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PERALTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2023

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JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Peralta Community College District
Oakland, California

Report on Audit of Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Peralta Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the 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.

Supplementary 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management’s Discussion and Analysis section and unaudited supplementary information section, but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, 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.

CWDL, Certified Public Accountants

San Diego, California
December 8, 2023

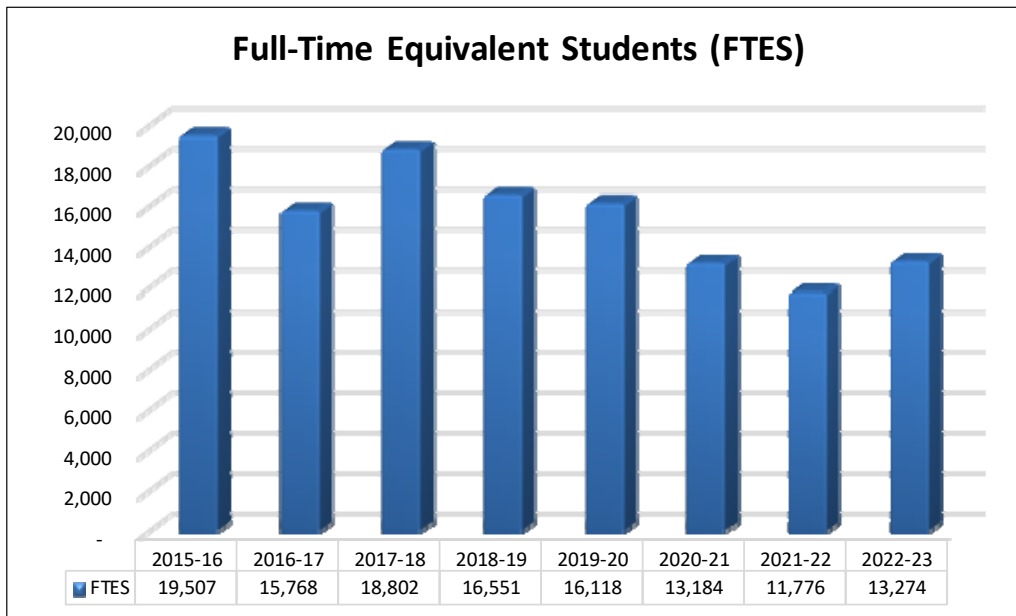
**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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, 2023. 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 served over 47,719 students during 2022-23, and is one of the top community college districts in California in transferring students into the UC system. Currently, 923 full-time employees and over 1,258 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 2022-2023, Peralta Colleges generated 13,274 FTES (including credit and noncredit FTES), as compared to 11,776 in the fiscal year 2021-22. This represents a 13 percent increase. FTES is generated at the District’s four colleges: Berkeley City College, College of Alameda, Laney College, and Merritt College.



**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Selected Highlights, continued

- Unrestricted General Fund revenues for the year were \$161,775,823, an increase of 8.07 percent from prior year's revenue of \$149,592,705. This was due, in large part, to the State-provided Cost-of-Living-Adjustment (COLA).
- Unrestricted General Fund expenditures for the year were \$151,111,283, an increase of 7.76 percent over prior year's expenditures of \$140,223,252.
- The District received approximately \$7,894,085 in Student Success Completion Grant funding allocated to the four Colleges.
- The District received approximately \$9,129,926 in Student Equity and Achievement program funding that was distributed among the four Colleges and the District Office.
- The District's allocation
- The District's allocation for Physical Plant and Instructional Support funding was cut by \$6,850,738 from the 2023-24 Budget Act. A decrease of 59.48 percent from the original allocation of \$11,517,915.
- The District's allocation for Retention and Enrollment Outreach funding was cut by \$1,074,025 from the 2023-24 Budget Act. A decrease of 41.01 percent from original allocation of \$2,619,242
- 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, 2023, is \$159,181,215 (\$137,314,369 for those employees hired prior to July 1, 2004, and \$22,703,214 for employees hired after July 1, 2004, and \$421,899 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Selected Highlights, continued

- The District will continue to use Measures A and G bonds to pay for various capital improvements to its 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.

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
JUNE 30, 2023**

Statement of Net Position, continued

A summary of the Statement of Net Position as of June 30, 2023 and June 30, 2022, is presented below:

| | 2023 | 2022 | Change |
|--|-------------------------|-------------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current assets | \$ 148,892,562 | \$ 114,789,109 | \$ 34,103,453 |
| Noncurrent assets | 815,426,007 | 737,738,266 | 77,687,741 |
| Deferred outflow of resources | 78,560,712 | 70,520,609 | 8,040,103 |
| Total Assets and Deferred Outflows of Resources | 1,042,879,281 | 923,047,984 | 119,831,297 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| Current liabilities | 167,690,903 | 125,142,653 | 42,548,250 |
| Noncurrent liabilities | 1,013,737,172 | 935,287,144 | 78,450,028 |
| Deferred inflows of resources | 38,784,695 | 86,318,807 | (47,534,112) |
| Total Liabilities and Deferred Inflows of Resources | 1,220,212,770 | 1,146,748,604 | 73,464,166 |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 31,313,763 | 48,378,992 | (17,065,229) |
| Restricted | 92,503,266 | 75,435,314 | 17,067,952 |
| Unrestricted | (301,150,518) | (347,514,926) | 46,364,408 |
| Total Net Position | \$ (177,333,489) | \$ (223,700,620) | \$ 46,367,131 |

- Approximately 97 percent of the cash equivalent balance per the Statement of Cash Flows is cash deposited in the Alameda County Treasury Pool, and approximately 3 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 2022-23 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 \$1,616,362 for reimbursements from Federal and State agencies related to grant awards, \$28,805,910 from miscellaneous sources, and \$25,360,529 for student receivables.
- Capital assets had a net decrease of \$13,922,281. The District had additions of \$8,988,297 related to construction in progress. Depreciation expense of \$22,910,578 was recognized during 2022-23. 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, 2023. Total accounts payable are \$44,007,447; \$23,672,117 of the balance was accrued in the Capital Projects fund, Bond fund, and Special Revenue fund related to capital outlay with the remaining \$20,335,330 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 the 1992 Election, 1996 Election, 2000 Election, 2006 Election, and 2019 Election 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. Additional information related to long-term obligations is found in Note 10 of the financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position

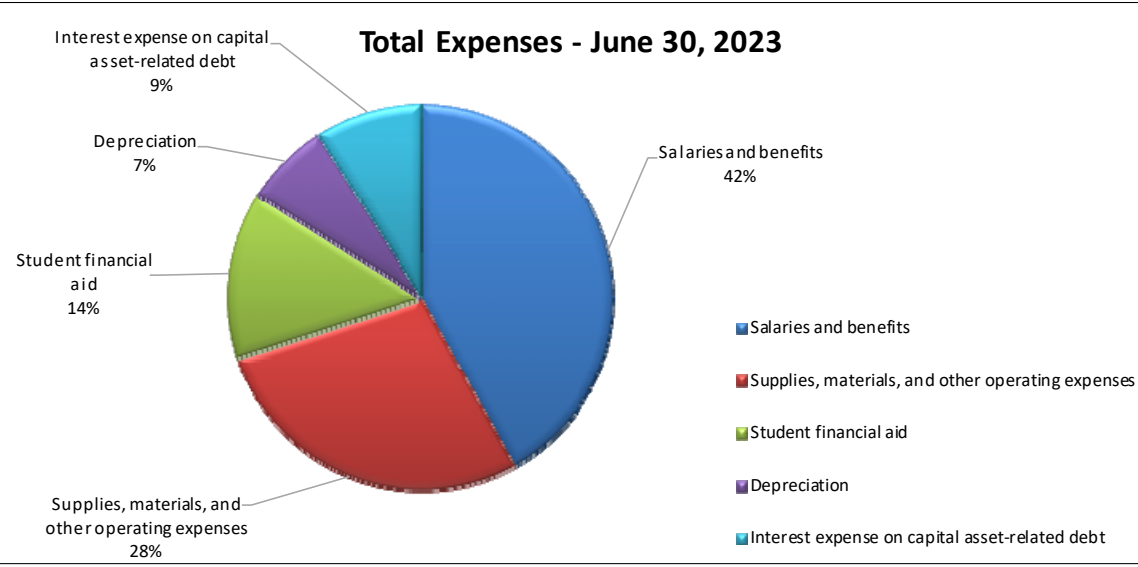
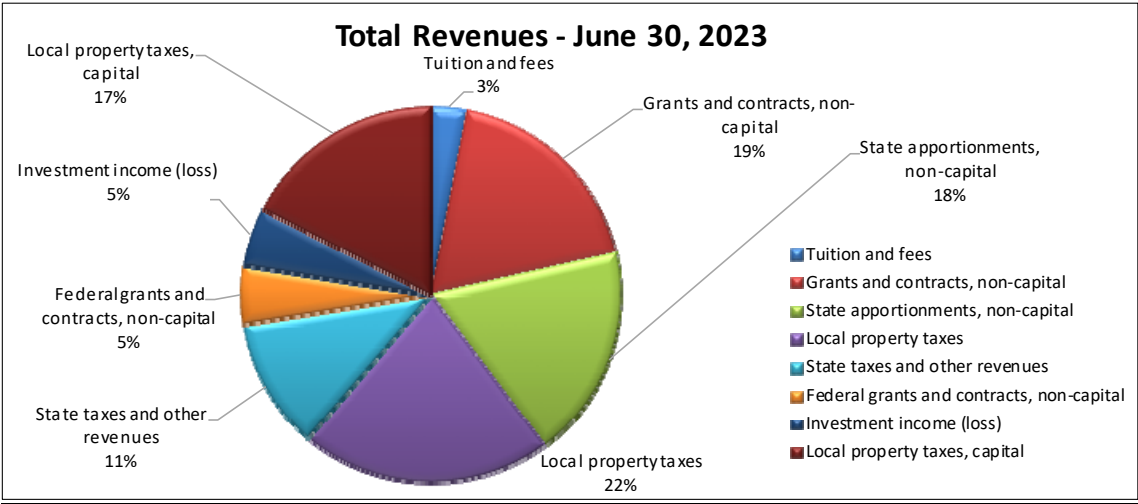
The Statement of Revenues, Expenses, and Changes in Net Position presents the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of exchange and nonexchange. Operating activities are those in which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

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023 and June 30, 2022, is summarized below:

| | 2023 | 2022 | Change |
|---|-------------------------|-------------------------|----------------------|
| OPERATING REVENUES | | | |
| Tuition and fees | \$ 11,408,762 | \$ 11,211,431 | \$ 197,331 |
| Grants and contracts, non-capital | 64,050,251 | 46,884,362 | 17,165,889 |
| Total Operating Revenues | 75,459,013 | 58,095,793 | 17,363,220 |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 128,196,742 | 110,273,255 | 17,923,487 |
| Supplies, materials, and other operating expenses | 84,450,657 | 45,506,566 | 38,944,091 |
| Student financial aid | 42,090,180 | 39,018,190 | 3,071,990 |
| Depreciation | 22,910,578 | 24,488,058 | (1,577,480) |
| Total Operating Expenses | 277,648,157 | 219,286,069 | 58,362,088 |
| Operating Loss | (202,189,144) | (161,190,276) | (40,998,868) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| State apportionments, non-capital | 64,855,591 | 65,913,800 | (1,058,209) |
| Local property taxes | 77,438,165 | 69,272,256 | 8,165,909 |
| State taxes and other revenues | 38,684,125 | 31,118,172 | 7,565,953 |
| Federal grants and contracts, non-capital | 18,217,226 | 35,291,462 | (17,074,236) |
| Investment income (loss), non-capital | 14,284,968 | (23,571,834) | 37,856,802 |
| Total Non-Operating Revenues (Expenses) | 213,480,075 | 178,023,856 | 35,456,219 |
| OTHER REVENUES (EXPENSES) | | | |
| Investment income, capital | 2,276,504 | 606,583 | 1,669,921 |
| Interest expense on capital asset-related debt | (28,168,418) | (28,252,089) | 83,671 |
| Local property taxes, capital | 61,068,130 | 56,135,119 | 4,933,011 |
| Change in Net Position | 46,467,147 | 45,323,193 | 1,060,283 |
| NET POSITION, BEGINNING OF YEAR | (223,700,620) | (269,023,813) | 45,323,193 |
| PRIOR PERIOD ADJUSTMENT (SEE NOTE 19) | (100,016) | - | (100,016) |
| NET POSITION, END OF YEAR | \$ (177,333,489) | \$ (223,700,620) | \$ 46,283,460 |

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position, continued



**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position, continued

- The primary components of tuition and fees are the \$46 per unit enrollment fee that is charged to all students registering for classes and an additional \$358 per unit fee that is charged to all non-resident students.
- Personnel costs across all funds account for 46 percent of operating expenses in fiscal year 2023 compared to 45 percent in 2022. 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 and student support activities. The amount of State general apportionment received by the District is dependent upon the number of FTES and supplemental and student success metrics generated and reported to the State in accordance with the Student-Centered Funding Formula, less amounts received from enrollment fees and local property taxes. Increases in either of the latter two revenue-categories lead to a corresponding decrease in apportionment.

A schedule of functional expenses is displayed below:

| | Salaries and Benefits | Supplies, Material, and Other Operating Expenses | Financial Aid | Depreciation | Total |
|---|--------------------------|---|------------------|---------------|----------------|
| Instructional activities | \$ 54,800,901 | \$ 3,653,291 | \$ 5,136 | \$ - | \$ 58,459,328 |
| Academic support | 14,362,367 | 2,555,710 | 875,197 | - | 17,793,274 |
| Student services | 26,098,531 | 5,481,568 | 1,191,585 | - | 32,771,684 |
| Operation and maintenance of plant | 5,627,513 | 9,896,482 | - | - | 15,523,995 |
| Institutional Support | 23,084,274 | 22,695,787 | 6,186,033 | - | 51,966,094 |
| Community services and economic development | 127,543 | 162,436 | - | - | 289,979 |
| Ancillary services and auxiliary operations | 2,958,806 | 1,281,028 | 72,992 | - | 4,312,826 |
| Student aid | - | - | 33,759,237 | - | 33,759,237 |
| Physical property, interest and other outgo | 1,136,807 | 38,724,355 | - | - | 39,861,162 |
| Depreciation expense | - | - | - | 22,910,578 | 22,910,578 |
| Total | \$ 128,196,742 | \$ 84,450,657 | \$ 42,090,180 | \$ 22,910,578 | \$ 277,648,157 |

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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, non-investing, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities. It deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Cash Flows for the fiscal years ended June 30, 2023 and June 30, 2022, is summarized below:

| Cash Provided by (Used by) | 2023 | 2022 | Change |
|---------------------------------|-----------------------|---------------------|-----------------------|
| Operating activities | \$ (187,019,725) | \$ (181,990,921) | \$ (5,028,804) |
| Noncapital financing activities | 199,095,091 | 201,582,607 | (2,487,516) |
| Capital financing activities | 264,416,636 | (35,865,520) | 300,282,156 |
| Investing activities | 19,688,690 | 20,226,849 | (538,159) |
| Net Increase (Decrease) in Cash | <u>\$ 296,180,692</u> | <u>\$ 3,953,015</u> | <u>\$ 292,227,677</u> |

- 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 32.6 percent and 32.7 percent of noncapital financing for fiscal years 2023 and 2022, respectively. Cash received from property taxes accounts for 38.9 percent in fiscal year 2023 and 34.3 percent in fiscal year 2022 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 of the fiscal year, the District has an aggregate net pension liability of \$146,607,554 versus \$91,167,952 last year, an increase of \$55,439,602 or 61 percent.

**PERALTA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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 \$159,181,215 as of June 30, 2023.

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, known as "Trust 1" (revocable) and "Trust 2" (irrevocable). 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, 2023, the balance of the Retiree Health Benefit Program Fund's revocable Pre-2004 OPEB Trust 1 was \$181,962,886, and the balance of the irrevocable Post-2004 OPEB Trust 2 was \$1,258,268.

Economic Factors that May Affect the Future

Recent reports have stated California could face a \$58 billion deficit over the next few years, which has the potential to impact the State similarly to the great recession of 2008. The District continues to focus its efforts on enhancing strategic enrollment management designed to provide excellent educational opportunities. The District looks forward to continued caution that has served it well over the recent past. Importantly, the District has increased marketing and educational and student support programming strategies, hopeful that these endeavors position it to meet with vigor, the post-pandemic environment in 2021-22 and thereafter. The State economy is uncertain: property taxes and personal income taxes are forecasted to be below projections.

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, 2023

| | |
|--|-------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 80,321,582 |
| Accounts receivable, net | 57,827,592 |
| Prepaid expenses | 10,491,385 |
| Other current assets | 252,003 |
| Total Current Assets | <u>148,892,562</u> |
| Noncurrent Assets: | |
| Restricted cash and cash equivalents | 209,879,252 |
| Restricted investments | 182,756,852 |
| Capital assets, net | 422,789,903 |
| Total Noncurrent Assets | <u>815,426,007</u> |
| TOTAL ASSETS | <u>964,318,569</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to bond refundings | 12,148,092 |
| Interest rate SWAP | 16,891,002 |
| Deferred outflows related to OPEB | 2,608,519 |
| Deferred outflows related to pensions | 46,913,099 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>78,560,712</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 1,042,879,281</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | \$ 44,007,447 |
| Accrued interest payable | 9,204,542 |
| Unearned revenue | 54,602,268 |
| Due to other funds | 203,751 |
| Long-term debt, current portion | 59,672,895 |
| Total Current Liabilities | <u>167,690,903</u> |
| Noncurrent Liabilities: | |
| Compensated absences | 9,762,605 |
| Net OPEB liability | 159,181,215 |
| Net pension liability | 146,607,554 |
| Long-term debt, non-current portion | 698,185,798 |
| Total Noncurrent Liabilities | <u>1,013,737,172</u> |
| TOTAL LIABILITIES | <u>1,181,428,075</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to bond refundings | 2,051,011 |
| Interest rate SWAP | 16,891,002 |
| Deferred inflows related to OPEB | 4,240,554 |
| Deferred inflows related to pensions | 15,602,128 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>38,784,695</u> |
| NET POSITION | |
| Net investment in capital assets | 31,313,763 |
| Restricted for: | |
| Debt service | 55,096,348 |
| Capital projects | 30,880,167 |
| Scholarships and loans | (1,634,494) |
| Other special purposes | 8,161,245 |
| Unrestricted | (301,150,518) |
| TOTAL NET POSITION | <u>(177,333,489)</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 1,042,879,281</u> |

See accompanying notes to financial statements.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

| | |
|---|-------------------------|
| OPERATING REVENUES | |
| Tuition and fees | \$ 19,603,447 |
| Less: Scholarship discounts and allowances | (8,194,685) |
| Net tuition and fees | <u>11,408,762</u> |
| Grants and contracts, non-capital | |
| Federal | 30,768,587 |
| State | 26,700,827 |
| Local | 6,580,837 |
| TOTAL OPERATING REVENUES | <u>75,459,013</u> |
| OPERATING EXPENSES | |
| Salaries and benefits | 128,196,742 |
| Supplies, materials, and other operating expenses and services | 84,450,657 |
| Student aid | 42,090,180 |
| Depreciation | 22,910,578 |
| TOTAL OPERATING EXPENSES | <u>277,648,157</u> |
| OPERATING LOSS | <u>(202,189,144)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| State apportionments, non-capital | 64,855,591 |
| Local property taxes | 77,438,165 |
| State taxes and other revenues | 38,684,125 |
| Federal grants and contracts, non-capital | 18,217,226 |
| Investment income (loss), non-capital | 14,284,968 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>213,480,075</u> |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES | 11,290,931 |
| OTHER REVENUES, EXPENSES, GAINS AND LOSSES | |
| Investment income, capital | 2,276,504 |
| Interest expense on capital asset-related debt | (28,168,418) |
| Local property taxes, capital | 61,068,130 |
| TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES | <u>35,176,216</u> |
| CHANGE IN NET POSITION | 46,467,147 |
| NET POSITION, BEGINNING OF YEAR | (223,700,620) |
| PRIOR YEAR ADJUSTMENT (SEE NOTE 19) | (100,016) |
| NET POSITION, END OF YEAR | <u>\$ (177,333,489)</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---------------------------------------|----------------------|
| Tuition and fees | \$ 11,909,728 |
| Grants and contracts | 97,017,688 |
| Payments to students | (31,415,240) |
| Payments to vendors | (133,596,946) |
| Payments to employees | (130,934,955) |
| Net Cash Used by Operating Activities | <u>(187,019,725)</u> |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|---|--------------------|
| State apportionments | 64,855,591 |
| Federal grants and contracts | 18,217,226 |
| Local property taxes | 77,438,165 |
| State taxes and other apportionments | 38,684,125 |
| Net Cash Provided by Non-capital Financing Activities | <u>199,095,091</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|--|--------------------|
| Net purchase and sale of capital assets | (8,988,297) |
| Local property taxes for capital purposes | 61,068,130 |
| Principal paid on capital debt | 239,557,388 |
| Interest received on capital debt | 2,276,504 |
| Interest paid on capital debt | (29,497,089) |
| Net Cash Provided (Used) by Capital Financing Activities | <u>264,416,636</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-------------------|
| Interest received (paid) from investments | 14,284,968 |
| Net investment activity | 5,403,722 |
| Net Cash Provided by Investing Activities | <u>19,688,690</u> |

NET INCREASE IN CASH & CASH EQUIVALENTS

296,180,692

CASH & CASH EQUIVALENTS, BEGINNING OF YEAR

153,283,246

CASH & CASH EQUIVALENTS, END OF YEAR

\$ 449,463,938

**PERALTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

| | |
|--|-------------------------|
| Operating loss | \$ (202,189,144) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation expense | 22,910,578 |
| Changes in Assets and Liabilities: | |
| Accounts receivables, net | 6,833,717 |
| Inventories | 89,919 |
| Prepaid expenses | (1,123,245) |
| Deferred outflows of resources | (14,894,582) |
| Accounts payable and accrued liabilities | 10,674,940 |
| Unearned revenue | 26,634,686 |
| Compensated absences | (1,751,084) |
| Net OPEB liability | (43,413,668) |
| Net pension liability | 55,439,602 |
| Claims liability | (2,738,213) |
| Deferred inflows of resources | (43,696,982) |
| Total Adjustments | <u>15,169,419</u> |
| Net Cash Flows From Operating Activities | <u>\$ (187,019,725)</u> |

SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS

| | |
|---------------------------------|--------------|
| On-Behalf Payments for Benefits | \$ 4,763,956 |
|---------------------------------|--------------|

**PERALTA COMMUNITY COLLEGE DISTRICT
 OTHER POSTEMPLOYMENT BENEFITS PLAN
 STATEMENT OF NET POSITION
 JUNE 30, 2023**

| | OPEB Post-2004 Trust Fund |
|---------------------------|------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,258,268 |
| Total Assets | <u>1,258,268</u> |
| NET POSITION | |
| Restricted - OPEB | 1,258,268 |
| Total Net Position | <u>\$ 1,258,268</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
OTHER POSTEMPLOYMENT BENEFITS PLAN
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

| | OPEB Post-2004 Trust Fund |
|---|------------------------------|
| OPERATING REVENUES: | |
| Interest and investment income (loss) | \$ 113,593 |
| Total Operating Revenues | <u>113,593</u> |
| OPERATING EXPENSES: | |
| Other operating expenses | <u>1,527</u> |
| Total Operating Expenses | <u>1,527</u> |
| Net Change in Net Position | 112,066 |
| Net Position - Beginning of Year | <u>1,146,202</u> |
| Net Position - End of Year | <u>\$ 1,258,268</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

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 number 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 THE FINANCIAL STATEMENTS
JUNE 30, 2023**

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 an 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 as well as supplemental and student success metrics under the Student-centered Funding Formula. 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 an accrual basis as they are incurred, when goods are received, or services are rendered.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, 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, 2023*, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of California. The District 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 \$12,541,673 for the year ended June 30, 2023.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2023.

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.

Lease Receivable

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. Any variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Intangible Right of Use Assets

The District has recorded intangible right of use assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accrued Liabilities and Long-Term Obligations

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

Hedging Derivative Instruments (Interest Rate SWAPS)

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

Debt Premiums

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

Deferred Charges on Refunding

Deferred charges on refunding are 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 THE FINANCIAL STATEMENTS
JUNE 30, 2023**

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.

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.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Noncurrent Liabilities

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

Net Position

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

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

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

Unrestricted - Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. When both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first and the unrestricted resources when they are needed.

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.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Operating Revenues and Expenses, continued

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 expenses 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 from the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes are attached 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 general obligation bonds in 2000, 2006 and 2018 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 (Measure B) 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.

In addition, the voters of the District passed a Parcel Tax (Measure E) on November 6, 2018, for the general revenues of the District. The parcel tax levies \$48 per parcel for eight years as a continuation of the 2012 Measure B Parcel Tax, and became effective upon the expiration of the 2012 Measure B parcel tax. 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 THE FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023.

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.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Other Investments

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

General Authorizations

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

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|----------------------------|---------------------------------|----------------------------------|
| Local Agency Bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Obligations | 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:

| | | |
|--------------------------------|----|--------------------|
| Cash on hand and in banks | \$ | 17,383,796 |
| Cash in revolving | | 58,091 |
| Investments | | 455,515,799 |
| Total Deposits and Investments | \$ | <u>472,957,686</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

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 \$273,552,913 with the Alameda County Investment Pool with a weighted maturity of 473 days. Additionally, the OPEB revocable Trust 1 balance of \$181,962,886 and irrevocable Trust 2 balance of \$1,258,268 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, 2023.

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, 2023, the District's bank balance of \$17,383,796 was not collateralized.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

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

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

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

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

| | | |
|---------------------------------------|----|---------------------|
| Federal Government | \$ | 2,044,791 |
| State Government | | 1,616,362 |
| Miscellaneous | | 28,805,910 |
| Subtotal | | <u>32,467,063</u> |
| Student Receivables | | 37,902,202 |
| Less: Allowance for doubtful accounts | | <u>(12,541,673)</u> |
| Student Receivables, Net | | <u>25,360,529</u> |
| Total | \$ | <u>57,827,592</u> |

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2023 was as follows:

| | Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 |
|--|-------------------------|------------------------|------------|--------------------------|
| Capital Assets not being Depreciated | | | | |
| Land | \$ 11,913,296 | \$ - | \$ - | \$ 11,913,296 |
| Construction in progress | 66,098,582 | 2,723,201 | - | 68,821,783 |
| Total Capital Assets Not Being Depreciated | <u>78,011,878</u> | <u>2,723,201</u> | - | <u>80,735,079</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 315,480,534 | 2,768,021 | - | 318,248,555 |
| Site improvements | 296,901,459 | 808,230 | - | 297,709,689 |
| Software and IT development | 39,000,088 | 17,278 | - | 39,017,366 |
| Machinery and equipment | 61,919,262 | 2,671,567 | - | 64,590,829 |
| Total Capital Assets Being Depreciated | <u>713,301,343</u> | <u>6,265,096</u> | - | <u>719,566,439</u> |
| Total Capital Assets | <u>791,313,221</u> | <u>8,988,297</u> | - | <u>800,301,518</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | 153,917,542 | 5,368,672 | - | 159,286,214 |
| Site improvements | 106,391,505 | 14,192,256 | - | 120,583,761 |
| Software and IT development | 37,673,395 | 666,415 | - | 38,339,810 |
| Machinery and equipment | 56,618,595 | 2,683,235 | - | 59,301,830 |
| Total Accumulated Depreciation | <u>354,601,037</u> | <u>22,910,578</u> | - | <u>377,511,615</u> |
| Net Capital Assets | <u>\$ 436,712,184</u> | <u>\$ (13,922,281)</u> | \$ - | <u>\$ 422,789,903</u> |

Depreciation expense of \$22,910,578 was recorded during the year.

NOTE 7 ACCOUNTS PAYABLE

Accounts payable at June 30, 2023 consists of the following:

| | | |
|----------------------------|----|-------------------|
| Construction | \$ | 23,672,117 |
| State Categorical | | - |
| Other Vendors and Supplies | | 20,335,330 |
| Total unearned revenue | \$ | <u>44,007,447</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2023 consists of the following:

| | |
|------------------------|----------------------|
| Federal Government | \$ 1,664,519 |
| State Government | 44,046,572 |
| Enrollment Fees | 8,548,820 |
| Other Local | 342,357 |
| Total unearned revenue | <u>\$ 54,602,268</u> |

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within funds has been eliminated in the basic financial statements.

NOTE 10 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations during the fiscal year June 30, 2023 consist of the following:

| | Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 | Due Within One Year |
|---|-------------------------|-----------------------|-----------------------|--------------------------|------------------------|
| General obligation bonds | | | | | |
| Measure E (2000) | | | | | |
| Construction bonds payable | \$ 167,620,000 | \$ - | \$ 46,325,000 | \$ 121,295,000 | \$ 10,290,000 |
| Premium | 19,856,147 | - | 4,233,117 | 15,623,030 | 1,452,539 |
| Measure A (2006) | | | | | |
| Construction bonds payable | 203,395,000 | - | 4,350,000 | 199,045,000 | 5,480,000 |
| Premium | 29,544,834 | - | 2,230,515 | 27,314,319 | 2,230,515 |
| Measure G (2018) | | | | | |
| Construction bonds payable | 28,205,000 | 151,800,000 | 21,855,000 | 158,150,000 | 28,510,000 |
| Premium | 2,533,086 | 7,463,104 | 443,812 | 9,552,378 | 443,812 |
| Limited Obligation Bonds | | | | | |
| Other postemployment benefits (OPEB) bonds payable | 128,004,632 | - | 6,082,979 | 121,921,653 | 6,771,611 |
| Accreted interest | 99,180,853 | 7,981,551 | 4,494,418 | 102,667,986 | 4,494,418 |
| Other long-term obligations | | | | | |
| Claims liability | 5,383,381 | - | 2,738,213 | 2,645,168 | - |
| Compensated absences | 9,347,679 | - | 1,780,935 | 7,566,744 | - |
| Load banking | 2,166,010 | 29,851 | - | 2,195,861 | - |
| Medicare premium payment plan | 529,397 | - | 107,498 | 421,899 | - |
| Net OPEB liability | 202,065,486 | - | 43,306,170 | 158,759,316 | - |
| Net Pension liability | 91,167,952 | 55,439,602 | - | 146,607,554 | - |
| Total long-term obligation | <u>\$ 988,999,457</u> | <u>\$ 222,714,108</u> | <u>\$ 137,947,657</u> | <u>\$ 1,073,765,908</u> | <u>\$ 59,672,895</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – LONG-TERM OBLIGATIONS, continued

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 0.1300%. 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.

The District has had five 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, 2023 |
|--|------------|---------------|---------------|----------------|------------------------------------|
| 2014A Refunding | 8/21/2014 | 8/1/2035 | 2.00-5.00% | \$ 127,505,000 | \$ 93,010,000 |
| 2014B Refunding | 8/21/2014 | 8/1/2032 | 2.00-5.00% | \$ 30,220,000 | 12,510,000 |
| 2020 Refunding | 5/27/2020 | 8/1/2031 | 5.00% | \$ 19,550,000 | 15,775,000 |
| 2022 Refunding | 11/10/2022 | 7/31/2034 | 5.00% | \$ 31,800,000 | 31,800,000 |
| Total Measure E (2000) | | | | | <u>153,095,000</u> |
| 2016D | 6/16/2016 | 8/1/2039 | 3.50% | \$ 50,000,000 | 50,000,000 |
| 2016A Refunding | 6/16/2016 | 8/1/2039 | 3.00-5.00% | \$ 107,825,000 | 97,810,000 |
| 2020E-1 | 5/22/2020 | 8/1/2030 | 5.00% | \$ 53,625,000 | 51,235,000 |
| Total Measure A (2006) | | | | | <u>199,045,000</u> |
| 2020A | 5/22/2020 | 8/1/2050 | 5.00% | \$ 50,000,000 | 6,350,000 |
| 2022 Series B | 11/10/2022 | 7/31/1952 | 5.00% | \$ 120,000,000 | 120,000,000 |
| Total Measure G (2018) | | | | | <u>126,350,000</u> |
| Total General Obligation Bonds Payable | | | | | <u>\$ 478,490,000</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – LONG-TERM OBLIGATIONS, continued

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 E) held within the District. The annual debt service requirement to maturity for the general obligation bonds are as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------|---------------|----------------|
| 2024 | \$ 10,290,000 | \$ 5,629,725 | \$ 15,919,725 |
| 2025 | 10,760,000 | 5,163,275 | 15,923,275 |
| 2026 | 10,330,000 | 4,625,275 | 14,955,275 |
| 2027 | 10,605,000 | 4,108,775 | 14,713,775 |
| 2028 | 11,140,000 | 3,578,525 | 14,718,525 |
| 2029 - 2033 | 59,570,000 | 9,328,325 | 68,898,325 |
| 2034 - 2035 | 8,600,000 | 663,475 | 9,263,475 |
| Total | \$ 121,295,000 | \$ 33,097,375 | \$ 154,392,375 |

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 \$19,856,147 which are amortized using the straight-line method. Amortization of \$1,666,430 was recognized during the fiscal year ended June 30, 2023, 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.

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:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------|---------------|----------------|
| 2024 | \$ 5,480,000 | \$ 8,946,225 | \$ 14,426,225 |
| 2025 | 6,705,000 | 8,672,225 | 15,377,225 |
| 2026 | 8,045,000 | 8,336,975 | 16,381,975 |
| 2027 | 9,485,000 | 7,934,725 | 17,419,725 |
| 2028 | 11,010,000 | 7,493,225 | 18,503,225 |
| 2029 - 2033 | 47,625,000 | 28,775,125 | 76,400,125 |
| 2034 - 2038 | 72,135,000 | 17,124,925 | 89,259,925 |
| 2039 - 2040 | 38,560,000 | 2,344,400 | 40,904,400 |
| Total | \$ 199,045,000 | \$ 89,627,825 | \$ 288,672,825 |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – LONG-TERM OBLIGATIONS, continued

Proposition 39 General Obligation Bonds - Measure A (2006), 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 \$29,544,834 which are amortized using the straight-line method. Amortization of \$2,230,515 was recognized during the fiscal year ended June 30, 2023, 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.

Proposition 39 General Obligation Bonds - Measure G (2018)

On November 16, 2018, \$800 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:

| Fiscal Year | Principal | Interest | Total |
|-------------|--------------|--------------|---------------|
| 2024 | \$ - | \$ 190,500 | \$ 190,500 |
| 2025 | - | 190,500 | 190,500 |
| 2026 | - | 190,500 | 190,500 |
| 2027 | - | 190,500 | 190,500 |
| 2028 | - | 190,500 | 190,500 |
| 2029 - 2033 | - | 952,500 | 952,500 |
| 2034 - 2038 | - | 952,500 | 952,500 |
| 2039 - 2043 | - | 952,500 | 952,500 |
| 2044 - 2048 | - | 952,500 | 952,500 |
| 2049 - 2051 | 6,350,000 | 470,250 | 6,820,250 |
| Total | \$ 6,350,000 | \$ 5,232,750 | \$ 11,582,750 |

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 \$2,533,086 which are amortized using the straight-line method. Amortization of \$87,971 was recognized during the fiscal year ended June 30, 2023, which includes premiums recognized for the refunded portion of bonds.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – LONG-TERM OBLIGATIONS, continued

Proposition 39 General Obligation Bonds - Measure G (2022) & Measure E (2000)

On November 10, 2022, \$120 million in general obligation bonds and \$31.8 million of refunding bonds were authorized under the 2018 Measure G and 2000 Measure E issuances held within the District.

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

| Fiscal Year | Principal | Interest | Total |
|-------------|-----------------------|----------------------|-----------------------|
| 2024 | \$ 28,510,000 | \$ 7,118,150 | \$ 35,628,150 |
| 2025 | 24,875,000 | 5,783,525 | 30,658,525 |
| 2026 | 3,465,000 | 5,075,025 | 8,540,025 |
| 2027 | 3,370,000 | 4,904,150 | 8,274,150 |
| 2028 | 3,435,000 | 4,734,025 | 8,169,025 |
| 2029 - 2033 | 22,645,000 | 20,187,375 | 42,832,375 |
| 2034 - 2038 | 15,820,000 | 15,872,750 | 31,692,750 |
| 2039 - 2043 | 15,000,000 | 12,293,250 | 27,293,250 |
| 2044 - 2048 | - | 9,537,000 | 9,537,000 |
| 2049 - 2051 | 34,680,000 | 6,028,552 | 40,708,552 |
| | <u>\$ 151,800,000</u> | <u>\$ 91,533,802</u> | <u>\$ 243,333,802</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 \$7,463,104 which are amortized using the straight-line method. Amortization of \$355,841 was recognized during the fiscal year ended June 30, 2023, which includes premiums recognized for the refunded portion of bonds.

NOTE 11 – 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 THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – 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 7.309% 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 total debt service on all outstanding OPEB bonds mature through 2050 as follows:

| Fiscal Year | Principal | Accreted Interest | Interest | Total |
|-----------------------|----------------|-------------------|---------------|----------------|
| 2024 | \$ 6,771,611 | \$ 4,966,804 | \$ 4,330,958 | \$ 16,069,373 |
| 2025 | 7,682,241 | 5,358,210 | 3,635,676 | 16,676,127 |
| 2026 | 7,807,999 | 4,278,470 | 4,413,301 | 16,499,770 |
| 2027 | 5,891,604 | 5,426,901 | 5,238,238 | 16,556,743 |
| 2028 | 6,851,403 | 5,769,138 | 4,550,687 | 17,171,228 |
| 2029 - 2033 | 38,301,751 | 32,730,479 | 16,449,002 | 87,481,232 |
| 2034 - 2038 | 15,167,614 | 41,456,807 | 15,433,696 | 72,058,117 |
| 2039 - 2043 | 12,311,177 | 41,235,885 | 23,840,558 | 77,387,620 |
| 2044 - 2048 | 13,833,771 | 57,872,493 | 19,137,758 | 90,844,022 |
| 2049 - 2050 | 7,302,482 | 31,013,613 | 1,950,894 | 40,266,990 |
| | 121,921,653 | 230,108,800 | 98,980,768 | 451,011,222 |
| Accumulated Accretion | 102,667,986 | (102,667,986) | - | - |
| | \$ 224,589,639 | \$ 127,440,814 | \$ 98,980,768 | \$ 451,011,222 |

Other Postemployment Benefits Letter of Credit

In August 2020, the District converted \$43,175,000 of the Series B-3 Convertible Auction Rate Securities (CARS) to variable rate bonds with an LOC from Barclays Bank. As of June 30, 2023, 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 THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

For the fiscal year ended June 30, 2023, the District reported an aggregate net OPEB liability, deferred outflows, and inflows of resources, and OPEB expense for the following plans:

| OPEB Plan | Net OPEB Liability (Asset) | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---------------------------|-------------------------------|-----------------------------------|----------------------------------|-----------------|
| District Plan - Pre-2004 | \$ 137,314,369 | \$ - | \$ - | \$ (43,429,088) |
| District Plan - Post-2004 | 21,444,947 | 2,608,519 | 4,240,554 | 2,216,237 |
| MPP Program | 421,899 | - | - | (107,498) |
| Total | \$ 159,181,215 | \$ 2,608,519 | \$ 4,240,554 | \$ (41,320,349) |

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:

| | Number of Participants |
|---------------------------------------|---------------------------|
| Inactive Employees Receiving Benefits | 579 |
| Active Employees | 147 |
| | 726 |

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 \$9,716,420 to the Plan, all of which was used for current premiums.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS, continued

Funding Policy

District maintains an OPEB Lifetime Revocable Trust to designate resources for retiree health care costs. As described in Note 11, the District issued limited obligation bonds and other postemployment benefit bonds to pay certain health care benefits for certain retired District employee. Proceeds from the limited obligation bonds are invested and maintained in the OPEB Lifetime Revocable Trust. Earnings are used to pay for pay as you go benefits. Committed resources in the fund totaled \$181,962,886 at June 30, 2023

Total OPEB Liability of the District

The District's total OPEB liability of \$137,314,369 as measured as of June 30, 2023, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---------------------------------|
| Valuation date | June 30, 2023 |
| Measurement date | June 30, 2023 |
| Actuarial cost methods | Entry-age actuarial cost method |
| Inflation rate | 2.50% |
| Investment rate of return | 3.65% |
| Health care cost trend rate | 4.00% |
| Payroll increase | 2.75% |

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.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS, continued

Changes in the Total OPEB Liability

| | Increase/(Decrease) | | |
|---------------------------|-------------------------|---------------------------------|-----------------------|
| | Total OPEB Liability | Total Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (a) - (b) |
| Balance July 1, 2022 | \$ 180,743,457 | \$ - | \$ 180,743,457 |
| Changes for the year: | | | |
| Service cost | 2,340,798 | - | 2,340,798 |
| Interest on TOL | 6,267,770 | - | 6,267,770 |
| Employer contributions | - | 9,716,420 | (9,716,420) |
| Assumption changes | (1,877,970) | - | (1,877,970) |
| Experience (gains)/losses | (40,443,266) | - | (40,443,266) |
| Benefit payments | (9,716,420) | (9,716,420) | - |
| Net change | (43,429,088) | - | (43,429,088) |
| Balance June 30, 2023 | \$ 137,314,369 | \$ - | \$ 137,314,369 |

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 3.54% to 3.65% since the previous valuation.

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

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

| | Discount Rate 1% Lower (2.65%) | Discount Rate (3.65%) | Discount Rate 1% Higher (4.65%) |
|--------------------|---|-----------------------------|--|
| Net OPEB liability | \$ 153,229,998 | \$ 137,314,369 | \$ 123,971,633 |

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:

| | Trend Rate 1% Lower (3.00%) | Healthcare Cost Trend Rate (4.00%) | Trend Rate 1% Higher (5.00%) |
|--------------------|-----------------------------------|---|------------------------------------|
| Net OPEB liability | \$ 122,945,123 | \$ 137,314,369 | \$ 154,451,744 |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS, continued

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, 2023, the Plan membership consists of the following:

| | Number of Participants |
|---------------------------------------|---------------------------|
| Inactive Employees Receiving Benefits | 14 |
| Active Employees | 612 |
| | <u>626</u> |

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 \$689,472 to the Plan, which was used for current premiums.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS, continued

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.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 9.78%. 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 \$21,444,947 was measured as of June 30, 2023, and the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

| | |
|--|----------------------|
| Total OPEB liability | \$ 22,703,214 |
| Plan fiduciary net position | 1,258,267 |
| District's net OPEB liability | <u>\$ 21,444,947</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.54% |

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---------------------------------|
| Valuation date | June 30, 2023 |
| Measurement date | June 30, 2023 |
| Actuarial cost methods | Entry-age actuarial cost method |
| Inflation rate | 2.50% |
| Investment rate of return | 4.14% |
| Health care cost trend rate | 4.00% |
| Payroll increase | 2.75% |

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 THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS, 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, 2023, (see the discussion of the Plan's investment policy) are summarized herein.

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------|------------------|--|
| US Large Cap | 29% | 7.55% |
| US Small Cap | 13% | 7.55% |
| All Foreign Stock | 9% | 7.55% |
| Other Fixed Income | 49% | 3.00% |

Discount Rate

The discount rate used to measure the total OPEB liability was 4.14%. 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, 2023 and the rate was rounded to 4.14%. The municipal bond rate beyond 19 years resulted in an equivalent valuation rate of 3.65% applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability of the District

| | Increase/(Decrease) | | |
|----------------------------|-----------------------------|-------------------------------------|---------------------------------|
| | Total OPEB Liability (a) | Total Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance July 1, 2022 | \$ 22,468,231 | \$ 1,146,202 | \$ 21,322,029 |
| Changes for the year: | | | |
| Service cost | 2,157,664 | - | 2,157,664 |
| Interest on TOL | 942,014 | - | 942,014 |
| Employer contributions | - | 689,472 | (689,472) |
| Assumption changes | 873,215 | - | 873,215 |
| Expected investment income | - | 65,863 | (65,863) |
| Experience (gains)/losses | (3,048,438) | - | (3,048,438) |
| Investment (gains)/losses | - | 47,729 | (47,729) |
| Administrative expense | - | (1,527) | 1,527 |
| Benefit payments | (689,472) | (689,472) | - |
| Net change | 234,983 | 112,065 | 122,918 |
| Balance June 30, 2023 | \$ 22,703,214 | \$ 1,258,267 | \$ 21,444,947 |

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

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – 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 4.06% to 4.14% 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:

| | Discount Rate 1% Lower (3.14%) | Discount Rate (4.14%) | Discount Rate 1% Higher (5.14%) |
|--------------------|---|-----------------------------|--|
| Net OPEB liability | \$ 23,297,930 | \$ 21,444,947 | \$ 19,719,959 |

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:

| | Trend Rate 1% Lower (3.00%) | Healthcare Cost Trend Rate (4.00%) | Trend Rate 1% Higher (5.00%) |
|--------------------|-----------------------------------|---|------------------------------------|
| Net OPEB liability | \$ 18,706,053 | \$ 21,444,947 | \$ 24,673,027 |

Deferred Outflows and Inflows of Resources Related to OPEB

Deferred outflows of resources result 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 result 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.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between projected and actual earnings on plan investments | \$ 57,876 | \$ - |
| Differences between expected and actual experience | 168,175 | 4,064,577 |
| Change in assumptions | 2,382,468 | 175,977 |
| | <u>\$ 2,608,519</u> | <u>\$ 4,240,554</u> |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS, continued

Deferred Outflows and Inflows of Resources Related to OPEB (Continued)

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------|--|
| 2024 | \$ (125,819) |
| 2025 | (128,176) |
| 2026 | (97,165) |
| 2027 | (149,072) |
| 2028 | (139,527) |
| Thereafter | (992,276) |
| | \$ (1,632,035) |

NOTE 13 – 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, 2023, the 2005 Series B-3 through B-6 has a fair market value of (\$16,891,002). The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed rate of 5.279%, 5.207%, 5.055%, and 4.935%, 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, 2023, the District was not exposed to credit risk because the swap had a negative fair value. Ongoing swap risks exist 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 – INTEREST RATE SWAPS, continued

Derivative Instrument Types

Hedge Effectiveness - As of June 30, 2023, the interest rate swaps, B-3 through B-6, are considered to be effective hedging derivative instruments and are identified above as fair value hedges, change in market values are shown as deferred cash out flows on the statement of net position. The District used the dollar-offset method to evaluate hedge effectiveness for the interest rate swaps. This method evaluates the effectiveness of a hedge transaction by dividing changes in the fair values or cash flows of the hedged item with those of the potential hedging derivative instrument, or vice versa.

Fair Values

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

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

| Trade Date | Effective Date | Maturity Date | Currency | Original Notational Amount | Market Value | Fixed Rate |
|-------------------|----------------|----------------|----------|----------------------------|--------------|------------|
| November 28, 2006 | August 5, 2020 | August 5, 2025 | USD | \$ 43,175,000 | \$ (78,107) | 5.279% |
| November 28, 2006 | August 5, 2025 | August 5, 2031 | USD | 57,525,000 | (3,320,358) | 5.207% |
| November 28, 2006 | August 5, 2031 | August 5, 2039 | USD | 86,650,000 | (4,849,786) | 5.055% |
| November 28, 2006 | August 5, 2039 | August 5, 2049 | USD | 134,475,000 | (8,644,930) | 4.935% |

NOTE 14 – 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, 2023, 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, 2021 to June 30, 2023:

| | |
|-------------------------------------|--------------------------|
| | Workers' Compensation |
| Liability Balance - July 1, 2020 | \$ 3,951,000 |
| Net Claims and Changes in Estimates | 2,325,862 |
| Claims Payments | (893,481) |
| Liability Balance - June 30, 2021 | 5,383,381 |
| Net Claims and Changes in Estimates | (884,138) |
| Claims Payments | (1,854,075) |
| Liability Balance - June 30, 2022 | \$ 2,645,168 |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 – RISK MANAGEMENT, continued

Employee Medical Benefits

The District has contracted with the Alameda County Schools Insurance Group (ACSIG) Joint Powers Authority (JPA) to provide employees with 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 15 – 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, 2023, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Collective Net Pension Liability | Collective Deferred Outflows of Resources | Collective Deferred Inflows of Resources | Collective Pension Expense |
|--------------|----------------------------------|---|--|----------------------------|
| CalSTRS | \$ 59,298,841 | \$ 17,658,010 | \$ 12,038,341 | \$ 5,127,501 |
| CalPERS | 87,308,713 | 29,255,089 | 3,563,787 | 11,008,819 |
| Total | \$ 146,607,554 | \$ 46,913,099 | \$ 15,602,128 | \$ 16,136,320 |

California State Teachers’ Retirement System (CALSTRS)

Plan Description

The District contributes to the State Teachers’ Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing 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.

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 non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – EMPLOYEE RETIREMENT SYSTEMS, continued

Benefits Provided

The STRP provisions and benefits in effect on June 30, 2023, are summarized as follows:

| | STRP Defined Benefit Plan | |
|---|---------------------------|--------------------|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 19.10% | 19.10% |
| Required state contribution rate | 10.828% | 10.828% |

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. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were \$10,736,002.

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

At June 30, 2023, 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:

| | |
|--|----------------------|
| District's proportionate share of the net pension liability | \$ 59,298,841 |
| State's proportionate share of the net pension liability associated with the District | 29,697,033 |
| Total | <u>\$ 88,995,874</u> |

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.0853% and 0.0875%, respectively, resulting in a net decrease in the District's proportionate share by 0.0022%.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

For the year ended June 30, 2023, the District recognized pension expense of \$5,127,501. In addition, the District recognized pension expense and revenue of (\$2,221,102) for support provided by the State. At June 30, 2023, 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 |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on plan investments | \$ - | \$ 2,901,704 |
| Differences between expected and actual experience | 48,643 | 4,445,446 |
| Changes in assumptions | 2,938,597 | - |
| Net changes in proportionate share of net pension liability | 3,934,768 | 4,691,191 |
| District contributions subsequent to the measurement date | 10,736,002 | - |
| Total | \$ 17,658,010 | \$ 12,038,341 |

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

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------|--|
| 2024 | \$ (384,025) |
| 2025 | (3,046,292) |
| 2026 | (4,819,744) |
| 2027 | 3,952,376 |
| 2028 | (614,687) |
| Thereafter | (203,961) |
| | \$ (5,116,333) |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Experience study | July 1, 2015, through June 30, 2018 |
| 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% |

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 investment staff and investment consultants and adopted by the CalSTRS Board in January 2020. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-term Expected Real Rate of Return* |
|----------------------------|--------------------------|---|
| Public Equity | 42% | 4.8% |
| Real Estate | 15% | 3.6% |
| Private Equity | 13% | 6.3% |
| Fixed Income | 12% | 1.3% |
| Risk Mitigating Strategies | 10% | 1.8% |
| Inflation Sensitive | 6% | 3.3% |
| Cash/Liquidity | 2% | -0.4% |
| | 100% | |

*20-year average

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – 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:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's net pension liability | \$ 100,711,426 | \$ 59,298,841 | \$ 24,913,945 |

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2022, CalSTRS completed an experience study for the period starting July 1, 2015 and ending June 30, 2018. The experience study was adopted by the CaSTRS Board in January 2020. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including termination rates and service rates.

California Public Employees’ Retirement System (CALPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Law.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – 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, 2023 are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.000% | 7.000% |
| Required employer contribution rate | 25.370% | 25.370% |

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, 2023, are presented above, and the total District contributions were \$10,645,599.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$87,308,713. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.2537% and 0.2525%, respectively, resulting in a net increase in the proportionate share of 0.0012.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

For the year ended June 30, 2023, the District recognized pension expense of \$11,008,819. At June 30, 2023, 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 |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on plan investments | \$ 10,308,784 | \$ - |
| Differences between expected and actual experience | 394,585 | 2,172,353 |
| Changes in assumptions | 6,458,602 | - |
| Net changes in proportionate share of net pension liability | 1,447,519 | 1,391,434 |
| District contributions subsequent to the measurement date | 10,645,599 | - |
| Total | \$ 29,255,089 | \$ 3,563,787 |

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 expenses.

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:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------|--|
| 2024 | \$ 3,309,787 |
| 2025 | 2,776,821 |
| 2026 | 2,588,573 |
| 2027 | 6,370,522 |
| | \$ 15,045,703 |

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Experience study | July 1, 1997, through June 30, 2015 |
| Actuarial cost method | Entry Age Normal |
| Discount rate | 6.90% |
| Investment rate of return | 6.90% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and service |

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. 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:

| Asset Class* | Assumed Asset Allocation | Real Return Years 1 - 10** |
|--------------------------------|--------------------------|----------------------------|
| Global Equity - cap-weighted | 30% | 4.45% |
| Global Equity non-cap-weighted | 12% | 3.84% |
| Private Equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-backed Securities | 5% | 0.50% |
| Investment Grade Corporates | 10% | 1.56% |
| High Yield | 5% | 2.27% |
| Emerging Market Debt | 5% | 2.48% |
| Private Debt | 5% | 3.57% |
| Real Assets | 15% | 3.21% |
| Leverage | -5% | -0.59% |
| | 100% | |

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 – EMPLOYEE RETIREMENT SYSTEMS, continued

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's net pension liability | \$ 126,121,858 | \$ 87,308,713 | \$ 55,231,075 |

NOTE 16 – 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 17 – COMMITMENTS 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, 2023.

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, 2023.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 17 – COMMITMENTS AND CONTINGENCIES, continued

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. A formal agreement has not yet been finalized as to the actual mitigation project parameters. The funds that have been set aside are from general obligation bonds sold specifically for the construction of the Berkeley City College Campus.

Construction Commitments

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

NOTE 18 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUES, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2023, 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. 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. The District has implemented this standard as of June 30, 2023.

Statement No. 92 – Omnibus 2020

The objectives of the statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics. Some requirements are effective upon issuance of the statement and for other requirements the effective date has been postponed to fiscal year 2022-23. The District has implemented this standard as of June 30, 2023.

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 statement effective date was postponed to fiscal year 2022-23. The District has implemented this standard as of June 30, 2023.

Statement No. 94 – Public-Private and 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 fiscal year 2022-23. The District has implemented this standard as of June 30, 2023.

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 18 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUES, NOT YET EFFECTIVE, continued

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). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The statement is effective for fiscal year 2022-23. The District has implemented this standard as of June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 19 – PRIOR PERIOD ADJUSTMNET

The District’s beginning fund balance decreased by \$100,016 in the General Fund due to District identified adjustments.

REQUIRED SUPPLEMENTARY INFORMATION

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023**

| | Pre-2004 Employees | | | | | |
|---|---------------------|----------------|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total OPEB liability | | | | | | |
| Service cost | \$ 2,340,798 | \$ 4,155,000 | \$ 4,001,535 | \$ 4,055,775 | \$ 3,659,580 | \$ 3,561,635 |
| Interest | 6,267,770 | 4,905,933 | 6,002,951 | 6,770,128 | 6,529,779 | 7,061,221 |
| Assumption changes | (1,877,970) | (29,815,613) | 1,150,570 | 40,557,472 | 6,705,116 | - |
| Experience gains/losses | (40,443,266) | (18,195,233) | - | (7,086,262) | - | - |
| Benefit payments | (9,716,420) | (10,711,357) | (10,312,820) | (10,277,949) | (10,172,935) | (9,781,668) |
| Net change in total OPEB liability | (43,429,088) | (49,661,270) | 842,236 | 34,019,164 | 6,721,540 | 841,188 |
| Total OPEB liability, beginning of year | 180,743,457 | 230,404,727 | 230,562,491 | 196,543,327 | 189,821,787 | 188,980,599 |
| Total OPEB liability, end of year (a) | \$ 137,314,369 | \$ 180,743,457 | \$ 231,404,727 | \$ 230,562,491 | \$ 196,543,327 | \$ 189,821,787 |
| Plan fiduciary net position | | | | | | |
| Employer contributions | \$ 9,716,420 | \$ 10,711,357 | \$ 10,312,820 | \$ 10,277,949 | \$ 10,172,935 | \$ 9,781,668 |
| Expected benefit payments | (9,716,420) | (10,711,357) | (10,312,820) | (10,277,949) | (10,172,935) | (9,781,668) |
| Change in plan fiduciary net position | - | - | - | - | - | - |
| Fiduciary trust net position, beginning of year | - | - | - | - | - | - |
| Fiduciary trust net position, end of year (b) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net OPEB liability (asset), ending (a) - (b) | \$ 137,314,369 | \$ 180,743,457 | \$ 231,404,727 | \$ 230,562,491 | \$ 196,543,327 | \$ 189,821,787 |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | N/A | N/A | N/A | N/A | N/A | N/A |
| Net OPEB asset as a percentage of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| | Post-2004 Employees | | | | | |
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total OPEB liability | | | | | | |
| Service cost | \$ 2,157,664 | \$ 1,930,974 | \$ 1,706,112 | \$ 2,031,290 | \$ 1,850,993 | \$ 1,801,453 |
| Interest | 942,014 | 869,728 | 862,327 | 1,055,715 | 862,139 | 767,563 |
| Assumption changes | 873,215 | 302,323 | 1,129,328 | (243,017) | 637,838 | - |
| Experience gains/losses | (3,048,438) | 197,173 | - | (1,717,403) | - | - |
| Benefit payments | (689,472) | (661,321) | (523,812) | (425,856) | (311,092) | (299,127) |
| Net change in total OPEB liability | 234,983 | 2,638,877 | 3,173,955 | 700,729 | 3,039,878 | 2,269,889 |
| Total OPEB liability, beginning of year | 22,468,231 | 19,829,354 | 16,655,399 | 15,954,670 | 12,914,792 | 10,644,903 |
| Total OPEB liability, end of year (a) | \$ 22,703,214 | \$ 22,468,231 | \$ 19,829,354 | \$ 16,655,399 | \$ 15,954,670 | \$ 12,914,792 |
| Plan fiduciary net position | | | | | | |
| Employer contributions | \$ 689,472 | \$ 661,321 | \$ 523,812 | \$ 425,856 | \$ 1,311,092 | \$ - |
| Expected investment income | 65,863 | 80,235 | 155,065 | 66,148 | 51,420 | - |
| Investment gains/losses | 47,729 | (259,548) | 69,489 | (11,801) | - | - |
| Administrative expense | (1,527) | (1,365) | (1,347) | (1,276) | (818) | - |
| Expected benefit payments | (689,472) | (661,321) | (523,812) | (425,856) | (311,092) | (299,127) |
| Other | - | - | - | - | - | - |
| Change in plan fiduciary net position | 112,065 | (180,678) | 223,207 | 53,071 | 1,050,602 | (299,127) |
| Fiduciary trust net position, beginning of year | 1,146,202 | 1,326,880 | 1,103,673 | 1,050,602 | - | - |
| Fiduciary trust net position, end of year (b) | \$ 1,258,267 | \$ 1,146,202 | \$ 1,326,880 | \$ 1,103,673 | \$ 1,050,602 | \$ (299,127) |
| Net OPEB liability (asset), ending (a) - (b) | \$ 21,444,947 | \$ 21,322,029 | \$ 18,502,474 | \$ 15,551,726 | \$ 14,904,068 | \$ 13,213,919 |
| Covered payroll | \$ 83,671,798 | \$ 77,782,530 | \$ 72,071,286 | \$ 35,000,000 | \$ 35,360,298 | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 5.54% | 5.10% | 6.69% | 6.63% | 6.58% | N/A |
| Net OPEB asset as a percentage of covered payroll | 26% | 27% | 26% | 44% | 42% | N/A |

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively.

**PERALTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF OPEB INVESTMENT RETURNS
 FOR THE YEAR ENDED JUNE 30, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-------|---------|--------|-------|-------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | 9.78% | -13.62% | 23.56% | 9.76% | 9.76% |

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –
MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023**

| | Measurement Date | | | | | |
|--|------------------|---------------|---------------|---------------|---------------|---------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| District's proportion of the net OPEB liability | 0.128% | 0.133% | 0.130% | 0.136% | 0.145% | 0.153% |
| District's Proportionate Share of the Net OPEB Liability/(Asset) | \$ 421,899 | \$ 529,397 | \$ 550,921 | \$ - | \$ - | \$ - |
| District's Covered-Employee Payroll | N/A* | N/A* | N/A* | N/A* | N/A* | N/A* |
| Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll | N/A* | N/A* | N/A* | N/A* | N/A* | N/A* |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability | -0.94% | -0.80% | -0.80% | -0.80% | -0.40% | 0.01% |

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

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

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

| | Reporting Fiscal Year (Measurement Date) | | | | |
|---|---|----------------|----------------|----------------|----------------|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) |
| CalSTRS | | | | | |
| District's proportion of the net pension liability | 0.0853% | 0.0875% | 0.0870% | 0.0880% | 0.0916% |
| District's proportionate share of the net pension liability | \$ 59,298,841 | \$ 39,831,972 | \$ 84,310,830 | \$ 79,478,080 | \$ 84,224,453 |
| State's proportionate share of the net pension liability associated with the District | 29,697,033 | 20,042,321 | 43,461,891 | 43,360,949 | 48,222,438 |
| Total | \$ 88,995,874 | \$ 59,874,293 | \$ 127,772,721 | \$ 122,839,029 | \$ 132,446,891 |
| District's covered - employee payroll | \$ 53,049,243 | \$ 50,390,847 | \$ 50,451,661 | \$ 49,877,764 | \$ 50,396,341 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 112% | 79% | 167% | 159% | 167% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 87% | 72% | 73% | 71% |

| | Reporting Fiscal Year (Measurement Date) | | | | |
|---|---|----------------|----------------|----------------|----------------|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) |
| CalPERS | | | | | |
| District's proportion of the net pension liability | 0.2537% | 0.2525% | 0.2464% | 0.2536% | 0.2847% |
| District's proportionate share of the net pension liability | \$ 87,308,713 | \$ 51,335,980 | \$ 75,603,099 | \$ 73,909,821 | \$ 84,224,453 |
| District's covered - employee payroll | \$ 39,195,928 | \$ 36,835,367 | \$ 35,511,983 | \$ 35,063,708 | \$ 37,694,952 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 223% | 139% | 213% | 211% | 201% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 81% | 70% | 70% | 71% |

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

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

| | Reporting Fiscal Year (Measurement Date) | | | |
|---|---|----------------|----------------|----------------|
| | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| CalSTRS | | | | |
| District's proportion of the net pension liability | 0.0906% | 0.0977% | 0.0977% | 0.0940% |
| District's proportionate share of the net pension liability | \$ 83,830,537 | \$ 79,009,663 | \$ 65,754,587 | \$ 54,918,256 |
| State's proportionate share of the net pension liability associated with the District | 49,593,437 | 44,978,792 | 34,776,928 | 33,162,014 |
| Total | \$ 133,423,974 | \$ 123,988,455 | \$ 100,531,515 | \$ 88,080,270 |
| District's covered - employee payroll | \$ 49,997,536 | \$ 49,324,706 | \$ 45,180,068 | \$ 39,942,761 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 168% | 160% | 146% | 137% |
| Plan fiduciary net position as a percentage of the total pension liability | 69% | 70% | 74% | 77% |
| | | | | |
| | Reporting Fiscal Year (Measurement Date) | | | |
| | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| CalPERS | | | | |
| District's proportion of the net pension liability | 0.2731% | 0.2700% | 0.2636% | 0.2533% |
| District's proportionate share of the net pension liability | \$ 73,830,537 | \$ 79,009,663 | \$ 38,855,675 | \$ 28,756,787 |
| District's covered - employee payroll | \$ 34,847,408 | \$ 32,908,677 | \$ 28,389,491 | \$ 26,884,113 |
| District's proportionate Share of the net pension liability as percentage of covered-employee payroll | 187% | 162% | 187% | 108% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 74% | 79% | 83% |

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

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

| CalSTRS | Reporting Fiscal Year | | | |
|---|-----------------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 7,272,192 | \$ 6,289,690 | \$ 5,292,541 | \$ 4,011,990 |
| District's contributions in relation to the statutorily required contribution | 7,272,192 | 6,289,690 | 5,292,541 | 4,011,990 |
| District's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 50,396,341 | \$ 49,997,536 | \$ 49,324,706 | \$ 45,180,068 |
| District's contributions as a percentage of covered-employee payroll | 14.43% | 12.58% | 10.73% | 8.88% |
| | | | | |
| CalPERS | Reporting Fiscal Year | | | |
| | 2018 | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 5,854,403 | \$ 4,839,608 | \$ 3,898,691 | \$ 3,341,727 |
| District's contributions in relation to the statutorily required contribution | 5,854,403 | 4,839,608 | 3,898,691 | 3,341,727 |
| District's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 37,694,952 | \$ 34,847,408 | \$ 32,908,677 | \$ 28,389,491 |
| District's contributions as a percentage of covered-employee payroll | 15.53% | 13.89% | 11.85% | 11.77% |

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

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Changes in the 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 have been 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 3.54% to 3.65% since the previous valuation.

DISTRICT PLAN - POST-2004

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

Changes of Assumptions - Changes of assumptions and other inputs reflect a change in the discount rate from 4.06% to 4.14% 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 2.16% to 3.54% since the previous valuation.

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

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the state's proportionate share of the net pension liability 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 in Assumptions – The discount rate decreased from 7.15% to 6.90% since the previous valuation for CalPERS. There have been no changes since the previous valuation for CalSTRS.

Schedule of District Contributions – 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
DISTRICT ORGANIZATION
JUNE 30, 2023**

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.

GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|----------------------------|-------------------------|---------------------|
| Mr. Bill Withrow | Trustee - Area 1 | 2024 |
| Ms. Paulina Gonzalez-Brito | Trustee - Area 2 | 2024 |
| Mr. Louis Quindlen | Vice-President - Area 3 | 2026 |
| Dr. Nicky Gonzalez Yuen | Trustee - Area 4 | 2024 |
| Ms. Cindi Reiss | Trustee - Area 5 | 2026 |
| Ms. Dyana Delfin Polk | President - Area 6 | 2024 |
| Ms. Sheweeet Yohannes | Trustee - Area 7 | 2026 |
| Ms. Natasha Masand | Student Trustee | 2023 |
| Ms. Naomi Vasquez | Student Trustee | 2023 |

DISTRICT ADMINISTRATION

| | |
|---|---|
| Dr. Jannett N. Jackson <i>Interim Chancellor</i> | |
| Dr. Stephanie Droker <i>Interim Deputy Chancellor/COO</i> | Dr. Nathaniel Jones, III <i>Interim Vice Chancellor of Finance and Administration</i> |
| Dr. Marla Williams-Powell <i>Interim Associate Vice Chancellor of Finance and Administration</i> | Dr. Ronald McKinley <i>Interim Vice Chancellor of Human Resources & Employee Relations</i> |
| Ms. Atheria Smith <i>Interim Vice Chancellor of General Services</i> | Mr. Antoine Mehouelley <i>Chief Technology & Information Systems Officer</i> |
| Tim Thomas <i>Executive Director of Public Safety</i> | Mr. Mark Johnson <i>Executive Director for Marketing, Communications,</i> |
| Dr. Denise (Cynthia) Richardson <i>President, Berkeley City College</i> | Dr. Diana Bajrami <i>Acting President, College of Alameda</i> |
| Dr. Rudy Besikof <i>President, Laney College</i> | Dr. David Johnson <i>President, Merritt College</i> |

AUXILIARY ORGANIZATIONS IN GOOD STANDING

| AUXILIARY NAME | 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
JUNE 30, 2023**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------------|--|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Direct Program</i> | | | |
| Student Financial Assistance Cluster | | | |
| Federal Pell Grant Program | 84.063 | [1] | \$ 17,790,090 |
| Federal Supplemental Educational Opportunity Grant (SEOG) | 84.007 | [1] | 2,045,656 |
| Federal Work Study (FWS) | 84.033 | [1] | 888,370 |
| Federal Direct Student Loan | 84.268 | [1] | 1,708,325 |
| Subtotal Student Financial Aid Cluster | | | 22,432,441 |
| COVID-19 HEERF III ARP - Institutional | 84.425F | n/a | 17,664,953 |
| COVID-19 HEERF III ARP - Minority Serving Institutions | 84.425L | n/a | 552,273 |
| Subtotal Higher Education Emergency Relief Fund | | | 18,217,226 |
| Research and Development Cluster | | | |
| Developing Hispanic-Serving Institutions Program - Title V | 84.031S | [1] | 22,680 |
| Hispanic-Serving Institutions | 84.031S | [1] | 1,436,933 |
| American and Native American Pacific Islander-Serving Institutions Co-Op | 84.031L | [1] | 293,445 |
| American and Native American Pacific Islander-Serving Institutions | 84.031L | [1] | 329,254 |
| <i>Passed through California Community Colleges Chancellor's Office</i> | | | |
| Career and Technical Education, Perkins IV, Title I-C | 84.048A | 18-C01-041 | 1,048,459 |
| <i>Passed through the California Department of Rehabilitation</i> | | | |
| State Vocational Rehabilitation Services - Workability | 84.126 | 30715 | 205,575 |
| College 2 Career Program | 84.126A | 30370 | 290,000 |
| Total U.S. Department of Education | | | 44,276,013 |
| NATIONAL SCIENCE FOUNDATION | | | |
| <i>Direct Program</i> | | | |
| Environmental Control Technology Education | 47.076 | [1] | 54,672 |
| HIS Pilot Project | 47.076 | [1] | 153,589 |
| Total National Science Foundation | | | 208,261 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed through California Community Colleges Chancellor's Office:</i> | | | |
| Temporary Assistance for Needy Families (TANF) Cluster | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | [1] | 149,388 |
| Total Department of Health and Human Services | | | 149,388 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Direct Program</i> | | | |
| USDA - National Institute of Food and Agriculture | 10.031 | n/a | 103,747 |
| Total U.S. Department of Agriculture | | | 103,747 |
| U.S. DEPARTMENT OF LABOR | | | |
| <i>Passed through the Alameda County Workforce Development Board</i> | | | |
| Workforce Innovation and Opportunity Act (WIOA) Cluster | | | |
| DOL - Strengthening CC Training | 17.258 | 17372 | 210,000 |
| Total US Department of Labor | | | 210,000 |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICES (CNCS) | | | |
| <i>Direct Program</i> | | | |
| AmeriCorps National Service Awards | 94.006 | n/a | 11,807 |
| Total Corporation for National and Community Services (CNCS) | | | 11,807 |
| Total Federal Programs | | | \$ 44,959,216 |

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
JUNE 30, 2023**

| | Program Revenues | | | Total Revenue | Program Expenditures |
|--------------------------------------|------------------|-----------------------------------|---------------------|------------------|-------------------------|
| | Cash Received | Accounts Receivable (Payables) | Unearned Revenue | | |
| Strong Workforce Regional | \$ 1,594,775 | \$ - | \$ 213,274 | \$ 1,381,501 | \$ 1,381,501 |
| Alameda County Department | 4,786 | - | 2,988 | 1,798 | 1,798 |
| Instructional Equipment | 173,586 | 814,957 | - | 988,543 | 988,543 |
| Staff Diversity | 217,955 | - | 118,172 | 99,783 | 99,783 |
| CARE | 885,816 | - | 200,234 | 685,582 | 685,582 |
| EOPS | 4,319,741 | - | 795,707 | 3,524,034 | 3,524,034 |
| SFAA/BFAP | 1,147,458 | 185,707 | - | 1,333,165 | 1,333,165 |
| DSPS | 4,961,672 | - | 380,007 | 4,581,665 | 4,581,665 |
| Deputy Sector Navigator Grant | 92,400 | 103,432 | - | 195,832 | 195,832 |
| CalWORKs | 1,228,875 | - | 423,336 | 805,539 | 805,539 |
| Nextup | 1,410,717 | - | 396,654 | 1,014,063 | 1,014,063 |
| Nursing Enrollment Growth | 139,204 | - | 60,025 | 79,179 | 79,179 |
| Lottery-Restricted | 4,119,687 | - | 3,384,051 | 735,636 | 735,636 |
| Career Ladders Project | 3,253 | - | 1,615 | 1,638 | 1,638 |
| CTE Community Collaborative | 6,995 | - | 6,995 | - | - |
| Adult Education Block Grant | 9,263,123 | - | 396,850 | 8,866,273 | 8,866,273 |
| Cal Grant | 2,810,513 | 49,308 | - | 2,859,821 | 2,859,821 |
| 2017-18 Financial Aid | 31,500 | - | 31,500 | - | - |
| CIRM - California Institute | 624,342 | - | 176,069 | 448,273 | 448,273 |
| California Apprenticeship Init | 124,959 | - | 36,744 | 88,215 | 88,215 |
| Apprenticeship Program | 28,438 | - | 28,438 | - | - |
| Strong Workforce Program | 5,764,430 | - | 3,520,824 | 2,243,606 | 2,243,606 |
| CTE Unlocked | 98,401 | - | 76,401 | 22,000 | 22,000 |
| AB 798 Textbook Affordability | 13,225 | - | 13,225 | - | - |
| Institutional Effectiveness | 19,393 | - | 19,393 | - | - |
| Basic Skills Partnership Pilot | 28,686 | 2,359 | - | 31,045 | 31,045 |
| Zero Textbook Cost Degree | 14,849 | - | 14,849 | - | - |
| Zero Txtbk Cost Degree | 800,000 | - | 768,583 | 31,417 | 31,417 |
| Guided Pathways | 847,941 | 3,827 | - | 851,768 | 851,768 |
| Veterans Resource Center | 267,266 | - | 152,032 | 115,234 | 115,234 |
| California College Promise | 1,044,414 | - | 270,405 | 774,009 | 774,009 |
| Financial Aid Technology | 159,687 | - | 55,993 | 103,694 | 103,694 |
| Student Success Completion | 9,041,579 | - | 5,686,438 | 3,355,141 | 3,355,141 |
| Veteran Program | 271,645 | - | 271,645 | - | - |
| Guiding Reentry | 11,109 | - | 11,109 | - | - |
| SEA | 13,378,410 | - | 3,928,757 | 9,449,653 | 9,449,653 |
| Improving Online CTE Pathways | 417,732 | - | 417,732 | - | - |
| Teamsters Apprenticeship Program | 130,837 | 50,536 | - | 181,373 | 181,373 |
| Re-Entry Apprenticeships | 179,707 | - | 129,837 | 49,870 | 49,870 |
| Advanced Transportation | 30,626 | - | 30,626 | - | - |
| IEPI Grant | 400,000 | - | 396,301 | 3,699 | 3,699 |
| Disaster Relief Emg Student FA | 126,063 | - | 126,063 | - | - |
| Undocumented Resources Liaisons | 573,661 | - | 362,250 | 211,411 | 211,411 |
| Emergency Financial Assistance | 2,902,450 | - | 2,683,210 | 219,240 | 219,240 |
| CalFresh Outreach | 35,579 | - | 24,343 | 11,236 | 11,236 |
| Student Retention & Outreach | 4,299,772 | - | 3,001,221 | 1,298,551 | 1,298,551 |
| Veterans Program | - | 2,259 | - | 2,259 | 2,259 |
| Middle College High School Pro | 261,932 | 33,171 | - | 295,103 | 295,103 |
| Basic Needs Centers | 1,735,683 | - | 1,030,132 | 705,551 | 705,551 |
| Mental Health Support | 1,455,300 | - | 1,152,418 | 302,882 | 302,882 |
| Early Care and ED (ECEPTS) | 233,325 | - | 145,331 | 87,994 | 87,994 |
| Foundation for CA CC | 7,000 | - | 6,111 | 889 | 889 |
| LGBTQ+One-Time Funding | 262,381 | - | 236,533 | 25,848 | 25,848 |
| G0380 Rising Scholars Network | 166,000 | - | 42,324 | 123,676 | 123,676 |
| BACCC Regional Director | 174,170 | 23,872 | - | 198,042 | 198,042 |
| Culturally Competent Faculty P | 201,738 | - | 201,738 | - | - |
| EEO Best Practices | 286,083 | - | 286,083 | - | - |
| Library Services Platform | 54,053 | - | 44,576 | 9,477 | 9,477 |
| Students Food & Housing Suppor | 1,643,656 | - | 1,643,656 | - | - |
| R6 RJV Contract | - | 195,000 | - | 195,000 | 195,000 |
| CCAP Instructional Materials | 118,354 | - | 56,611 | 61,743 | 61,743 |
| COVID Recovery Block Grant | 8,842,125 | - | 4,725,024 | 4,117,101 | 4,117,101 |
| CA Student Aid Comm - CSAC | 3,685,591 | - | 3,685,302 | 289 | 289 |
| Learning Lab Grant | 24,884 | 27,363 | - | 52,247 | 52,247 |
| California Energy Commission | - | 60,649 | - | 60,649 | 60,649 |
| System wide Technology and Dat | 200,000 | - | 200,000 | - | - |
| Emergency FA Assistance Supple | 324,549 | - | 324,549 | - | - |
| Student Housing (Planning) | 440,000 | - | 299,500 | 140,500 | 140,500 |
| CSU East Bay Foundation (EMAP | - | 63,922 | - | 63,922 | 63,922 |
| Innovation & Effectiven Grant | 200,000 | - | 200,000 | - | - |
| Asian American Native Hawaiian | 602,788 | - | 602,788 | - | - |
| Chafee Grant | 10,000 | - | 10,000 | - | - |
| Local Systemwide & Technology | 540,000 | - | 540,000 | - | - |
| Child Care - Department of Education | 819,949 | - | - | 819,949 | 819,949 |
| Child Care - Tax Bailout | 476,662 | - | - | 476,662 | 476,662 |
| | \$ 96,813,480 | \$ 1,616,362 | \$ 44,046,572 | \$ 54,383,270 | \$ 54,383,270 |

See accompanying note to supplementary information.

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL
(ACTUAL) ATTENDANCE
JUNE 30, 2023**

| CATEGORIES | Reported Data | Audit Adjustments | Audited Data |
|---|------------------|----------------------|------------------|
| A. Summer Intersession (Summer 2022 only) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 85.78 | - | 85.78 |
| B. Summer Intersession (Summer 2023 - Prior to July 1, 2023) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 1,280.41 | - | 1,280.41 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 3,470.20 | - | 3,470.20 |
| (b) Daily Census Contact Hours | 477.21 | - | 477.21 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit | 93.61 | - | 93.61 |
| (b) Credit | 62.55 | - | 62.55 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 4,991.53 | - | 4,991.53 |
| (b) Daily Census Contact Hours | 2,213.76 | - | 2,213.76 |
| (c) Noncredit Independent Study/Distance Education Courses | 153.72 | - | 153.72 |
| D. Total FTES | 12,828.77 | - | 12,828.77 |
| Supplemental Information (subset of above information) | | | |
| E. In-service Training Courses | - | - | - |
| F. Basic Skills Courses and Immigrant Education | | | |
| 1. Credit | 362.46 | - | 362.46 |
| 2. Noncredit | 171.38 | - | 171.38 |
| Total Basic Skills FTES | 533.84 | - | 533.84 |
| <u>CCFS 320 Addendum</u> | | | |
| CDCP Noncredit FTES | 195.87 | - | 195.87 |

**PERALTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
JUNE 30, 2023**

| | Object/ TOP Codes | Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100 | | | 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 | \$ 24,817,309 | \$ - | \$ 24,817,309 | \$ 24,817,309 | \$ - | \$ 24,817,309 |
| Other | 1300 | 19,260,161 | - | 19,260,161 | 19,260,494 | - | 19,260,494 |
| Total Instructional Salaries | | 44,077,470 | - | 44,077,470 | 44,077,803 | - | 44,077,803 |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 13,519,665 | - | 13,519,665 |
| Other | 1400 | - | - | - | 1,574,691 | - | 1,574,691 |
| Total Non-Instructional Salaries | | - | - | - | 15,094,356 | - | 15,094,356 |
| Total Academic Salaries | | 44,077,470 | - | 44,077,470 | 59,172,159 | - | 59,172,159 |
| <u>Classified Salaries</u> | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 27,535,209 | - | 27,535,209 |
| Other | 2300 | - | - | - | 1,732,929 | - | 1,732,929 |
| Total Non-Instructional Salaries | | - | - | - | 29,268,138 | - | 29,268,138 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 1,972,225 | - | 1,972,225 | 1,839,035 | - | 1,839,035 |
| Other | 2400 | 432,498 | - | 432,498 | 501,539 | - | 501,539 |
| Total Instructional Aides | | 2,404,723 | - | 2,404,723 | 2,340,574 | - | 2,340,574 |
| Total Classified Salaries | | 2,404,723 | - | 2,404,723 | 31,608,712 | - | 31,608,712 |
| Employee Benefits | 3000 | 19,440,907 | - | 19,440,907 | 42,373,424 | - | 42,373,424 |
| Supplies and Materials | 4000 | - | - | - | 536,947 | - | 536,947 |
| Other Operating Expenses | 5000 | - | - | - | 1,766,870 | - | 1,766,870 |
| Equipment Replacement | 6420 | - | - | - | - | - | - |
| Total Expenditures Prior to Exclusions | | 65,923,100 | - | 65,923,100 | 135,458,112 | - | 135,458,112 |
| <u>Exclusions</u> | | | | | | | |
| Activities to Exclude | | | | | | | |
| Inst. Staff-Retirees' Benefits and Incentives | 5900 | - | - | - | - | - | - |
| Std. Health Svcs. Above Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | - | - | - |
| Non-inst.Staff-Retirees' Benefits and Incentives | 6740 | - | - | - | - | - | - |
| Object to Exclude | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 709,619 | - | 709,619 |
| Lottery Expenditures | | | | | | | |
| Academic Salaries | 1000 | - | - | - | 54,650 | - | 54,650 |
| Classified Salaries | 2000 | - | - | - | 2,067,614 | - | 2,067,614 |
| Employee Benefits | 3000 | - | - | - | 1,352,098 | - | 1,352,098 |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | - | - | - |
| Books, Magazines & Periodicals | 4200 | - | - | - | - | - | - |
| Instructional Supplies & Materials | 4300 | - | - | - | - | - | - |
| Non-inst. Supplies & Materials | 4400 | - | - | - | - | - | - |
| Total Supplies and Materials | | - | - | - | - | - | - |
| Other Operating Expenses and Services | 5000 | - | - | - | 17,549 | - | 17,549 |
| Capital Outlay | 6000 | - | - | - | - | - | - |
| Library Books | 6300 | - | - | - | - | - | - |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | - | - | - |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Total Equipment | | - | - | - | - | - | - |
| Total Capital Outlay | | - | - | - | - | - | - |
| Other Outgo | 7000 | - | - | - | - | - | - |
| Total Exclusions | | \$ - | \$ - | \$ - | \$ 4,201,530 | \$ - | \$ 4,201,530 |
| Total for ECS 84362, 50% Law | | \$ 65,923,100 | \$ - | \$ 65,923,100 | \$ 131,256,582 | \$ - | \$ 131,256,582 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | | 50.22% | 0.00% | 50.22% | 100.00% | 0.00% | 100.00% |
| 50% of Current Expense of Education | | \$ - | \$ - | \$ - | \$ 65,628,291 | \$ - | \$ 65,628,291 |

**PERALTA COMMUNITY COLLEGE DISTRICT
 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
 JUNE 30, 2023**

| | |
|-------------|---------------|
| EPA Revenue | \$ 21,379,038 |
|-------------|---------------|

| Activity Classification | Activity Code | Salaries and Benefits | Operating Expenses | Capital Outlay | Total |
|--------------------------|---------------|-----------------------|--------------------|----------------|---------------|
| | | (Obj 1000-3000) | (Obj 4000-5000) | (Obj 6000) | |
| Instructional Activities | 0100-5900 | \$ 21,379,038 | \$ - | \$ - | \$ 21,379,038 |
| Total | | \$ 21,379,038 | \$ - | \$ - | \$ 21,379,038 |

**PERALTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Equity - District Funds Included in the Reporting Entity

| | | | |
|---|--|----|--------------------|
| General Fund Unrestricted | | \$ | 33,301,379 |
| General Fund Restricted | | | 8,147,536 |
| Debt Service Fund | | | 55,096,348 |
| Capital Project Funds | | | 162,631,424 |
| Child and Adult Development Fund Balances | | | 2,896,217 |
| Other Special Revenue Funds | | | 2,266,676 |
| Self Insurance Fund | | | 164,009 |
| Student Financial Aid Fund | | | (1,634,494) |
| Associated Students Fund | | | 671,748 |
| Other Student Funds | | | 1,489,165 |
| Total fund balances as reported in the CCFS-311 | | | <u>265,030,008</u> |
| Other Funds (not reported on CCFS-311) | | | 97,491 |
| Total ending fund balances - Governmental Funds | | \$ | <u>265,127,499</u> |

Assets recorded within the statements of net position not included in the District fund financial statements:

| | | | |
|--------------------------|----|----------------------|-------------|
| Capital assets | \$ | 800,301,518 | |
| Accumulated depreciation | | <u>(377,511,615)</u> | 422,789,903 |

OPEB Bond Assets 223,966,033

Unmatured Interest (9,204,542)

OPEB Bond Liabilities (273,613,139)

Deferred outflows recorded within the statement of net position not included in the District fund financial statements:

| | | | |
|--|--|--|------------|
| Deferred outflows related to bond refundings | | | 12,148,092 |
| Interest Rate SWAP | | | 16,891,002 |
| Deferred outflows related to OPEB | | | 2,608,519 |
| Deferred outflows related to pensions | | | 46,913,099 |

Liabilities recorded within the statements of net position not recorded in the District fund financial statements:

| | | | |
|-------------------------------|----|------------------|-----------------|
| General obligation (GO) bonds | \$ | 630,290,000 | |
| Bond premium - GO bonds | | 59,596,990 | |
| Net OPEB liability | | 158,759,316 | |
| Medicare premium payment plan | | 421,899 | |
| Net pension liability | | 146,607,554 | |
| Compensated absences | | 7,566,744 | |
| Load banking | | <u>2,195,861</u> | (1,005,438,364) |

Deferred inflows recorded within the statement of net position not included in the District fund financial statements:

| | | | |
|--------------------------------------|--|--|---------------------|
| Deferred inflows related to leases | | | (2,051,011) |
| Interest Rate SWAP | | | (16,891,002) |
| Deferred inflows related to OPEB | | | (4,240,554) |
| Deferred inflows related to pensions | | | <u>(15,602,128)</u> |

Net Assets Reported Within the Statement of Net Position \$ (336,596,593)

**PERALTA COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

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, 2023.

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.

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.

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 governmentwide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

OTHER INDEPENDENT AUDITORS' REPORTS



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

The Board of Trustees
Peralta Community College District
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Peralta Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



San Diego, California
December 8, 2023



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

The Board of Trustees
Peralta Community College District
Oakland, California

Report on Compliance for Each Major Federal Program

Opinion on 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, 2023. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Peralta Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Peralta Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Peralta Community College District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Peralta Community College District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Peralta Community College District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Peralta Community College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Peralta Community College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Peralta Community College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 findings 2023-001 through 2023-002. 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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

CWDL, Certified Public Accountants

San Diego, California
December 8, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Peralta Community College District
Oakland, California

Report on State Compliance

Opinion on State Compliance

We have audited Peralta Community College District's (the District) compliance with the types of compliance requirements as identified in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual* for the year ended June 30, 2023. The applicable state compliance requirements are identified in the table below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2023.

Basis for Opinion

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 compliance requirements described in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

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:

Section 411 – SCFF Data Management Control Environment
Section 412 – SCFF Supplemental Allocation Metrics
Section 413 – SCFF Success Allocation Metrics
Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Activities Funded From Other Sources
Section 424 – Student Centered Funding Formula Base Allocation: FTES
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment (CCAP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 490 – Propositions 1D and 51 State Bond Funded Projects
Section 491 – Education Protection Account Funds
Section 492 – Student Representation Fee
Section 499 – COVID-19 Response Block Grant Expenditures

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 8, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**PERALTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

| | |
|---|------------|
| Type of auditors' report issued: | Unmodified |
| Is a going concern emphasis-of-matter paragraph included in the auditors' report? | No |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| Non-compliance material to financial statements noted? | No |

FEDERAL AWARDS

| | |
|--|------------|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | Yes |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards | Yes |
| Identification of major programs: | |

| <u>CFDA Numbers</u> | <u>Name of Federal Program of Cluster</u> |
|--------------------------------|---|
| 84.007, 84.033, 84.063, 84.268 | Student Financial Aid Cluster |
| 84.425E, 84.425F, 84.425L | CARES Act |

| | |
|--|--------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ 1,348,776 |
| Auditee qualified as low-risk auditee? | No |

STATE AWARDS

| | |
|---|------------|
| Internal control over State programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| Type of auditors' report issued on compliance for State programs: | Unmodified |

**PERALTA COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

There were no financial statement findings for the fiscal year ended June 30, 2023.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Section III – Federal Award Findings

FINDING #2023 – 001: INTERNAL CONTROLS OVER FEDERAL AWARDS

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2022 to June 30, 2023

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

Criteria or Specific Requirement: In accordance with 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 a formal documented review process was not available for the following areas at two of the District's four colleges:

- R2T4 calculations (two colleges)
- Student award packaging (one college)
- Students selected for verification by the Department of Education (one college)

Questioned Costs: None.

Cause: The Colleges' Financial Aid Director positions were vacant in early 2022-23, resulting in an oversight.

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

Repeat Finding: See prior year finding 2022-002.

Recommendation: We recommend the Colleges reinforce their review processes, 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023 – 001: INTERNAL CONTROLS OVER FEDERAL AWARDS, continued

Action taken in response to finding: The District continues to enlist the assistance of Huron and other vendors to assess our internal controls over financial aid federal awards. The district collaborates with external entities to engage in comprehensive training to district-wide staff involved in student financial aid processing. College FA staff are sent regular reminders to reconcile and perform R2T4 calculations. Management is actively recruiting to fill vacant positions in this area across the district.

Planned completion date for corrective action plan: June 30, 2024.

**PERALTA COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2023 – 002: OUTSTANDING STUDENT REFUND CHECKS

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2022 to June 30, 2023

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: Four (4) out of a sample of 25 outstanding refund checks tested were returned to the U.S. Department of Education after aging past the 240-day requirement.

Questioned Costs: \$5,826.99

Cause: Following the District's receipt of refund checks, we noted that there is not a process for ensuring all checks are remitted back to the U.S. Department of Education within the 240-day requirement period.

Effect: The District is not in compliance with the applicable Title IV regulations stating that all student refund checks that are outstanding for more than 240 days be returned to the U.S. Department of Education.

Repeat Finding: See prior year finding 2022-004.

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.

Action taken in response to finding: The district in collaboration with the colleges has established procedures, notification protocols, adjusted business processes and trained financial aid staff over the past year to address this audit finding. The District will continue to work closely with each college to return funds to the Department of Education in a timely manner. Query reports have been created to identify funds to be slated for return. This effort is monitored on a regular basis by the college Dean of Student Services and their Business Service Office.

Planned completion date for corrective action plan: March 31, 2024.

**PERALTA COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Section IV –State Award Findings

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2023.

**PERALTA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022 – 001: EXPENDITURES

Criteria: Internal Controls should be in place to provide reasonable assurance that disbursements are properly preapproved, coded and in accordance with applicable compliance requirements of restricted funding sources.

Condition / Context: From our testing of 85 District warrant selections, we noted one selection for which work was performed and funds were thereby obligated prior to documented approval. Additionally, we noted one selection which was coded as a Fiscal Year 2021-22 expenditure despite being related to work performed in Fiscal Year 2020-21. Finally, we noted one expenditure which was charged to the bond building fund despite being of an operating nature, not eligible for the use of restricted bond funds.

Effect: Isolated internal control deficiencies over disbursements.

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

Repeat Finding: No.

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

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

Planned completion date for corrective action plan: March 31, 2023.

Current Status: Implemented in 2022-23.

**PERALTA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Section III – Federal Award Findings

FINDING #2022 – 002: INTERNAL CONTROLS OVER FEDERAL AWARDS

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2021 to June 30, 2022

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

Criteria or Specific Requirement: In accordance with 2 CFR 200.303, non-Federal 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 a formal documented review process was not available for the following areas:

- R2T4 calculations [Berkeley City College and Merritt College]
- Student award packaging [Merritt College]
- Students selected for verification by the Department of Education [Merritt College]

Furthermore, because the Financial Aid Director positions were vacant, reconciliations performed by the loan officers were not reviewed for:

- Pell Grant and Supplemental Education Opportunity Grant [Berkeley and Merritt College]
- Direct Loan [Berkeley City College]

Questioned Costs: None.

Cause: The Colleges' Financial Aid Director positions were vacant at June 30, 2022, resulting in an oversight.

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

Repeat Finding: See prior year finding 2021-004.

Recommendation: We recommend the colleges reinforce their review processes, 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.

**PERALTA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022 – 002: INTERNAL CONTROLS OVER FEDERAL AWARDS, continued

Action taken in response to finding: The District has entered into a contract with Huron Consulting Group to address internal controls pertaining to reconciliation of Title IV funds, R2T4 processing, award packaging and verification. Huron has created more robust packaging and disbursement rules to ensure only eligible students are awarded and paid. Additionally, the district has created business processes and procedures to improve internal controls over Federal awards. While the cutoff date for the audit was missed for the 2021-2022 school year, corrective actions have been taken to ensure the reconciliation of Title IV funds and secondary reviews have been completed and are currently underway for 2022-2023.

Planned completion date for corrective action plan: June 30, 2023.

Current Status: See current year finding 2023-001.

**PERALTA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Section III – Federal Award Findings, continued

FINDING #2022 – 003: SPECIAL TESTS AND PROVISIONS: NSLDS ENROLLMENT REPORTING

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2021 to June 30, 2022

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. In addition, schools must report enrollment status changes within 30 days of becoming aware of the status change or in their next scheduled enrollment submission if the scheduled submission is within 60 days.

Condition / Context: During our testing of 25 students, which is a statistically valid sample, we noted one (1) instance of a student status change failing to be reported to NSLDS.

Questioned Costs: None.

Cause: Unknown, the status was correctly submitted to the Federal Clearinghouse but failed to automatically 'push' or report to NSLDS.

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: See prior year finding 2021-005.

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

Action taken in response to finding: The District Administration & Records will perform a study of the current business processes to identify data discrepancies. The District will engage the Clearinghouse and review the applicable reporting procedures with the financial aid offices to ensure sound internal controls over reporting and updating of NSLDS enrollment data.

Planned completion date for corrective action plan: June 30, 2023.

Current Status: Implemented in 2022-23.

**PERALTA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022 – 004: OUTSTANDING STUDENT REFUND CHECKS

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063 and 84.268

Award Period: July 1, 2021 to June 30, 2022

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: Ten (10) out of a sample of 25 outstanding refund checks tested were yet not returned to the U.S. Department of Education. Eight (8) of the ten (10) had aged past the 240-day requirement.

Questioned Costs: \$7,408.87

Cause: Following the District's receipt of refund checks, we noted that there is not a process for making contact with students within the initial 45-day period to resolve issues. Likewise, we noted there is not a process to ensure checks outside of the 45-day period are remitted back to ED.

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

Repeat Finding: See prior year finding 2021-006.

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.

**PERALTA COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022 – 004: OUTSTANDING STUDENT REFUND CHECKS, continued

Action taken in response to finding: The district has entered into a contract with Huron Consulting Group to address the internal controls pertaining to returning funds and reissuing funds back to students. District Finance has been working closely with each College to return funds to the Department of Education. Queries have been created to identify returned checks which will be monitored on a regular basis to reverse financial aid disbursements and re-report changes to COD.

Planned completion date for corrective action plan: March 31, 2023

Current Status: See current year finding 2023-002.

CONTINUING DISCLOSURE INFORMATION

**PERALTA COMMUNITY COLLEGE DISTRICT
TREND ANALYSIS BY FUND – CASH AND ENDING FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

| Cash and Cash Equivalents and Investments | | | |
|---|-----------------------|-----------------------|-----------------------|
| | June 30, 2021 | June 30, 2022 | June 30, 2023 |
| Unrestricted General Fund | \$ 4,611,307 | \$ 24,501,117 | \$ 18,753,087 |
| Restricted General Fund | 5,519,572 | 18,018,401 | 42,198,958 |
| Bond Interest and Redemption Fund | 50,975,618 | 50,545,060 | 55,096,348 |
| Child Development Fund | 2,212,542 | 2,657,375 | 3,210,312 |
| Other Special Revenue Funds: | | | |
| Parcel Tax Fund | 4,997,687 | 3,795,037 | 4,048,674 |
| Retiree Benefits Fund | (1,640,805) | (10,329,812) | (5,398,540) |
| Capital Projects Fund | 7,769,387 | 18,115,059 | 31,863,066 |
| Bond Construction Funds | 80,724,848 | 58,311,805 | 150,520,624 |
| Self Insurance Fund | 6,423,563 | 5,938,549 | 4,834,053 |
| Student Financial Aid and Trust Fund | (2,456,754) | (4,420,214) | (365,775) |
| Associated Students Funds | 705,658 | 710,971 | 718,051 |
| Student Representative Fee Funds | 483,026 | 578,126 | 654,139 |
| Student Center Fee Funds | 1,021,204 | 1,110,109 | 1,234,739 |
| OPEB Lifetime Revocable Trust | 219,942,393 | 171,912,237 | 165,386,199 |
| Business-Type Activities Cash and Investments | <u>381,289,246</u> | <u>341,443,820</u> | <u>472,753,935</u> |
| Cash and Cash Equivalents | 17,629,523 | 40,417,738 | 80,321,582 |
| Restricted Cash and Cash Equivalents | 131,700,466 | 112,865,508 | 209,879,252 |
| Investments | 231,959,257 | 188,160,574 | 182,756,852 |
| Business-Type Activities Cash and Investments | <u>\$ 149,329,989</u> | <u>\$ 341,443,820</u> | <u>\$ 472,957,686</u> |
| OPEB Irrevocable Trust Investments | <u>\$ 1,326,881</u> | <u>\$ 1,146,202</u> | <u>\$ 1,258,268</u> |

| Ending Fund Balance/Net Position | | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| | June 30, 2021 | June 30, 2022 | June 30, 2023 |
| Unrestricted General Fund | \$ 25,961,001 | \$ 30,753,995 | \$ 33,301,379 |
| Restricted General Fund | 6,586,914 | 8,380,639 | 8,147,536 |
| Other Restricted Funds | - | 13,709 | 13,709 |
| Bond Interest and Redemption Fund | 50,975,618 | 50,545,060 | 55,096,348 |
| Child Development Fund | 2,001,509 | 2,386,308 | 2,896,217 |
| Other Special Revenue Funds: | | | |
| Parcel Tax Fund | 965,109 | 402,850 | 548,927 |
| Retiree Benefits Fund | 5,672,659 | 3,574,440 | 1,717,749 |
| Capital Projects Fund | 7,801,409 | 18,130,400 | 30,880,167 |
| Bond Construction Funds | 75,666,802 | 54,017,127 | 131,751,257 |
| Self Insurance Fund | 6,797 | 206 | 164,009 |
| Student Financial Aid and Trust Fund | (162,919) | (1,634,494) | (1,634,494) |
| Associated Students Funds | 750,316 | 752,084 | 755,530 |
| Student Representative Fee Funds | 278,145 | 328,315 | 333,157 |
| Student Center Fee Funds | 1,000,798 | 1,106,400 | 1,156,008 |
| OPEB Lifetime Revocable Trust | 206,891,270 | 179,911,827 | 174,942,534 |
| Full Accrual Net Position | (666,470,364) | (572,369,486) | (774,615,614) |
| Business-Type Activities Net Position | <u>(282,074,936)</u> | <u>(223,700,620)</u> | <u>(334,545,581)</u> |
| OPEB Irrevocable Trust Investments | <u>\$ 1,326,881</u> | <u>\$ 1,146,202</u> | <u>\$ 1,258,268</u> |