<u>\$ 1,165,480,998</u>	<u>\$ 57,994,343</u>

Liabilities for compensated absences, pension liabilities, and OPEB obligations are liquidated by the governmental fund in which associated salaries are reported. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. Debt service payments on the Other Postemployment Benefits (OPEB) Bonds will be made from the Unrestricted General Fund and the Deferred Compensation Trust Fund.

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP). The District's proportionate share of the liability is 0.1360%. As the plan activity and the District's proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 GENERAL OBLIGATION BONDS

The District has three general obligation bonds that were authorized by an election held within the District. The bonds were authorized to finance specific construction and modernization projects and furnish and equip District facilities.

The outstanding general obligation debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2020
2009 Refunding	12/17/2009	8/1/2031	2.000-5.375%	\$ 39,080,000	\$ 975,000
2012 Refunding	3/28/2012	8/1/2034	2.000-5.000%	59,005,000	42,385,000
2014A Refunding	8/21/2014	8/1/2035	2.000-5.000%	127,505,000	111,350,000
2014B Refunding	8/21/2014	8/1/2032	2.000-5.000%	30,220,000	18,665,000
2020 Refunding	5/27/2020	8/1/2031	5.000%	19,550,000	19,550,000
Total Measure G (2000)					192,925,000
2016D	6/16/2016	8/1/2039	3.500%	50,000,000	50,000,000
2016A Refunding	6/16/2016	8/1/2039	3.000-5.000%	107,825,000	105,525,000
2020E-1	5/22/2020	8/1/2030	5.000%	53,625,000	53,625,000
2020E-2	5/22/2020	8/1/2020	2.250%	11,375,000	11,375,000
Total Measure A (2006)					220,525,000
2020A	5/22/2020	8/1/2050	5.000%	50,000,000	50,000,000
Total Measure E (2018)					50,000,000
Total General Obligation Bonds Payable					\$ 463,450,000

Proposition 39 General Obligation Bonds - Measure E (2000)

On November 7, 2000, \$153.2 million in general obligation bonds were authorized by an election (Measure G) held within the District.

The annual debt service requirement to maturity for the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 12,405,000	\$ 9,669,211
2022	12,900,000	8,200,782
2023	12,945,000	7,558,282
2024	13,585,000	6,922,807
2025	14,210,000	6,255,832
2026-2030	67,065,000	22,355,323
2031-2035	56,835,000	4,421,074
2036	2,980,000	-
Total	\$ 192,925,000	\$ 65,383,311

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

Proposition 39 General Obligation Bonds - Measure G (2000) (Continued)

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The collective bonds included total premiums of \$2,711,961 which are amortized using the straight-line method. Amortization of \$15,151 was recognized during the fiscal year ended June 30, 2020, which includes premiums recognized for the refunded portion of bonds.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Collective payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$6,068,398. Amortization of \$345,218 was recognized during the fiscal year ended June 30, 2020.

Proposition 39 General Obligation Bonds - Measure A (2006)

On June 6, 2006, \$390 million in general obligation bonds were authorized by an election (Measure A) held within the District.

The annual debt service requirement to maturity for the general obligation bonds are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 13,840,000	\$ 8,738,562
2022	3,290,000	9,245,976
2023	4,350,000	9,054,976
2024	5,480,000	8,809,226
2025	6,705,000	8,504,601
2026-2030	55,725,000	35,639,380
2031-2035	49,615,000	23,066,616
2036-2040	81,520,000	9,134,900
Total	<u>\$ 220,525,000</u>	<u>\$ 112,194,237</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The collective bonds included total premiums of \$34,05,640 which are amortized using the straight-line method. Amortization of \$1,333,009 was recognized during the fiscal year ended June 30, 2020, which includes premiums recognized for the refunded portion of bonds.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Collective payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$13,206,927. Amortization of \$572,141 was recognized during the fiscal year ended June 30, 2020.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

Proposition 39 General Obligation Bonds - Measure G (2018)

On November 16, 2018, \$800 million in general obligation bonds were authorized by an election (Measure E) held within the District.

The annual debt service requirement to maturity for the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 21,795,000	\$ 1,783,383
2022	21,855,000	1,828,125
2023	-	736,875
2024	-	190,500
2025	-	190,500
2026-2030	-	952,500
2031-2035	-	952,500
2036-2040	-	952,500
2041-2045	-	952,500
2046-2050	6,350,000	952,500
Total	<u>\$ 50,000,000</u>	<u>\$ 9,491,883</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The collective bonds included total premiums of \$2,727,961 which are amortized using the straight-line method. Amortization of \$15,151 was recognized during the fiscal year ended June 30, 2020, which includes premiums recognized for the refunded portion of bonds.

NOTE 12 LIMITED OBLIGATION BONDS

Taxable 2005 Limited Obligation Other Postemployment Benefits Bonds

In December 2005, the District issued \$153,749,832 aggregate principal amount of Taxable 2005 Limited Obligation OPEB (Other Postemployment Benefits) Bonds to fund the District's obligation to pay certain health care benefits for certain retired District employees and pay certain costs of issuance. The bonds consisted of \$20,015,000 principal amount of fixed rate bonds, and \$133,734,832 initial principal amount of Convertible Auction Rate Securities. The Convertible Auction Rate Securities accrete to matured principal amount of \$394,225,000. Interest rates on the bonds range from 4.71% to 5.52%.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 LIMITED OBLIGATION BONDS (CONTINUED)

2006 Limited Obligation Other Postemployment Benefits Bond Modification and Restructuring

The OPEB Bonds issued in 2005 were subject to an amendment wherein Lehman Brothers purchased three maturities (2006, 2007, and 2008 except \$135,000) in 2006. This is outlined in the "Supplement to the Official Statement" dated as of October 25, 2006, relating to the Taxable 2005 Limited Obligation OPEB Bonds. The purpose of the amendment was to convert 2006, 2007, and 2008 original maturities into bonds maturing August 5, 2049. The vehicle used was a capital accretion type financing that the supplement indicates would fully accrete by August 5, 2009, and would have bonds that mature through August 1, 2049. This financing structure was developed to accommodate District wishes to reduce debt service in the initial years of the financing. Interest rate on the bonds is 6.250%.

2011 Taxable Refunding Bonds

In October 2011, the District refunded the District's outstanding 2009 Taxable OPEB Refunding Bonds. The refunding was a current legal defeasance of the previously issued bonds. The new refunding bonds carry interest rates ranging from 3.47% to 6.91% and mature annually through August 1, 2031. The proceeds of the refunding were used to refinance all of the District's outstanding obligation 2009 Taxable OPEB Refunding Bonds and paying costs of issuing.

The bonds mature through 2032 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>
2021	\$ 7,112,387	\$ 2,841,956	\$ 4,892,784
2022	5,279,375	4,210,986	5,503,536
2023	6,082,979	4,494,418	4,951,497
2024	6,771,611	4,966,804	4,330,959
2025	7,682,241	5,358,210	3,635,676
2026-2030	36,759,935	28,821,752	20,891,681
2031-2035	27,395,597	33,816,067	17,635,936
2036-2040	16,297,298	44,275,718	12,616,979
2041-2045	10,723,507	44,044,367	28,546,654
2046-2050	16,291,465	68,825,881	11,322,884
Subtotal	140,396,395	241,656,159	114,328,586
Accumulated Accretion	88,203,315	(88,203,315)	-
Total	<u>\$ 228,599,710</u>	<u>\$ 153,452,844</u>	<u>\$ 114,328,586</u>

Other Postemployment Benefits Letter of Credit

In August 2015, the District converted \$38,450,000 of Convertible Auction Rate Securities (CARS) to variable rate bonds with an LOC from Barclays Bank. As of June 30, 2020, the bonds carry Barclays Bank's short-term rating of VMIG-1 (Moody's Investors Service) and A-1 (Standard & Poor's).

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows, and inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan - Pre-2004	\$ 230,562,491	\$ -	\$ -	\$ 44,297,113
District Plan - Post-2004	15,551,726	560,496	1,836,678	2,928,862
Total	<u>\$ 246,114,217</u>	<u>\$ 560,496</u>	<u>\$ 1,836,678</u>	<u>\$ 47,225,975</u>

The details of each plan are as follows:

District Plan - Pre-2004 Employees

Plan Administration

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

Plan Membership

At June 30 the Plan membership consists of the following:

Inactive Employees or Beneficiaries Currently Receiving Benefits Payments	696
Active Employees	<u>207</u>
	<u>903</u>

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District Board of Trustees. The District contributed \$10,277,949 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of \$230,562,491 as measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as June 30, 2020.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	2.20%
Health Care Cost Trend Rates	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous and Schools Employees Table for classified employees. Mortality rates vary by age and sex (and sometimes retirement or disability status). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance- June 30, 2019	\$ 196,543,327
Service Cost	4,055,775
Interest	6,770,128
Changes of Assumptions	40,557,472
Experience Gains/ Losses	(7,086,262)
Benefit Payments	(10,277,949)
Net Change in Total OPEB Liability	<u>34,019,164</u>
Balance- June 30, 2020	<u>\$ 230,562,491</u>

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

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.20% since the previous valuation.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rates:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% Decrease (1.20%)	\$ 261,004,583
Current Discount Rate (2.20%)	230,562,491
1% Increase (3.20%)	205,390,196

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or higher than the current health care costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% Decrease (3.00%)	\$ 203,356,366
Current Healthcare Cost Trend Rate (4.00%)	230,562,491
1% Increase (5.00%)	263,587,101

District Plan – Post 2004 Employees

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

At June 30, 2020, the Plan membership consists of the following:

Inactive Employees or Beneficiaries Currently Receiving Benefits Payments	15
Active Employees	615
	<u>630</u>

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Peralta Community College District OPEB Trust

The District's OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Program Joint Powers Agency as directed by the investment alternative choice selected by the Board. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Peralta Federation of Teachers, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District Board of Trustees. The District contributed \$425,856 to the Plan, which was used for current premiums.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The governing board's adopted asset allocation policy is included in actuarial assumptions below.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Investment (Continued)

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 9.76%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$15,551,726 was measured as of June 30, 2020, and the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Total OPEB Liability	\$ 16,655,399
Plan Fiduciary Net Position	1,103,673
District's Net OPEB Liability	<u>\$ 15,551,726</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>6.63%</u>
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Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	2.75%
Discount Rate	5.00%
Health Care Cost Trend Rates	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous and Schools Employees for classified employees. Mortality rates vary by age and sex (and sometimes retirement or disability status). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability of the District (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using historic 20 year real rates of return for each asset class along with assumed long-term inflation assumptions to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, (see the discussion of the Plan's investment policy) are summarized herein.

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	29.00 %	7.80 %
US Small Cap	13.00 %	7.80 %
All Foreign Stock	9.00 %	7.80 %
Other Fixed Income	49.00 %	3.25 %

Discount Rate

The discount rate used to measure the total OPEB liability was 5.00%. All contributions are assumed to be from the employer. The interest assumption reflects a municipal bond rate; the Bond Buyer 20 Index at June 30, 2020 and the rate was rounded to 2.20%. The municipal bond rate beyond 10 years resulted in an equivalent valuation rate of 5.00% applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability of the District

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance - June 30, 2019	\$ 15,954,670	\$ 1,050,602	\$ 14,904,068
Service Cost	2,031,290	-	2,031,290
Interest	1,055,715	-	1,055,715
Contributions - Employer	-	425,856	(425,856)
Net Investment Income	-	66,148	(66,148)
Changes of Assumptions	(243,017)	-	(243,017)
Experience Gains/ Losses	(1,717,403)	-	(1,717,403)
Investment Gains/Losses	-	(11,801)	11,801
Benefit Payments	(425,856)	(425,856)	-
Administrative Expense	-	(1,276)	1,276
Net Change in Total OPEB Liability	<u>700,729</u>	<u>53,071</u>	<u>647,658</u>
Balance - June 30, 2020	<u>\$ 16,655,399</u>	<u>\$ 1,103,673</u>	<u>\$ 15,551,726</u>

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

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability of the District (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 6.30% to 5.00% since the previous valuation.

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

The following presents the net OPEB liability of the District calculated using the District's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rates:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% Decrease (4.00%)	\$ 16,838,092
Current Discount Rate (5.00%)	15,551,726
1% Increase (6.00%)	14,357,892

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or higher than the current health care costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% Decrease (3.00%)	\$ 13,657,155
Current Healthcare Cost Trend Rate (4.00%)	15,551,726
1% Increase (5.00%)	1,772,250

Deferred Outflows and Inflows of Resources related to OPEB

Deferred outflows of resources results from changes in assumptions and investment gains or losses. A year of amortization is recognized in OPEB expense for the year the assumption changes and the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods. Deferred inflows of resources results from experience gains or losses, changes in assumptions and investment gains or losses. A year of amortization is recognized in OPEB expense for the year the gain or loss occurs and the assumption changes. The remaining amount is deferred and will be amortized over the remaining periods.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience Gains/ Losses	\$ -	\$ 1,598,961
Changes in Assumptions	551,056	226,257
Investment Gains/ Losses	9,440	11,460
Total	<u>\$ 560,496</u>	<u>\$ 1,836,678</u>

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows and Inflows of Resources related to OPEB

The deferred outflows and inflows of resources will be amortized and recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ (93,271)
2022	(93,271)
2023	(93,268)
2024	(89,454)
2025	(91,811)
Thereafter	<u>(815,107)</u>
Total	<u><u>\$ (1,276,182)</u></u>

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2011 - June 30, 2016	July 1, 2011 - June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	3.87 %	3.58 %
Medicare Part A Premium Cost Trend Rate	3.70 %	3.70 %
Medicare Part B Premium Cost Trend Rate	4.10 %	4.10 %

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 INTEREST RATE SWAPS

2005 Limited Obligation Other Postemployment Benefits Bonds

Objective of the Morgan Stanley Interest Rate SWAP. The District entered into a series of six forward starting floating-to-fixed rate interest rate swaps to manage interest rate risk associated with its 2005 Taxable Limited Obligation Other Postemployment Bonds. The OPEB Bonds included six series of bonds that were initially issued at a fixed rate of interest, converting to a variable rate (auction rate) on separate dates and continuing in that mode until maturity of the individual series of bonds. In order to effectively convert the variable rate to a fixed rate for each of the six series of bonds in November 2006, the District entered into separate swap transactions with Morgan Stanley corresponding to each of the individual variable rate periods. Because the swap obligation only arises during the variable rate interest period for each series of bonds, the District does not become obligated to make swap payments until those periods arrive for each series of bonds. As of June 30, 2020, the 2005 Series B-2 through B-6 has a fair market value of (\$48,844,206). The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 4.935%, 5.055%, 5.207%, 5.279%, and 5.158% respectively.

Terms - Under the swap agreement, the District pays a fixed rate of percent (as noted above) and the counterparty pays the District a floating rate option of 100% of London Interbank Offered Rate (LIBOR) with designated maturity of one month.

Credit Risk - As of June 30, 2020, the District was not exposed to credit risk because the swap had a negative fair value. Ongoing swap risks lay if the counterparty defaults and the District incur cost to obtain replacement swap at the same economic terms.

Basis Risk - Adverse changes in the District's or credit providers' financial strength could result in basis risk.

Termination Risk - The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract.

Derivative Instrument Types

Hedge Effectiveness - As of June 30, 2020, derivative instrument B-2 under governmental activities no longer meets the criteria for effectiveness and, thus, is considered to be an investment derivative instrument. Accordingly, the accumulated changes in its fair value in fiscal year 2020 of \$42,824 are reported within the investment revenue classification for the year ended June 30, 2020. The other interest rate swaps, B-3 through B-6, are considered to be effective hedging derivative instruments and are identified above as fair value hedges, change in market values are shown as deferred cash out flows on the statement of net position.

The District used the dollar-offset method to evaluate hedge effectiveness for the interest rate swaps. This method evaluates the effectiveness of a hedge transaction by dividing changes in the fair values or cash flows of the hedged item with those of the potential hedging derivative instrument, or vice versa.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 INTEREST RATE SWAPS (CONTINUED)

Fair Values

Fair values for the District's derivative instruments were estimated using the following methods:

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

<u>Trade Date</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Currency</u>	<u>Original Value</u>	<u>Market Value</u>	<u>Fixed Rate</u>
November 28, 2006	August 5, 2039	August 5, 2049	USD	\$ 134,475,000	\$ (20,853,545)	4.935 %
November 28, 2006	August 5, 2031	August 5, 2039	USD	86,650,000	(12,866,736)	5.055 %
November 28, 2006	August 5, 2025	August 5, 2031	USD	57,525,000	(8,379,135)	5.207 %
November 28, 2006	August 5, 2020	August 5, 2025	USD	43,175,000	(6,701,966)	5.279 %
November 28, 2006	August 5, 2015	August 5, 2020	USD	38,450,000	(42,824)	5.158 %

NOTE 15 RISK MANAGEMENT

Property and Liability Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2020, the District contracted with the Alliance of Schools for Cooperative Insurance Program (ASCIP) Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2020:

	<u>Workers'</u>
	<u>Compensation</u>
Liability Balance - July 1, 2018	\$ 3,951,000
Net Claims and Changes in Estimates	1,281,055
Claims Payments	<u>(1,281,055)</u>
Liability Balance - June 30, 2019	3,951,000
Net Claims and Changes in Estimates	-
Claims Payments	-
Liability Balance - June 30, 2020	<u><u>\$ 3,951,000</u></u>

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15 RISK MANAGEMENT (CONTINUED)

Employee Medical Benefits

The District has contracted with the Alameda County Schools Insurance Group (ACSIG) Joint Powers Authority (JPA) to provide employee medical and surgical benefits. The JPA is a shared risk pool comprised of schools in Alameda County. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The board of trustees has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the state of California. Academic employees are members of the California State Teachers' Retirement Systems (CalSTRS) and classified employees are members of California Public Employees' Retirement Systems (CalPERS).

For the fiscal year ended June 30, 2020, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

	<u>Pension Plan</u>	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS		\$ 79,478,080	\$ 19,447,588	\$ 10,940,979	\$ 8,792,713
CalPERS		73,909,821	17,044,955	5,858,817	15,653,458
Total		<u>\$ 153,387,901</u>	<u>\$ 36,492,543</u>	<u>\$ 16,799,796</u>	<u>\$ 24,446,171</u>

The details of each plan are as follows:

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS) PLAN
DESCRIPTION**

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiemployer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or Before December 31, 2012	On or After January 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0% - 2.4%	2.0% - 2.4%
Required Employee Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

Contributions

Required member, District, and state of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$8,627,234.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:	
District's Proportionate Share of Net Pension Liability	\$ 79,478,080
State's Proportionate Share of Net Pension Liability Associated with the District	43,360,949
Total	<u>\$ 122,839,029</u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0880% and 0.0916%, respectively, resulting in a net decrease in the District's proportionate share by 0.0036%.

For the year ended June 30, 2020, the District recognized pension expense of \$8,792,713. In addition, the District recognized pension expense and revenue of \$5,680,180 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 8,627,234	\$ -
Changes in Proportion	567,474	5,639,859
Differences Between Expected and Actual Experience	200,640	2,239,600
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	3,061,520
Changes of Assumptions	10,052,240	-
Total	<u>\$ 19,447,588</u>	<u>\$ 10,940,979</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense.

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ 610,092
2022	(1,511,588)
2023	580,172
2024	1,418,812
2025	(558,293)
2026	(659,820)
Total	<u>\$ (120,625)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date		June 30, 2018
Measurement date		June 30, 2019
Experience study	July 1, 2010 through June 30, 2015	
Actuarial cost method		Entry age normal
Discount rate		7.10%
Investment rate of return		7.10%
Consumer price inflation		2.75%
Wage growth		3.50%

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47 %	4.80 %
Private Equity	13 %	6.30 %
Real Estate	13 %	3.60 %
Fixed Income	12 %	1.30 %
Risk Mitigating Strategies	9 %	1.80 %
Inflation Sensitive	4 %	3.30 %
Cash/Liquidity	2 %	(0.40)%

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate (Continued)

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.10%)	\$ 118,349,440
Current Discount Rate (7.10%)	79,478,080
1% Increase (8.10%)	47,246,320

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020 are summarized as follows:

	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or After January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1% - 2.5%	1.0% - 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$7,002,963.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$73,909,821. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.256% and 0.2847%, respectively, resulting in a net decrease in the proportionate share of 0.0311.

For the year ended June 30, 2020, the District recognized pension expense of \$15,653,458. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 7,002,963	\$ -
Changes in Proportion	1,154,835	5,173,290
Differences Between Expected and Actual Experience	5,368,820	
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes of Assumptions	3,518,337	685,527
Total	\$ 17,044,955	\$ 5,858,817

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense.

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ 5,300,559
2022	(222,879)
2023	(1,008,425)
2024	113,920
Total	<u>\$ 4,183,175</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date		June 30, 2017
Measurement Date		June 30, 2018
Experience Study	July 1, 1997 through	June 30, 2015
Actuarial Cost Method		Entry Age Normal
Discount Rate		7.15%
Investment Rate of Return		7.15%
Consumer Price Inflation		2.50%
Wage Growth	Varies by Entry Age	Services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90% of scale MP 2016 published by the Society of Actuaries.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	50 %	5.98 %
Fixed Income	28 %	2.62 %
Real Assets	13 %	4.93 %
Private Equity	8 %	7.23 %
Liquidity	1 %	(0.92)%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.15%)	\$ 106,536,148
Current Discount Rate (7.15%)	73,909,821
1% Increase (8.15%)	46,844,030

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 17 PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Alameda County Schools Insurance Group (ACSIG), and Golden West Financing Authority Joint Powers Authorities (JPAs). ASCIP and ACSIG provide property and liability insurance and health insurance. Golden West Financing Authority provides assistance related to school facilities financing. The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE 18 COMMITMENT AND CONTINGENCIES

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 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.

Parking Mitigation

The District has set aside funds to mitigate the impact of parking at Berkeley City College. These funds have been requested by the City of Berkeley as part of the development of the area surrounding Berkeley City College. At June 30, 2020, the total amount that has been deposited in a separate account owned by the District is \$4,278,784. A formal agreement has not yet been finalized as to the actual mitigation project parameters. The funds that have been set aside are from general obligation bonds sold specifically for the construction of the Berkeley City College Campus.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 18 COMMITMENT AND CONTINGENCIES (CONTINUED)

Construction Commitments

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

NOTE 19 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUES, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2020, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement effective date has been postponed to fiscal year 2020-21.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement effective date has been postponed to fiscal year 2021-22.

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement effective date has been postponed to fiscal year 2020-21.

Statement No. 91 – *Conduit Debt Obligations*

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement effective date has been postponed to fiscal year 2022-23.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 19 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUES, NOT YET EFFECTIVE (CONTINUED)

Statement No. 92 – Omnibus 2020

This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, post-employment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The statement effective date has been postponed to fiscal year 2022-23.

Statement No. 93 – Replacement of Interbank Offered Rates (IBOR)

This statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The statement effective date has been postponed to fiscal year 2022-23.

Statement No. 94 – Public-Private & Public-Public Partnerships and Availability Payment Arrangements

This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement is effective for the fiscal year 2022-23.

Statement No. 96 – Subscription-based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for the fiscal year 2022-23.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 19 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUES, NOT YET EFFECTIVE (CONTINUED)

Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Some requirements are effective upon issuance of the statement and for other requirements the effective date is fiscal year 2021-22.

REQUIRED SUPPLEMENTARY INFORMATION

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITIES AND RELATED RATIOS
YEAR ENDED JUNE 30, 2020**

	Pre-2004 Employees		
	2018	2019	2020
TOTAL OPEB LIABILITY			
Service Cost	\$ 3,561,635	\$ 3,659,580	\$ 4,055,775
Interest	7,061,221	6,529,779	6,770,128
Changes of Assumptions	-	6,705,116	40,557,472
Experience Gains/ Losses	-	-	(7,086,262)
Benefit Payments	(9,781,668)	(10,172,935)	(10,277,949)
Net Change in Total OPEB Liability	841,188	6,721,540	34,019,164
Total OPEB Liability - Beginning of Year	188,980,599	189,821,787	196,543,327
Total OPEB Liability - End of Year	<u>\$ 189,821,787</u>	<u>\$ 196,543,327</u>	<u>\$ 230,562,491</u>
Covered Payroll	N/A ¹	N/A ¹	N/A ¹
District's Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
	Post-2004 Employees		
	2018	2019	2020
TOTAL OPEB LIABILITY			
Service Cost	\$ 1,801,453	\$ 1,850,993	\$ 2,031,290
Interest	767,563	862,139	1,055,715
Changes of Assumptions	-	637,838	(243,017)
Experience Gains/ Losses	-	-	(1,717,403)
Benefit Payments	(299,127)	(311,092)	(425,856)
Net Change in Total OPEB Liability	2,269,889	3,039,878	700,729
Total OPEB Liability - Beginning of Year	10,644,903	12,914,792	15,954,670
Total OPEB Liability - End of Year (a)	<u>\$ 12,914,792</u>	<u>\$ 15,954,670</u>	<u>\$ 16,655,399</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ -	\$ 1,311,092	\$ 425,856
Net Investment Income	-	51,420	66,148
Benefit Payments	-	(311,092)	(425,856)
Investment Gains/ Losses	-	-	(11,801)
Administrative Expense	-	(818)	(1,276)
Net Change in Plan Fiduciary Net Position	-	1,050,602	53,071
Plan Fiduciary Net Position - Beginning of Year	-	-	1,050,602
Plan Fiduciary Net Position - End of Year (b)	<u>\$ -</u>	<u>\$ 1,050,602</u>	<u>\$ 1,103,673</u>
District's Net OPEB Liability - Ending (a) - (b)	\$ 12,914,792	\$ 14,904,068	\$ 15,551,726
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-	6.58 %	6.63 %
Covered Payroll	N/A ¹	35,360,298	35,000,000
District's Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	42%	44%

Note: In the future, as data becomes available, 10 years of information will be presented.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OPEB INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2020**

	<u>2019</u>	<u>2020</u>
Annual Money-Weighted Rate of Return, Net of Investments Expense	9.76 %	9.76 %

Note: In the future, as data becomes available, 10 years of information will be presented.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY-MPP PROGRAM
YEAR ENDED JUNE 30, 2020**

Year Ended June 30,	2018	2019	2020
District's Proportion of the Net OPEB Liability	0.1527 %	0.1450 %	0.1360 %
District's Proportionate Share of the Net OPEB Liability	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	N/A 1	N/A 1	N/A 1
District's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	N/A 1	N/A 1	N/A 1
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.01 %	(0.40)%	(0.80)%

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

Note: In the future, as data becomes available, 10 years of information will be presented.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2020**

	2015	2016	2017	2018	2019	2020
CalSTRS						
District's Proportion of the Net Pension Liability	0.0940 %	0.0977 %	0.0977 %	0.0906 %	0.0916 %	0.0880 %
District's Proportionate Share of the Net Pension Liability	\$ 54,918,256	\$ 65,754,587	\$ 79,009,663	\$ 83,830,537	\$ 84,224,453	\$ 79,478,080
State's Proportionate Share of the Net Pension Liability Associated with the District	33,162,014	34,776,928	44,978,792	49,593,437	48,222,438	43,360,949
Total	<u>\$ 88,080,270</u>	<u>\$ 100,531,515</u>	<u>\$ 123,988,455</u>	<u>\$ 133,423,974</u>	<u>\$ 132,446,891</u>	<u>\$ 122,839,029</u>
District's Covered-Employee Payroll	\$ 39,942,761	\$ 45,180,068	\$ 123,988,455	\$ 49,997,536	\$ 50,396,341	\$ 49,877,764
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	137 %	146 %	160 %	168 %	167 %	159 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77 %	74 %	70 %	69 %	71 %	73 %
CalPERS						
District's Proportion of the Net Pension Liability	0.2533 %	0.2636 %	0.2700 %	0.2731 %	0.2847 %	0.2536 %
District's Proportionate Share of the Net Pension Liability	\$ 28,756,787	\$ 38,855,675	\$ 79,009,663	\$ 83,830,537	\$ 84,224,453	\$ 73,909,821
District's Covered-Employee Payroll	\$ 266,884,113	\$ 28,389,491	\$ 32,908,677	\$ 34,847,408	\$ 37,694,952	\$ 35,063,708
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	108 %	187 %	162 %	187 %	201 %	211 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83 %	79 %	74 %	72 %	71 %	70 %

See accompanying Note to Required Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR PENSIONS
YEAR ENDED JUNE 30, 2020**

	2015	2016	2017	2018	2019	2020
CalSTRS						
Contractually Required Contribution	\$ 4,011,990	\$ 5,292,541	\$ 6,289,690	\$ 7,272,192	\$ 8,121,728	\$ 8,627,234
Contributions in Relation to the						
Contractually Required Contribution	4,011,990	5,292,541	6,289,690	7,272,192	8,121,728	8,627,234
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 45,180,068	\$ 49,324,706	\$ 49,997,536	\$ 50,393,341	\$ 49,887,764	\$ 50,451,661
Contributions as a Percentage of Covered-Employee Payroll	8.88 %	10.73 %	12.58 %	14.43 %	16.28 %	17.10 %
CalPERS						
Contractually Required Contribution	\$ 3,341,727	\$ 3,898,691	\$ 4,839,608	\$ 5,854,403	\$ 6,333,207	\$ 7,002,963
Contributions in Relation to the						
Contractually Required Contribution	3,341,727	3,898,691	4,839,608	5,854,403	6,333,207	7,002,963
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 28,389,491	\$ 32,908,677	\$ 34,847,408	\$ 37,694,952	\$ 35,063,708	\$ 35,511,983
Contributions as a Percentage of Covered-Employee Payroll	11.77 %	11.85 %	13.89 %	15.53 %	18.06 %	19.72 %

See accompanying Note to Required Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES

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

This schedule presents information on the District's changes in the net OPEB liabilities, including beginning and ending balances and the net OPEB liability. In the future, as data becomes available, 10 years of information will be presented.

DISTRICT PLAN-PRE-2004

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

Changes of Assumptions - Changes of assumptions and other inputs reflect a change in the discount rate from 3.80% to 3.50% since the previous valuation.

DISTRICT PLAN - POST-2004

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

Changes of Assumptions - Changes of assumptions and other inputs reflect a change in the discount rate from 6.75% to 6.30% since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, 10 years of information will be presented.

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.58% to 3.87% since the previous valuation.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, 10 years of information will be presented.

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

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

**PERALTA COMMUNITY COLLEGE DISTRICT
HISTORY AND ORGANIZATION (UNAUDITED)
JUNE 30, 2020**

Peralta Community College District was established in 1964 by the electorates of six Alameda County school districts: Alameda, Albany, Berkeley, Emeryville, Oakland, and Piedmont. The District consists of the following two-year community colleges: College of Alameda, Laney College, Merritt College, and Berkeley City College. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

Member	Office	Term Expires
Ms. Julina Bonilla	President	2022
Ms. Karen Weinstein	Vice President	2020
Ms. Meredith Brown	Member	2020
Ms. Cindi Reiss	Member	2022
Dr. Nicky González Yuen	Member	2020
Ms. Linda Handy	Member	2022
Mr. Bill Withrow	Member	2020

DISTRICT ADMINISTRATORS

Dr. Carla Walter	Interim Chancellor
Dr. Royle Roberts	Interim Special Assistant to the Chancellor / Chief of Staff
Mr. Adil Ahmed	Interim Vice Chancellor of Finance and Administration
Ms. Chanelle Whittaker	Interim Vice Chancellor of Human Resources
Dr. Siri Brown	Vice Chancellor of Academic Affairs & Student Services
Mr. Mark Johnson	Executive Director for Marketing and Communication
Mr. Leigh Sata	Vice Chancellor of General Services
Dr. Rudy Besikof	Interim President, Laney College
Dr. Angelica Garcia	President, Berkeley City College
Dr. David Johnson	President, Merritt College
Dr. Don Miller	Interim President, College of Alameda
Mr. Antoine Mehoulley	Director of Network Services

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Auxiliary Name	Auxiliary Director's Name	Establishment and Master Agreement Date
Peralta Community College Foundation	LaNiece Jones, Foundation Director	Organized as an independent organization in January 24, 2006 and has a signed master agreement dated September 14, 2006.
Associated Students of Merritt College (ASMC)	Cooper Michael, ASMC President	Organized as an independent organization in October 21, 1964. Filed with the Secretary of State, State of California on December 10, 2018.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	N/A	\$ 24,452,240
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	84.007	N/A	1,572,188
Federal Work-Study (FWS) Program	84.033	N/A	1,193,483
Federal Direct Student Loan Program	84.268	N/A	2,173,367
Total Student Financial Assistance Cluster			<u>29,391,278</u>
COVID-19 Higher Education Emergency Relief Funds (HEERF) / Coronavirus Aid, Relief and Economic Security Act (CARES Act)			
COVID-19 HEERF CARES Act - Student Aid	84.425E	N/A	66,000
Fulbright-Hays Group Projects Abroad Program	84.021	N/A	76,000
Developing Hispanic-Serving Institutions Program - Title V	84.031S	N/A	212,006
Asian Pacific Academic Student Success	84.382B	N/A	339,811
Passed through the California Community College Chancellor's Office			
Career and Technical Education, Perkins IV, Title I-C	84.048A	18-C01-041	605,351
Career and Technical Education, Tech-Prep Education, Title III	84.243	[1]	131,050
Passed through the California Department of Rehabilitation			
State Vocational Rehabilitation Services - Workability Career Program	84.126 84.126A	30715 30370	208,396 255,399
Total Rehabilitation Services Vocational Grants to States			<u>463,795</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>31,285,291</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	04348-CACFP-01-CC-CS	19,847
U.S. DEPARTMENT OF LABOR			
Workforce Innovation and Opportunity Act (WIOA) Cluster			
Passed through the Alameda County Workforce Development Board			
WIA Adult - One Stop Career Center	17.258	17372	260,263
U.S. DEPARTMENT OF STATE			
Passed through the Institute of International Education			
Academic Exchange Programs - Fulbright Gateway Orientation Program	19.400	[1]	27,258

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

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
Passed through the California Department of Education COVID-19 Response Block Grant	21.019	[1]	\$ 808,943
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Environmental Control Technology Education	47.076	N/A	547,145
NSF Administration	47.076	N/A	40,072
Total Research and Development Cluster			<u>587,217</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families (TANF) Cluster			
Passed through the California Community College Chancellor's Office			
Temporary Assistance for Needy Families (TANF) Total TANF Cluster	93.558	[1]	<u>133,023</u>
Child Care and Development Fund (CCDF) Cluster			
Passed through the Yosemite Community College District, Child Development Training Consortium			
Child Care and Development Block Grant - CDTC Total CCDF Cluster	93.575	18-19-2498	<u>4,030</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>137,053</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps - National Service Awards	94.006	N/A	<u>103,223</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 33,229,095.00</u>

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

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2020**

Program Names	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payables)	Unearned Revenue	Total Revenue	
Strong Workforce Regional	\$ 279,328	\$ 1,299,382	\$ -	\$ 1,578,710	\$ 1,578,710
Alameda County Department	3,918	-	3,346	572	572
Instructional Equipment	652,449	-	434,173	218,276	218,276
Staff Diversity	50,000	-	29,060	20,940	20,940
CARE	688,597	-	120,769	567,828	567,828
EOPS	3,165,416	-	112,484	3,052,932	3,052,932
SFAA/BFAP	1,344,781	-	-	1,344,781	1,344,781
DSPS	3,994,182	-	-	3,994,182	3,994,182
Deputy Sector Navigator Grant	630,897	-	434,962	195,935	195,935
BayClean Prop 39 Clean Energy	779,259	-	779,259	-	-
CTE Enhancement Funds	97,950	-	32,261	65,689	65,689
CalWORKs	869,333	-	123,094	746,239	746,239
Nextup	1,077,356	-	183,023	894,333	894,333
Nursing Enrollment Growth	152,507	-	74,923	77,584	77,584
Lottery	836,902	-	156,529	680,373	680,373
Career Ladders Project	1,737	-	3,252	(1,515)	(1,515)
CTE Community Collaborative	53,266	-	8,087	45,179	45,179
Adult Education Block Grant	8,201,825	-	396,425	7,805,400	7,805,400
Cal Grant	3,064,163	-	-	3,064,163	3,064,163
Basic Skills New Tran	611,678	-	432,651	179,027	179,027
Apprenticeship Program	28,437	-	28,437	-	-
Strong Workforce Program	6,120,806	-	3,839,440	2,281,366	2,281,366
CTE Unlocked	98,400	-	98,400	-	-
AB 798 Textbook Affordability	16,517	-	6,338	10,179	10,179
Institutional Effectiveness	19,393	-	19,393	-	-
Zero Textbook Cost Degree	14,849	-	14,849	-	-
Innov and Higher Education	-	163,759	-	163,759	163,759
Hunger Free Campus Support	68,047	50,603	-	118,650	118,650
Guided Pathways	701,572	-	228,551	473,021	473,021
Veterans Resource Center	250,433	32,640	140,151	142,922	142,922
California College Promise	811,822	-	340,108	471,714	471,714
Financial Aid Technology	569,345	-	120,846	448,499	448,499
Student Success Completion	2,477,072	-	418,917	2,058,155	2,058,155
Mental Health Service	-	138,219	-	138,219	138,219
Guiding Reentry	45,454	-	34,288	11,166	11,166
SEA	11,120,498	-	3,376,921	7,743,577	7,743,577
Improving Online CTE Pathways	501,397	442,602	-	943,999	943,999
Advanced Transportation	160,000	21,568	-	181,568	181,568
IEPI Grant	200,000	-	180,458	19,542	19,542
Child Care - Department of Education	1,525,554	-	-	1,525,554	1,525,554
Childcare - Tax Bailout	419,833	-	-	419,833	419,833
Total	\$ 51,704,973	\$ 2,148,773	\$ 12,171,395	\$ 41,682,351	\$ 41,682,351

See accompanying note to Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2020**

CATEGORIES	Reported Data*	Audit Adjustments	Audited Data
A. SUMMER INTERSESSION (SUMMER 2019 ONLY)			
1. Noncredit*	0.03	-	0.03
2. Credit	179.64	-	179.64
B. SUMMER INTERSESSION (SUMMER 2020 - PRIOR TO JULY 2020)			
1. Noncredit*	0.45	-	0.45
2. Credit	1,494.20	-	1,494.20
C. PRIMARY TERMS (EXCLUSIVE OF SUMMER INTERMISSION)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,325.52	-	10,325.52
(b) Daily Census Contact Hours	739.22	-	739.22
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	213.05	-	213.05
(b) Credit	61.47	-	61.47
3. Alternative Attendance Accounting Procedures Courses			
(a) Weekly Census Procedure Courses	1,872.97	-	1,872.97
(b) Daily Census Procedure Courses	1,137.39	-	1,137.39
(c) Noncredit Independent Study/Distance Education Courses	0.21	-	0.21
D. Total FTES	<u>16,024.15</u>	<u>-</u>	<u>16,024.15</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. IN-SERVICE TRAINING COURSES (FTES)	-	-	-
H. BASIC SKILLS COURSES AND IMMIGRANT EDUCATION			
1. Noncredit*	332.54	-	332.54
2. Credit	1,183.82	-	1,183.82
CCFS-320 ADDENDUM			
CDCP Noncredit FTES	226.89	-	226.89

See accompanying note to Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2020**

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
<u>Academic Salaries</u>							
Instructional Salaries - Contract or Regular	1100	23,438,020	-	23,438,020	23,438,020	-	23,438,020
Instructional Salaries - Other	1300	18,578,881	-	18,578,881	18,578,881	-	18,578,881
Total Instructional Salaries		42,016,901	-	42,016,901	42,016,901	-	42,016,901
Non-Instructional Salaries - Contract or Regular	1200	-	-	-	9,697,586	-	9,697,586
Non-Instructional Salaries - Other	1400	-	-	-	963,503	-	963,503
Total Non-Instructional Salaries		-	-	-	10,661,089	-	10,661,089
Total Academic Salaries		42,016,901	-	42,016,901	52,677,990	-	52,677,990
<u>Classified Salaries</u>							
Non-Instructional Salaries - Regular Status	2100	-	-	-	21,439,682	-	21,439,682
Non-Instructional Salaries - Other	2300	-	-	-	989,214	-	989,214
Total Non-Instructional Salaries		-	-	-	22,428,896	-	22,428,896
Instructional Aides - Regular Status	2200	1,563,251	-	1,563,251	1,563,251	-	1,563,251
Instructional Aides - Other	2400	248,261	-	248,261	329,881	-	329,881
Total Instructional Aides		1,811,512	-	1,811,512	1,893,132	-	1,893,132
Total Classified Salaries		1,811,512	-	1,811,512	24,322,028	-	24,322,028
Employee Benefits	3000	20,768,971	-	20,768,971	41,056,468	-	41,056,468
Supplies and Materials	4000	-	-	-	887,815	-	887,815
Other Operating Expenses	5000	-	-	-	13,499,996	-	13,499,996
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		64,597,384	-	64,597,384	132,444,297	-	132,444,297
<u>Exclusions</u>							
<u>Activities to Exclude</u>							
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	-	-	-	-	-	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740	-	-	-	-	-	-
<u>Objects to Exclude</u>							
Rents and Leases	5060	-	-	-	1,152,449	-	1,152,449
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	1,241,390	-	1,241,390
Classified Salaries	2000	-	-	-	331,437	-	331,437
Employee Benefits	3000	-	-	-	666,444	-	666,444
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	48,297	-	48,297
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	83,654	-	83,654
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	3,523,671	-	3,523,671
Total for ECS 84362, 50% Law		64,597,384	-	64,597,384	128,920,626	-	128,920,626
Percent of CEE (Instructional Salary Cost/Total CEE)		50.11%	0%	50.11%	100%	0%	100%
50% of Current Expense of Education					64,460,313		64,460,313

See accompanying note to Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
YEAR ENDED JUNE 30, 2020**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 8,757,309
Activity Classification	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 16,295,107	\$ -	\$ -	\$ 16,295,107
Total Expenditures for EPA*		\$ 16,295,107	\$ -	\$ -	\$ 16,295,107
Revenue less Expenditures					(7,537,798)
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See accompanying note to Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Funds
Unrestricted General Fund Balance	\$ 24,908,962
Restricted General Fund Balance	7,242,346
Bond Interest and Redemption Fund Balance	39,245,490
Child Development Fund Balance	1,876,062
Other Special Revenue Funds Balance (Parcel Tax, Retiree Benefits/OPEB Revocable Trust - Age 65, and OPEB Irrevocable Trust - Lifetime)	11,510,633
Capital Projects Fund Balance	3,515,755
Bond Construction Fund Balance	101,649,328
Self Insurance Fund Balance	2,010,412
Student Financial Aid and Trust Fund Balance	(162,918)
Total Fund Balances as Reported on the Annual Financial and Budget Report (CCFS-311)	191,796,070
Audit Adjustments	(3,951,000)
Restricted General Fund Balance (not reported on CCFS-311)	3,576
Total Ending Fund Balance - Governmental Funds	\$ 187,848,646
Audit Adjustments	
Self Insurance Fund Balance as reported on CCFS-311	\$ 2,010,412
Estimated Claims Liability	(3,951,000)
Self Insurance Fund Balance as adjusted	\$ (1,940,588)
	Fiduciary Funds
Associated Students Trust Fund	\$ 621,915
Representation Fee Trust Fund	200,821
Bond Center Fee Trust Fund	858,985
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	1,681,721
Merritt College Associated Students Fund Balance (not reported on CCFS-311)	123,471
Total Ending Fund Balance - Fiduciary Funds	\$ 1,805,192

See accompanying note to Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2020**

Total Ending Fund Balance - Governmental Funds	\$ 187,848,646
Amounts reported for governmental activities in the statement of net position are different because:	
Investments related to other post employment retirement benefits bonds proceeds. Investment returns and retiree benefits payments are added to the statement of revenue, expenses and changes in net position. Investments are added to the statement of net position which increases the total net assets reported.	204,684,745
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	450,280,251
Deferred outflows associated with advanced refunding of debt increases total net position reported.	15,047,106
Deferred outflows associated with pension costs result from pension contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	36,492,543
Deferred outflows associated with other postemployment retirement benefits costs result from contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net other postemployment retirement benefits liability or amortized to benefits expense, as applicable, in subsequent periods.	560,496
Assets related to Interest Rate SWAP. Hedging derivative instruments (Hedging Transactions) are recorded at fair value and establishes certain requirements for revenue recognition. Interest Rate SWAP related liabilities are added to the statement of net position which reduces the total net assets reported.	48,844,006
Compensated absences and load banking are not due and payable in the current period and therefore are not reported in the governmental funds.	(9,339,536)
Interest expense related to bonds incurred through June 30, 2020 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(10,177,799)
Liabilities related to Interest Rate SWAP. Hedging derivative instruments (Hedging Transactions) are recorded at fair value and establishes certain requirements for revenue recognition. Interest Rate SWAP related liabilities are added to the statement of net position which reduces the total net assets reported.	(42,824)
Liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(523,582,174)
Liabilities related to other post employment retirement benefits bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(259,297,923)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(153,387,901)
The liability associated with other postemployment retirement benefits, is recognized as a liability, which reduces the total net position reported.	(246,114,217)
The liability associated with Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP), is recognized as a liability, which reduces the total net position reported.	(506,460)
Deferred inflows of resources associated with Interest Rate SWAP result from actuarially determined adjustments. These amounts will be amortized to revenue in subsequent periods.	(48,844,006)
Deferred inflows of resources associated with pensions result from actuarially determined adjustments. These amounts will be amortized to pension expense in subsequent periods.	(16,799,796)
Deferred inflows of resources associated with other postemployment retirement benefits result from actuarially determined adjustments. These amounts will be amortized to other postemployment retirement benefits expense in subsequent periods.	(1,836,678)
Amounts held in an irrevocable trust for other postemployment retirement benefits are reported in the trust statement of net position.	<u>(1,103,673)</u>
Total Net Position	<u>\$ (327,275,194)</u>

See accompanying note to Supplementary Information.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2020.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of the District and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of state awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual)

Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50% of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
Peralta Community College District
Oakland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of Peralta Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2021.

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 designing 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-003 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. 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 responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
February 24, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Peralta Community College District
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Coronavirus Relief Fund

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA 21.019 Coronavirus Relief Fund as described in finding number 2020-010 for Activities Allowed or Unallowed, Allowable Cost/Cost Principles and Period of Performance. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 Coronavirus Relief Fund for the year ended June 30, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-004, 2020-005, 2020-006, 2020-007, 2020-008, and 2020-009. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a

federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-010 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-004, 2020-005, 2020-006, 2020-007, 2020-008, and 2020-009 to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
February 24, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Peralta Community College District
Oakland, California

Report on State Compliance

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements as identified in the 2019-2020 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's state programs as noted below for the year ended June 30, 2020.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
411	SCFF Data Management Control Environment	Yes
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded From Other Sources	Yes
424	Student Center Funding Formula Base Allocation: FTES	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D and 51 State Bond Funded Projects	Not applicable
491	Education Protection Account (EPA) Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the fiscal year ended June 30, 2020.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the 2019-2020 *Contracted District Audit Manual*, published by the California Community College Chancellor's Office. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
February 24, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PERALTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDITORS' RESULTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors' report issued on compliance for major federal programs: Modified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063 and 84.268	Student Financial Aid Cluster
21.019	Coronavirus Relief Fund-COVID-19 Response Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

Type A \$997,567/Type B \$249,392

Auditee qualified as low-risk auditee? yes x no

**PERALTA COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2020**

Section II – Financial Statement Findings

2020 – 001: Closing Process and Control Environment

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: Internal Controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition / Context: The District appears to have an ineffective control environment. As noted in the prior year, errors were made within the reconciliation processes of the District's financial records. As of year-end, material adjustments and reclassifications were required to conform to the Budget and Accounting Manual (BAM) and GAAP. Furthermore, we noted instances where bank and investment reconciliations were not reviewed to ensure accuracy and completeness. Effective internal controls are critical to ensure accurate financial reporting. We believe that the year-end closing could proceed more quickly and smoothly by developing a logical order for closing procedures and assigning responsibilities for completing the procedures to specific personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished.

Listed here are examples of several critical closing procedures that if performed by appropriate personnel should have detected the required adjustment needed.

- In reviewing items sampled for testing, we discovered that grants and contracts receivables include amounts recognized prior to June 30, 2019 that have yet to be collected. Additionally, we were unable to receive supporting documentation for such items sampled. The factual and projected error, based on the statical sample, associated with these items is approximately \$3.4 million.
- The District was unable to provide an aged student receivable listing to demonstrate it followed their policy on estimating their allowance for doubtful accounts. The gross student accounts receivable is approximately \$18.6 million and the related allowance for doubtful accounts is \$8.8 million.
- The District erroneously recognized approximately \$4 million of revenue instead of a liability in the Self Insurance Fund.
- The District was unable to provide evidence cash and investment reconciliations were reviewed by someone other than the preparer to demonstrate segregation of duties. Additionally, there are bank reconciliations that do not agree with the general ledger. Certain accounts were understated by approximately \$1.1 million and other accounts overstated by approximately \$570 thousand.

Effect: The errors identified in the audit were pervasive and resulted in significant corrected and uncorrected misstatements.

**PERALTA COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

2020 – 001: Closing Process and Control Environment (Continued)

Cause: The control environment at the District was not adequate to ensure proper internal controls were put into place to detect the adjustments made as part of the audit and ensure accurate financial reporting.

Repeat Finding: See prior year finding 2019-001.

Recommendation: We believe that a review and evaluation of transactions and proper closing procedures would expedite the year-end closing process and provide for more accurate results. Documentation may include policy manuals, process models, flowcharts, job descriptions, documents, and forms, and can be in paper form, electronic files, or other media. In addition, the documentation can be used in reinforcing established policies and procedures, evaluating performance, or training a new employee to perform the process.

Management Response: Please refer to the attached Corrective Action Plan.

2020 – 002: Capital Assets

Type of Finding: Material weakness in Internal Control over Financial Reporting

Criteria: Internal Controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition / Context: The District's capital asset detail includes several items that cannot be clearly identified or separated by project. A reconciliation of construction in progress is not performed accurately and does not have proper review to ensure uncapitalizable expenditures are properly removed. Completed projects are not being correctly identified or removed from the construction in progress detail to the appropriate capital asset account to begin depreciating. In addition, deletions from the capital asset schedule are not being properly monitored or adjusted to accurately reflect items currently in use.

Effect: Approximately \$3.7 million was incorrectly identified as construction in progress and an adjustment was required to correct the amount reported.

Cause: The control environment at the District was not adequate to ensure proper internal controls were put into place to perform periodic review and reconciliation. The lack of a reconciliation process for ongoing and completed constructions projects with various departments and offices within the District.

Repeat Finding: See prior year finding 2019-002.

Recommendation: We recommend the district evaluate the capital assets reconciliation process to ensure all transactions are properly recorded and reviewed in a timely basis.

Management's Response: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

2020 – 003: Vacation Accrual

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

Criteria: District's policy limits the maximum vacation hours accrued for academic administrators and classified management employees to not exceed 44 days.

Condition / Context: Several employees were noted as having accrued vacation hours in excess of their maximum amount allowed.

Effect: The employees have been allowed to accrue an \$3.9 million beyond what they are allowed under the District's vacation accrual policy.

Cause: Ineffective monitoring of employee's accrued vacation hours and non-implementation of District policy.

Repeat Finding: See prior year finding 2019-004.

Recommendation: The District should develop and implement appropriate policies and procedures to monitor employee vacation hour accruals and cease the accrual when the maximum hour limit is reached. Until the employee uses vacation hours, vacation hours should not continue to accrue. The District should encourage employees to utilize the vacation hours they have accrued to help reduce the liability.

Management's Response: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings

2020 – 004: Special Tests and Provisions: Eligibility and Certification Approval Report

Federal Agency: Department of Education

Federal Program Title: Student Federal Assistance Cluster

CFDA Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: According to 34 CFR Section 600.21(a), changes in chief executive officers or program administrators listed on the Eligibility and Certification Approval (ECAR) Report should be reported to the Department of Education within 10 days of the change.

Condition / Context: During our audit procedures, we noted that the new Presidents and Directors of Financial Aid for Laney, Alameda, and Merritt College were not reported to the Department of Education within 10 business days of the change.

Questioned Costs: None

Cause: The Colleges' internal controls did not ensure compliance with the criteria mentioned above.

Effect: The case identified resulted in noncompliance with the applicable ECAR reporting requirements.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Colleges' establish procedures to ensure the timely reporting of ECAR changes to the Department of Education.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings (Continued)

2020 – 005: Special Tests and Provisions: COD Reporting

Federal Agency: Department of Education

Federal Program Title: Student Federal Assistance Cluster

CFDA Number: 84.063 and 84.268

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: The Department of Education requires the Colleges to report and ensure that the disbursement dates reported to the Common Origination and Disbursement (COD) system are within 15 days of disbursing Pell (34 CFR 690.83(b)(2)) and Direct Loan (34 CFR 685.309) funds to a student.

Condition / Context: The audit identified the following conditions:

- (1) 2 out of the 15 Direct Loan disbursements, which is a statistically valid sample, tested for Berkeley College and 4 out of the 15 Pell Grant disbursements tested for Laney College, had incorrect disbursement dates reported to the Common Origination and Disbursement (COD) system.
- (2) 2 out of the 15 Direct Loan disbursements, which is a statistically valid sample, tested for Laney College were not reported to COD within the required 15 days.

Questioned Costs: None

Cause: The Colleges' internal controls did not ensure compliance with the criteria mentioned above.

Effect: The case identified resulted in noncompliance with the applicable Title IV regulations. Student interest accrues based on the disbursement date reported to COD, thus the interest calculation could be skewed due to the discrepancy in disbursement dates reported.

Repeat Finding: See prior year finding 2019-007.

Recommendation: We recommend the Colleges' evaluate their procedures and policies around reporting Pell and Direct Loan disbursements to COD to ensure that student information is reported accurately and timely.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings (Continued)

2020 – 006: Gramm-Leach-Bliley Act

Federal Agency: Department of Education

Federal Program Title: Student Federal Assistance Cluster

CFDA Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: The Gramm-Leach-Bliley Act (Public Law 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data. (16 CFR 314) The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act (16 CFR 313.3(k)(2)(vi). Under an institution’s Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act, schools must protect student financial aid information, with particular attention to information provided to institutions by the Department or otherwise obtained in support of the administration of the federal student financial aid programs.

Condition / Context: During our audit procedures, we noted that the College did not perform a risk assessment that addresses two of the three areas noted in 16 CFR 314.4 (b) which are (Area 1) Employee training and management; (Area 3) Detecting, preventing and responding to attacks, intrusions, or other systems failures and document safeguards for identified risks.

Questioned Costs: None

Cause: The District did not perform an IT risk assessment to identify risks and address risks identified as required by the Gramm-Leach-Bliley Act.

Effect: The case identified resulted in noncompliance with the applicable Title IV regulations. The student personal information could be vulnerable.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District engage a third party or perform the risk assessment to address the areas required by the Gramm-Leach-Bliley Act and ensure that there are documented safeguards for identified risks.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings (Continued)

2020 – 007: Internal Controls Over Federal Awards

Federal Agency: Department of Education

Federal Program Title: Student Federal Assistance Cluster

CFDA Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: According to 2 CFR 200.303, nonfederal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition / Context: During our audit procedures, we noted that there is no formal documented review process of R2T4 calculations, student award packaging, and review of documentation for those students selected for verification by the Department of Education, for Alameda, Berkeley, and Merritt College. Furthermore, we noted the Direct Loan, Pell Grant, Federal Work Study, and Supplemental Education Opportunity Grant reconciliations were not reviewed by someone other than the preparer for Berkeley and Merritt College.

Questioned Costs: None.

Cause: The Colleges' were not able to provide evidence that certain internal controls were put into place to ensure compliance with the Student Financial Assistance Cluster regulations.

Effect: A lack of internal controls can results in noncompliance with provisions of the various programs within the Student Financial Assistance Cluster.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Colleges' reinforce their control structure and control environment to ensure there is an appropriate tone at the top of the organization, to monitor proper follow-up on audit findings and review all activity level controls to ensure compliance with the various requirements of the Student Financial Assistance Cluster.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings (Continued)

2020 – 008: Special Tests and Provisions: Enrollment Reporting

Federal Agency: Department of Education

Federal Program Title: Student Federal Assistance Cluster

CFDA Number: 84.063 and 84.268

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: In accordance with 34 CFR680.309(b) and the National Student Loan Data System (NSLDS) Enrollment Reporting Guide published by the Department of Education, schools must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Condition / Context: During our testing of 60 students, which is a statistically valid sample, we noted 13 instances of late reporting of student status changes, 13 instances of improper student status reporting at the campus-level and program-level records including 8 students that were not updated to graduated from withdrawn, and 2 instances where the effective date of a student status change was improperly reported at both the campus-level and program-level record.

In addition, we noted that 37 out of the 60 students, which is a statistically valid sample, tested did not have the correct program begin date per the institution's record reported to the NSLDS system.

Questioned Costs: None

Cause: The Districts' internal controls did not ensure compliance with the criteria mentioned above.

Effect: The case identified resulted in noncompliance with the applicable Title IV regulations. Inaccurate information is reflected on the NSLDS database. A student's enrollment data protects the rights of borrowers by ensuring that loan interest subsidies are based on accurate enrollment data, ensures loan repayment dates are accurately based on the last data of attendance, allows in-school deferments to be automatically granted using NSLDS enrollment data, and provides vast amounts of critical data about the effectiveness of Title IV aid programs, including completion data.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District review its reporting procedures to ensure that enrollment and program information is accurately reported to NSLDS as required by regulations.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings (Continued)

2020 – 009: Outstanding Student Refund Checks

Federal Agency: Department of Education

Federal Program Title: Student Federal Assistance Cluster

CFDA Number: 84.063 and 84.268

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: In accordance with 34 CFR 668.164(l), an institution must return to ED (notwithstanding any state law, such as a law that allows funds to escheat to the state) any Title IV funds, except FWS program funds, that it attempts to disburse directly to a student or parent but they do not receive or negotiate those funds. For FWS program funds, the institution is required to return only the federal portion of the payroll disbursements. If the institution attempted to disburse the funds by check and the check is not cashed, the funds must be returned no later than 240 days after the date it issued the check. If a check is returned, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that the attempts are made no later than 45 days after the funds were returned or rejected. If the institution does not make an additional attempt to disburse the funds, the funds must be returned before the end of the 45-day period and no later than 240 days from the date of the initial attempt to disburse the funds.

Condition / Context: Management was unable to provide us with documentation for student refunds of Title IV federal financial aid that were outstanding as of June 30, 2020 for 18 out of the 40 refunds tested, which is a statistically valid sample. In addition, 5 out of the 40 refunds, which is a statistically valid sample, tested were not reissued within 45 days after the funds were returned or rejected.

Questioned Costs: \$38,826

Cause: Management was not aware of the requirement to return and/or reissue checks as stated in the criteria mentioned above.

Effect: The District is not in compliance with Department of Education requirements that all student refund checks that are outstanding for more than 240 days be returned to the Department. Any additional attempts to disburse funds must be no later than 45 days after the funds were returned or rejected.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District review its procedures related to outstanding student refund checks to ensure they are being returned to the Department of Education or disbursed to students as stated in the criteria mentioned above.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings (Continued)

2020 – 010: Activities Allowed or Unallowed, Allowable Cost/Cost Principles and Period of Performance

Federal Agency: Department of Treasury

Federal Program Title: Coronavirus Relief Fund-COVID-19 Response Block Grant

CFDA Number: 21.019

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Material Weakness in Internal Control over Compliance and Noncompliance

Criteria or Specific Requirement: According to Federal Register, Volume 86, Number 10, the Coronavirus Relief Fund (the Fund) may only be used to cover costs that-

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (Covid-19)
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act); and
3. Were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021

Additionally, according to 2 CFR 200.303 nonfederal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, this includes maintaining adequate source documentation to support amounts and items reported.

Condition / Context: Our audit procedures on the expenditures charged to the Fund resulted in the following conditions:

1. \$378,498 were charged to the program as independent contractor/consultant fees. Although the description in the general ledger seems allowable, we were not provided with the supporting documentation to verify the expenditures met the criteria referenced above.
2. \$430,445 were charged to the Fund as miscellaneous operational expense for bus passes that were purchased for students attending the Spring 2020 semester and does not meet the allowability criteria referenced above. Furthermore, we were not provided with the supporting documentation to verify that these expenditures were incurred prior to March 1, 2020, the start of the period of performance of the Fund.

Questioned Costs: \$808,943

Cause: The District's internal controls did not ensure compliance with the requirements with the criteria mentioned above.

Effect: The documentation available for review was not adequate to support the compliance with the activities allowed/unallowed, allowable costs/cost principles, and period of performance requirements applicable to the program.

Repeat Finding: This is not a repeat finding.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings (Continued)

Recommendation: We recommend management maintain adequate documentation to support all charges to new and existing federal programs.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATE AWARDS FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section IV – State Compliance Findings

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2020.



Peralta Community College District

Department of Education, Department of Treasury

Peralta Community College District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Audit period: July 01, 2019 – June 30, 2020

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

Material Weakness

2020-001 Closing Process and Control Environment

Recommendation: We believe that a review and evaluation of transactions and proper closing procedures would expedite the year-end closing process and provide for more accurate results. Documentation may include policy manuals, process models, flowcharts, job descriptions, documents, and forms, and can be in paper form, electronic files, or other media. In addition, the documentation can be used in reinforcing established policies and procedures, evaluating performance, or training a new employee to perform the process.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: PCCD will improve existing year end closing process (including a checklist and timeline) and will also implement a monthly close to ensure reconciliation and adjustments are made in a timely manner. Assessment of duties among staff will be conducted so that assigned responsibilities are completed accordingly. The District will provide year end closing documentation from prior year and update with new information for the current year.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

Planned completion date for corrective action plan: March 31, 2021.

Material Weakness

2020-002 Capital Assets

Recommendation: We recommend the district evaluate capital assets reconciliation process to ensure all transaction are properly recorded and reviewed in a timely basis.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The recent upgrade (February 16, 2021) to PeopleSoft will allow the District to accurately identify and manage construction projects. Coordinators will then be able to track status of projects and reconcile accordingly. Existing process will be enforced to identify completion via required documentation.



Peralta Community College District

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

Significant Deficiency

2020-003

Vacation Accrual

Recommendation: The District should develop and implement appropriate policies and procedures to monitor employee vacation accruals and cease the accrual when maximum hour limit is reached. Until the employees uses vacation hours, vacation hours should not continue to accrue. The District should encourage employees to utilize vacation hours they have accrued to help reduce the liability.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: In 2020, the District implemented a cap on vacation accrual of 44 days for management and administrators. This policy did not include classified staff; no cap was implemented. Balances for management vacation accrual prior to 2020 were not impacted.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Ronald McKinley, Interim VC Human Resources

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF EDUCATION

2020-004

Student Financial Assistance Cluster – Special Tests and Provisions: Enrollment and Certification Approval Report

Recommendation: We recommend the Colleges' establish procedures to ensure the timely reporting of ECAR changes to the Department of Education.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Oversight of financial aid has shifted to the VC of Administration and Finance as of fall 2020, after being under the VC Academic Affairs and Student Services for the prior two years. The District will work with the college presidents, vice presidents to implement a process for updating Department of Education of new Financial Aid staff representatives within the 10-day requirement.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

Berkeley City College

Dr. Angelica Garcia, President



Peralta Community College District

Dr. Stacey Shears, VP Student Services

College of Alameda

Dr. Nathaniel Jones, President

Dr. Tina Vasconcellos, VP Student Services

Laney College

Dr. Rudy Besikof, President

Vicki Ferguson, VP of Student Services

Merritt College

Dr. David Johnson, President

Dr. Lilia Chavez, VP Student Services

Planned completion date for corrective action plan: March 31, 2021.

DEPARTMENT OF EDUCATION

2020-005 Special Tests and Provisions: COD Reporting

Recommendation: We recommend the Colleges' evaluate their procedures and policies around reporting Pell and Direct Loan disbursements to COD to ensure that student information is reported accurately and timely.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Oversight of financial aid has shifted to the VC of Administration and Finance as of fall 2020, after being under the VC Academic Affairs and Student Services for the prior two years. The District will work with the college presidents, vice presidents to reinforce the process implemented in FY20 to report the COD and drawdown on a weekly basis. The District has experienced continued voids in critical roles and has recently hired 2 Financial Aid Directors at the colleges; two vacancies currently exist.

To emphasize clarity in reporting lines, the District financial aid staff report directly to Business Services. The District will assess the needs of all financial aid management cluster and train the staff to effectively and efficiently execute required expectations which includes reconciliation of COD on a weekly basis.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

Berkeley City College

Dr. Angelica Garcia, President

Dr. Stacey Shears, VP Student Services

College of Alameda

Dr. Nathaniel Jones, President

Dr. Tina Vasconcellos, VP Student Services

Laney College

Dr. Rudy Besikof, President

Vicki Ferguson, VP of Student Services



Peralta Community College District

Merritt College

Dr. David Johnson, President
Dr. Lilia Chavez, VP Student Services

Planned completion date for corrective action plan: March 31, 2021.

DEPARTMENT OF EDUCATION

2020-006 Gramm-Leach Bliley Act

Recommendation: We recommend that the District engage a third party to perform the risk assessment to address the areas required by the Gramm-Leach-Bliley Act and ensure that there are documented safeguards for identified risks.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Due to COVID the risk assessment was not performed during its usual time as IT was heavily involved with a systemwide upgrade which will utilize PeopleSoft Cloud Security going forward. Documentation of OCI security overview will be provided.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

Antione Mehoulley, Director of Network Services (District)

Planned completion date for corrective action plan: February 16, 2021.

DEPARTMENT OF EDUCATION

2020-007 Internal Controls Over Federal Awards

Recommendation: We recommend that the Colleges' reinforce their control structure and control environment to ensure there is an appropriate tone at the top of the organization, to monitor proper follow-up on audit findings and review all activity level controls to ensure compliance with the various requirements of the Student Financial Assistance Cluster.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Oversight of financial aid has shifted to the VC of Administration and Finance as of fall 2020, after being under the VC Academic Affairs and Student Services for the prior two years. The District will work with the college presidents, vice presidents to review practices, reporting expectations, and ensure the separation of duties.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)



Peralta Community College District

Berkeley City College

Dr. Angelica Garcia, President
Dr. Stacey Shears, VP Student Services

College of Alameda

Dr. Nathaniel Jones, President
Dr. Tina Vasconcellos, VP Student Services

Laney College

Dr. Rudy Besikof, President
Vicki Ferguson, VP of Student Services

Merritt College

Dr. David Johnson, President
Dr. Lilia Chavez, VP Student Services

DEPARTMENT OF EDUCATION

2020-008 Special Tests and Provisions: Enrollment Reporting

Recommendation: We recommend the District review its reporting procedures to ensure that enrollment and program information is accurately reported to NSLDS as required by regulation.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Oversight of financial aid has shifted to the VC of Administration and Finance as of fall 2020, after being under the VC Academic Affairs and Student Services for the prior two years. The District will work with the college presidents, vice presidents to review reporting procedures with colleges to ensure enrollment and program date information is accurately reported to NSLDS as required. College Business Services will be included in this process.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

Berkeley City College

Dr. Angelica Garcia, President
Dr. Stacey Shears, VP Student Services

College of Alameda

Dr. Nathaniel Jones, President
Dr. Tina Vasconcellos, VP Student Services

Laney College

Dr. Rudy Besikof, President
Vicki Ferguson, VP of Student Services

Merritt College

Dr. David Johnson, President
Dr. Lilia Chavez, VP Student Services



Peralta Community College District

DEPARTMENT OF EDUCATION

2020-009 Outstanding Student Refund Checks

Recommendation: We recommend the District review its procedures related to outstanding student refund checks to ensure they are being returned to the Department of Education or disbursed to students as stated in the criteria mentioned above.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Oversight of financial aid has shifted to the VC of Administration and Finance as of fall 2020, after being under the VC Academic Affairs and Student Services for the prior two years. The District will review its procedures to ensure that staff is trained to return funds to the Department of Education if payment to student is unsuccessful within a 30-day window.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

DEPARTMENT OF TREASURY

2020-010 Activities Allowed or Unallowed, Allowable Cost/Cost Principles and Period of Performance

Recommendation: We recommend management maintain adequate documentation to support all charges to new and existing federal programs.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District will make an adjustment to move the questionable amounts \$378,498 and \$430,445 (total \$808,943) from CRF Block Grant back to General Fund and reclassify with allowable laptop costs previously incurred by Measure G funds. A copy of the journal will be provided, and an updated satisfactory report will be filed with the state for Cycle 4.

Name(s) of the contact person(s) responsible for corrective action:

Dr. Marla Williams-Powell, Interim Executive Director Fiscal Services (District)

If the Department of Education and the Department of Treasury has questions regarding this plan, please call Marla Williams-Powell at (510) 466-7897



Peralta Community College District

Department of Education

Peralta Community College District respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2020.

Audit period: July 1, 2018 – June 30, 2019

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT **2019-001: Closing Process and Control Environment**

Condition: Material Weakness - District appears to have an ineffective control environment over. As noted in the prior year, errors were made within the reconciliation processes of the District's financial records. As of year-end, material adjustments and reclassifications were required to conform to the BAM and GAAP. Differences were found in various accounts including, but not limited to:

- Receivable balances were not being properly reviewed and reconciled.
- The journal entry review process is not being completed effectively. Several errors, reversals and corrections were observed throughout the general ledger activity involving journal entries that appear to have gone through the proper approval process which were later reversed.
- Bank reconciliations are not being prepared accurately or reviewed in a timely manner.

Status: See current year finding 2020-001.

Reason for finding's recurrence: Continued turnover in leadership and staffing assignments.

Corrective Action: PCCD has recently filled positions to oversee fiscal related tasks. PCCD will improve existing year end closing process (including a checklist and timeline) and will also implement a monthly close to ensure reconciliation and adjustments are made in a timely and accurate manner. Assessment of duties among staff will be conducted so that assigned responsibilities are completed accordingly. The District will provide year end closing documentation from prior year and update with new information for the current year. The District will deploy concentrated efforts to resolve prior year receivables. Staff training will be implemented to promote improved capacity and controls. The District is exploring options to manage and report student receivables.

2019-002: Capital Assets

Condition: Material Weakness As noted in the prior year, the District's capital asset detail includes several items that cannot be clearly identified or separated by project. A reconciliation of construction in progress is not performed accurately and does not have proper review to ensure uncapitalizable expenditures are properly removed. Completed projects are not being correctly identified or removed from the construction in progress detail to the appropriate capital asset account to begin depreciating. In addition, an inventory has not been performed in accordance with District policy, every two years.



Peralta Community College District

Deletions from the capital asset schedule are not being properly monitored or adjusted to accurately reflect items currently in use.

Status: See current year finding 2020-002.

Reason for finding's recurrence: Frequent turnover in Executive Leadership (e.g., Vice Chancellor, Chancellor), lapse of contracted services, gap in district staffing assigned to related tasks.

Corrective Action: The recent upgrade (February 16, 2021) to PeopleSoft will allow the District to accurately identify and manage construction projects. Coordinators will then be able to track status of projects and reconcile accordingly. Existing process will be enforced to identify completion via required documentation.

2019-003: Internal Service Fund Deficit Fund Balance

Condition: The Internal Service Fund had a deficit balance of \$1,147,822 as of June 30, 2019

Status: Corrective action was taken.

2019-004: Vacation Accrual

Condition: Several employees were noted as having accrued vacation hours in excess of their maximum amount allowed.

Status: See current year finding 2020-003.

Reason for finding's recurrence: No negotiated accrual policy for classified union

Corrective Action: PCCD will engage union in future strategies to reduce vacation liability. The District plans to enforce vacation usage for all other employees not covered by a cap policy.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2019 – 005: Special Tests and Provisions: Return to Title IV

Condition: Significant Deficiency-The District's controls are not operating effectively to prevent non-compliance and ensure that Return to Title IV funds are returned within 45 days after the date the institution determines that the student withdrew.

The District did not determine the withdrawal date for 12 out of 100 Return to Title IV calculations tested in a timely manner. All twelve of the exceptions noted were from Merritt College for which 40 Return to Title IV calculations were tested. All twelve of these instances occurred for the Fall 2018 term. Additionally, for 2 out of 100 Return to Title IV calculations tested, the required funds were not returned within 45 days of the student's withdrawal date. The funds were returned 236 and 287 days after the student's withdrawal date.



Peralta Community College District

Status: Corrective action was taken.

2019-006: Special Tests and Provision: Direct Loan Reconciliations

Condition: Significant Deficiency - During our review of the Direct Loans, it was noted that Laney College and Merritt College were unable to provide adequate documentation to show that they were reconciling the institutional Direct Loan records with the School Account Statement (SAS) data file received by COD on a monthly basis.

Status: Corrective action was taken.

2019-007: Common Origination and Disbursement (COD) Reporting

Condition: Significant Deficiency - The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. Nine students of the 15 students tested at Merritt College had transactions processed in excess of 15 days. Reporting days ranged from 18 to 186 days after disbursement.

Status: See current year finding 2020-005.

Reason for finding's recurrence: Continuous turnover and staffing gaps at colleges.

Corrective Action: Oversight of financial aid has shifted to the VC of Administration and Finance as of fall 2020, after being under the VC Academic Affairs and Student Services for the prior two years. The District will work with the college presidents, vice presidents to reinforce the process implemented in FY20 to report the COD and drawdown on a weekly basis. The District has experienced continued voids in critical roles and has recently hired 2 Financial Aid Directors at the colleges; two vacancies currently exist.

To emphasize clarity in reporting lines, the District financial aid staff report directly to Business Services. The District will assess the needs of all financial aid management cluster and train the staff to effectively and efficiently execute required expectations which includes reconciliation of COD on a weekly basis.

2019-008 444 Apprenticeship Related and Supplemental Instruction (RSI) Funds

Condition: Significant Deficiency - Apprenticeship courses provided to students in the 2018-2019 fiscal year reported to the California Community Colleges Chancellor's Office (CCCCO) were not supported by appropriate detailed documentation.

Status: Corrective action was taken.

2019-009 425 Residency Determination for Credit Courses



Peralta Community College District

Condition: Two conditions were identified relating to student residency classification. Two of the 34 students tested for residency compliance were classified as a resident however, the district was unable to provide documentation that supported this classification. In addition, one of the 34 students tested was classified as a resident but failed to meet the one-year residency requirement prior to the residence determination date.

Status: Corrective action was taken.

2019-010 491 Education Protection Account Funds

Condition: The governing board did not make a spending determination in an open session of a public meeting of the governing board or body. The governing board did not publish on its Internet website an accounting of how much money it received from the Education Protection Account and how they will be expensed.

Status: Corrective action was taken.

If the Department of Education has questions regarding this schedule, please call Marla Williams-Powell at (510) 587-7897.

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