

PALO VERDE COMMUNITY COLLEGE DISTRICT

BLYTHE, CALIFORNIA

COUNTY OF RIVERSIDE

**INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2009 AND 2008

PALO VERDE COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

TABLE OF CONTENTS

JUNE 30, 2009 AND 2008

	<u>Page</u>
<u>Independent Auditors' Report</u>	1-2
<u>Management's Discussion and Analysis</u>	3-14
<u>Basic Financial Statements</u>	
Statement of Net Assets, June 30, 2009	15
Statement of Net Assets, June 30, 2008	16
Statement of Revenues, Expenses and Changes in Net Assets For the year ended June 30, 2009	17
Statement of Revenues, Expenses and Changes in Net Assets For the year ended June 30, 2008	18
Statement of Cash Flows, For the year ended June 30, 2009	19-20
Statement of Cash Flows, For the year ended June 30, 2008	21-22
Statement of Fiduciary Net Assets, June 30, 2009	23
Statement of Fiduciary Net Assets, June 30, 2008	24
Statement of Changes in Fiduciary Net Assets, For the year ended June 30, 2009	25
Statement of Changes in Fiduciary Net Assets, For the year ended June 30, 2008	26
Notes to the Financial Statements	27-41
<u>Supplementary Information</u>	
Independent Auditors' Report on Supplementary Information	42

PALO VERDE COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

TABLE OF CONTENTS

JUNE 30, 2009 AND 2008

	<u>Page</u>
Combining Statement of Net Assets – District, June 30, 2009	43
Combining Statement of Net Assets – District, June 30, 2008	44
Combining Statement of Revenues, Expenses and Changes in Net Assets – District, For the year ended June 30, 2009	45-46
Combining Statement of Revenues, Expenses and Changes in Net Assets – District, For the year ended June 30, 2008	47-48
Board of Trustees and Organization	49
Notes to Supplementary Information	50
Schedule of Workload Measures for State General Apportionment	51
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	52
<u>Independent Auditors’ Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133</u>	53-54
<u>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</u>	55-56
<u>Independent Auditors’ Report on State Compliance Requirements</u>	57-58
<u>Independent Auditors’ Report on Schedule of Expenditures of Federal Awards and State Financial Assistance</u>	59
Schedule of Expenditures of Federal Awards and State Financial Assistance	60-61
Schedule of Findings and Questioned Costs	62-64
Status of Prior Year Findings and Questioned Costs	65-66



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Palo Verde Community College District
Blythe, California

We have audited the accompanying basic financial statements of Palo Verde Community College District (the District) as of and for the years ended June 30, 2009 and 2008 listed in the foregoing Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009 and 2008 and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, appearing to read "Linda L. Gentry".

December 14, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Palo Verde Community College District (the "District") for the years ended June 30, 2008 and June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Palo Verde Community College is an open access, public educational district, dedicated to providing excellence in education, cultural enrichment, economic development and services to assist members of the community to meet their educational goals. People of all ages and backgrounds attend early morning to late evening and weekends to take advantage of a wide variety of course offerings. The primary educational functions of the District are:

- **Transfer Education**
 - Students in our college may complete the freshman and sophomore years of a baccalaureate degree and transfer to an upper division study at a four year institution.

- **Vocational/Occupational Education**
 - Provide a variety of vocational/technical programs to enable students to prepare for employment and provide programs for retraining, economic development and upgrading student skills.

- **Developmental Education**
 - Provide developmental instruction, instruction in English as a Second Language (ESL), adult non-credit instruction, and support services to help students interested in post-secondary education.

- **Distance Education**
 - The District also offers distance education programs which provide a wide variety of classes. Distance education classes are ideal when a campus-based alternative is impractical or unavailable. However, it must be noted that successfully completing a distance education class requires a high degree of motivation and discipline on the part of the student.

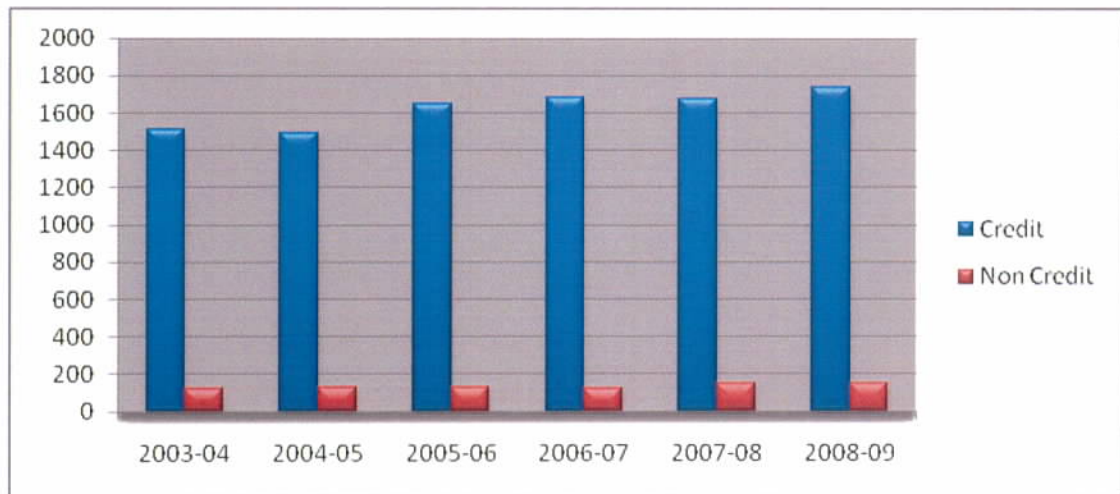
PALO VERDE COMMUNITY COLLEGE

MANAGEMENT’S DISCUSSION AND ANALYSIS

Enrollment Highlights

During 2008-09, total full-time equivalent students increased approximately 4.56% for both credit and non-credit courses. Credit and non-credit FTES, along with other workload measures, are the basis for the District’s state apportionment.

Trend of Full-Time Equivalent Students as Reported on the annual report



Financial Highlights

This section is to provide an overview of the District’s financial activities.

In June, 1999, the Governmental Accounting Standard’s Board (GASB) released Statement No. 34, “Basic Financial Statements and Management Discussion and Analysis for State and Local Governments,” which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities,” which applies the new reporting standards to public colleges and universities.

The California Community College Chancellor’s Office, through its Fiscal and Accountability Standards Committee, recommended that all community college districts implement the new reporting standards under the Business Type Activity (BTA) model.

To comply with the recommendation of the Chancellor’s Office and to report in a manner consistent with other California Community College Districts, the District was required to implement the reporting standards of Governmental Accounting Standards Board Statements No. 34 and 35 during fiscal year 2003-04 using the Business Type Activity (BTA) model.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights - continued

As required by the adopted accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole:

- The Statement of Net Assets
- The Statement of Revenue, Expenses and Changes in Net Assets
- The Statement of Cash Flows

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The Difference between total assets and total liabilities is one indicator of the current financial conditions of the District; the change in net assets 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 an allocation for depreciation expense.

The Net Assets are divided into three major categories:

- Invested in capital assets – The District's equity amount in property, plant and equipment, net of related debt.
- Restricted – Though expendable, are to be spent only for the purposes and within the parameters that are determined and defined by external entities, agreements, and/or donors.
- Unrestricted – available for any lawful expenditure that fulfills the mission of the District. Although unrestricted, the District's governing board may place internal designations on these net assets, and it retains the power to change, remove or modify these designations.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets as of June 30, 2008 & June 30, 2009 are summarized below:

ASSETS	2007-2008	2008-2009
Current Assets:		
Cash and cash equivalents	\$ 6,322,069	\$ 3,690,621
Cash and cash equivalents – restricted	10,985,247	19,991,144
Accounts receivable	903,829	3,463,902
Prepaid expenses	439,884	336,213
Inventory	<u>135,641</u>	<u>162,379</u>
Total Current Assets	<u>18,876,670</u>	<u>27,644,259</u>
Capital assets, net of accumulated depreciation	<u>49,750,000</u>	<u>52,006,575</u>
TOTAL ASSETS	<u>\$ 68,536,670</u>	<u>\$ 79,650,834</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	1,078,929	769,925
TRANS debt	1,572,922	992,290
Compensated absences	405,108	471,624
Capital leases payable – current portion	11,208	-
Loan payable – childcare center – current portion	13,000	13,000
Loan payable – FTES – current portion	202,730	-
Loan payable – building	64,286	64,286
Bonds Payable – current portion	<u>195,000</u>	<u>105,000</u>
Total current liabilities	<u>3,543,183</u>	<u>2,416,125</u>
Non-Current Liabilities:		
Loan payable – childcare center	13,000	-
Loan payable – building	385,714	257,142
Certificates of Participation	18,600,000	31,995,000
Bonds payable	<u>5,434,879</u>	<u>5,329,879</u>
Total non-current liabilities	<u>24,433,593</u>	<u>37,582,021</u>
TOTAL LIABILITIES	<u>27,976,776</u>	<u>39,998,146</u>
NET ASSETS		
Invested in capital assets, net of related debt	33,435,242	31,949,916
Restricted for:		
Grants and contracts	167,080	276,472
Unrestricted	<u>6,957,572</u>	<u>7,426,300</u>
TOTAL NET ASSETS	<u>40,559,894</u>	<u>39,652,688</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 68,536,670</u>	<u>\$ 79,650,834</u>

PALO VERDE COMMUNITY COLLEGE

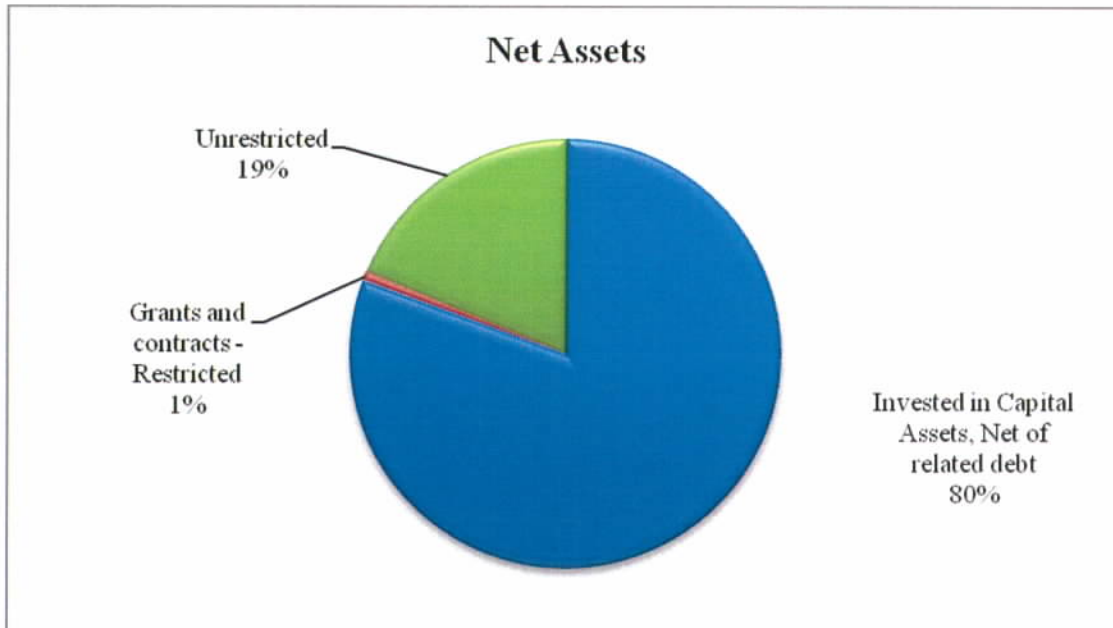
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets – continued

- Approximately 15% of the cash and cash equivalent current assets is cash deposited with the Riverside County Treasurer's Office. The Statement of Cash flows contained within the financial statements provides greater detail regarding the sources and uses of cash and the net increase (decrease) in cash.
- The majority of the accounts receivable balance is from federal and state sources for grant and entitlement programs.
- Capital assets are the net historical value of land, buildings, and equipment less accumulated depreciation. As of June 30, 2009, the District owned capital assets of \$57,500,653. The breakdown of this total net value can be found in Note 5 of the financial statements.
- Accounts payable and accrued liabilities consists of payables to vendors, accrued payroll and benefits (\$769,925).
- Current and noncurrent liabilities also consist of compensated absences \$471,624; loan payable (child care center) \$13,000 and loan payable (building) \$321,428. General Obligation Bonds payable amounted to \$5,434,879 and Certificates of Participation amounted to \$31,995,000. The District refinanced the Certificates of Participation in July 2008 taking advantage of lower interest rates. The original approved certificates of participation amounted to \$18.6 million.
- The unrestricted net assets of (\$7,426,300) consist primarily of \$1,143,659 in the General Fund, \$23,334,853 in the Capital Projects Fund, \$413,865 in the Bookstore Fund, \$330,444 in the Self Insurance Fund and \$382,751 in the Debt Service Fund, Student Financial Aid Fund and Child Development Fund reduced by (\$18,179,272) for GASB 35 adjustments relating to the recognition of several current and long term obligations.

PALO VERDE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets – continued



Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results and the non-operating revenues and expenses of the District for the year.

Generally operating revenues are earned for providing goods and services to customers and constituencies of the District. Operating expenses are incurred to acquire or produce those goods and services. Non-operating revenues are those received or pledged for which goods and services are not directly provided by the District. State general apportionment, while budgeted for operations, is considered non-operating revenues because the funds are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for those funds.

The Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2008 and June 30, 2009 are summarized on the following page.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Revenues, Expenses and Changes in Net Assets – continued

Operating Revenues	2007-2008	2008-2009
Net tuition and fees	\$ 519,831	\$ 645,664
Less: Scholarship discounts and allowances	<u>(295,157)</u>	<u>(282,664)</u>
Net enrollment, tuition and other fees	224,674	363,000
Grants and contracts, non-capital		
Federal	857,543	1,440,730
State	2,933,141	2,059,713
Local	<u>887,334</u>	<u>1,007,005</u>
Total operating revenues	<u>4,902,692</u>	<u>4,870,448</u>
OPERATING EXPENSES		
Salaries	8,526,532	9,218,937
Employee benefits	2,791,248	3,023,979
Supplies, materials and other operating expenses	5,160,802	5,772,467
Financial aid	1,022,947	1,346,673
Utilities	601,637	807,851
Depreciation	<u>794,716</u>	<u>484,157</u>
TOTAL OPERATING EXPENSES	<u>18,897,882</u>	<u>20,654,064</u>
OPERATING LOSS	<u>(13,995,190)</u>	<u>(15,783,616)</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	11,273,468	10,690,146
Local property taxes	1,365,109	1,397,863
State taxes and other revenues	1,189,412	911,629
Investment income, net	609,084	587,175
Interest expense	<u>(748,776)</u>	<u>(983,013)</u>
Total non-operating revenues (expenses)	<u>13,688,297</u>	<u>12,603,800</u>
Other Revenues, Expenses, Gains, or Losses		
Statement apportionments, capital	<u>4,090,613</u>	<u>2,272,610</u>
Total other revenues, expenses, gains or losses	<u>4,090,613</u>	<u>2,272,610</u>
Increase (Decrease) in Net Assets	3,783,720	(907,206)
Net Assets, Beginning of Year	<u>36,776,174</u>	<u>40,559,894</u>
Net Assets, End of Year	<u>\$ 40,559,894</u>	<u>\$ 39,652,688</u>

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets – continued

- Tuition and fees are generated by the resident, non-resident and foreign fees paid by students attending Palo Verde Community College, including fees such as health fees, community service classes and other related fees.
- Non-capital grants and contracts are primarily those received from federal and state sources and used in the instructional program.
- Personnel costs are 59% of operating expenses. The balance of operating expenses is for supplies, other services, and capital outlay items below the capitalization threshold, insurance, utilities and depreciation expense.
- State apportionments, non-capital consists of state apportionment and other apportionments which includes Partnership for Excellence. State apportionment represents total general apportionment earned less regular enrollment, less property taxes.
- Local property taxes are received through the Auditor-Controller's Office for Riverside County and San Bernardino County. The amount received for property taxes is deducted from the total state general apportionment that is calculated by the State for the District.
- State taxes and other revenues consist primarily of State lottery revenue.
- Functional expenses are included in Note 15 of the financial statements.

Operating Expenses (by natural classification) – object:

	<u>2007-2008</u>	<u>2008-2009</u>
Salaries	\$ 8,526,532	\$ 9,218,937
Employee Benefits	2,791,248	3,023,979
Supplies, materials, other operating and services	5,160,802	5,772,467
Financial Aid	1,022,947	1,346,673
Utilities	601,637	807,851
Depreciation	794,716	484,157
Total Operating Expenses	<u>\$ 18,897,882</u>	<u>\$ 20,654,064</u>

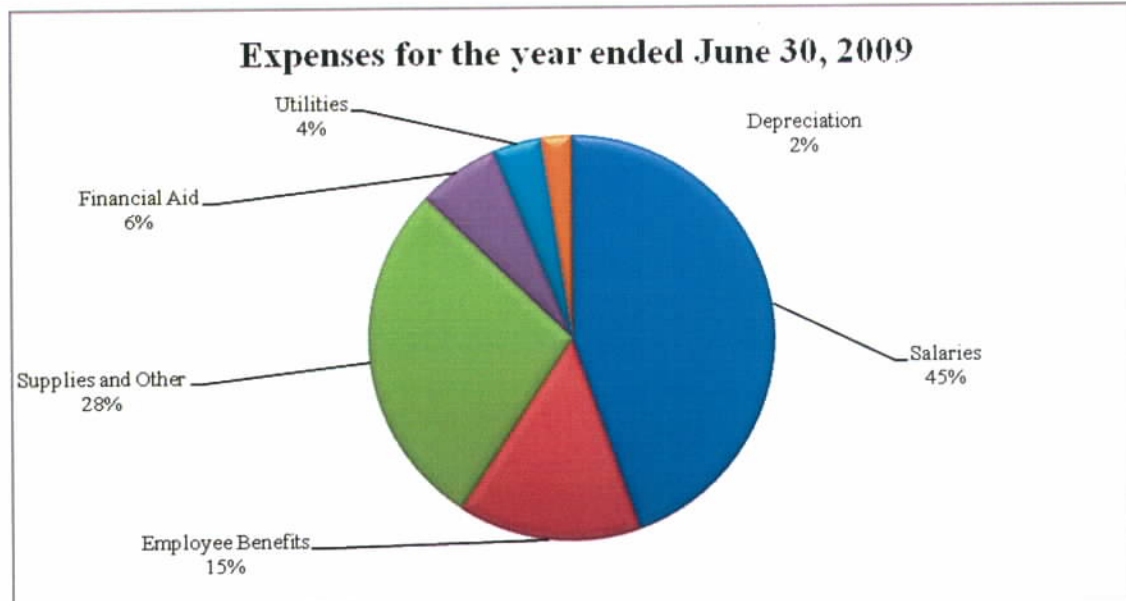
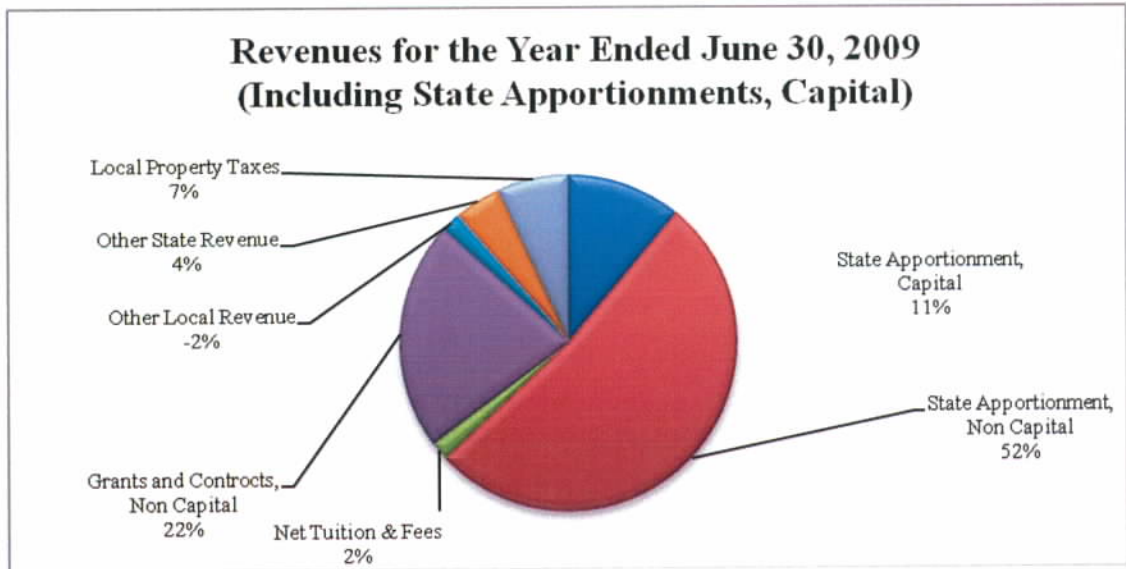
- Compensation consists of salaries, fixed charges (District contributions to retirement systems, workers' compensation and unemployment insurance, Social Security and Medicare), and health and welfare benefits borne by the District.
- Supplies, materials, other operating expenses and services include expenditures for software, reference books, software licensing and consultants, repairs and maintenance of buildings and equipment.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets – continued

- Student financial aid relates to federal and state assistance paid to students.
- Utilities consist of electricity, telephone, water, heating and waste disposal.
- Depreciation is capital assets net depreciation



PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Cash Flows

The Statement of Cash Flow 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 provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part 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 provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

The Statement of Cash Flows for the years ended June 30, 2008 and 2009 are summarized below:

Cash Provided by (Used In)	<u>2007-2008</u>	<u>2008-2009</u>
Operating activities	\$ (7,453,202)	\$ (18,605,719)
Non-capital financing activities	13,827,989	12,714,727
Capital and related financing activities	(11,200,149)	11,678,266
Investing activities	<u>609,084</u>	<u>587,175</u>
Net increase in cash and cash equivalents	(4,216,278)	6,374,449
Cash balance, beginning of year	<u>21,523,594</u>	<u>17,307,316</u>
Cash balance, end of year	<u>\$ 17,307,316</u>	<u>\$ 23,681,765</u>

- The primary cash receipts from operating activities are from student tuition, federal, state and local grants and contracts. The primary cash outlays are payments of wages, benefits, vendors, and students related to the instruction program.
- General apportionment is the primary source of non-capital financing. The three main components of general apportionment are state apportionment, property taxes and enrollment fees.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment).
- Cash earned from investing activities is interest earned on cash in bank.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

As of June 30, 2009, the District had over \$52 million invested in net capital assets. Total capital assets of approximately \$57.5 million consist of land, building, site improvements, equipment and vehicles; these assets have an accumulated depreciation of approximately \$5.5 million.

Economic Factors that May Affect the Future

The economic position of Palo Verde Community College is closely tied to that of the State of California. The District receives funding through state apportionments and from local property taxes. These two sources with enrollment fees essentially make up the District's general apportionment, the main support for the community college.

Due the continual deferrals of apportionment dollars from the State, the District received a Mid Year Tax and Revenue Anticipation Note (TRANS) in the amount of \$992,290. This amount will be paid by the end of the 2009/2010 fiscal year. However, the District will continue to request approval of TRANS notes in the upcoming years to ensure we have adequate funds in case there is another stalemate at the State level.

Phase IV (Fine and Performing Arts Complex) – Bids were accepted and awarded with construction to begin during early summer of fiscal year 2009/10. The total estimated cost of the complex is \$23M of which \$21.8M will be state funded and the remaining balance from Certificates of Participation which we refinanced to offset the additional cost and to add a chiller plant (air conditioning/heating) for the facility.

As mentioned above, on July 16, 2008, the District converted its current Certificates of Participation to finance the conversion of the Original Certificates from an Auction Mode to a Long Term Rate as set forth in the Trust Agreement and to cover the additional construction cost of Phase IV. Such interest will be payable on January 1 and July 1 of each year, commencing January 1, 2009. The total amount of the conversion is \$34,286,130, which includes all fees and expenses.

Renovation of the Claypool building in Needles was completed late March 2009. The District anticipates classes to begin in the new facility the Fall semester of 2009/10. A general obligation bond measure was approved in June, 2005 by the voters of San Bernardino County in the amount of \$6 million for the renovation.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors that May Affect the Future – continued

In March, 2008, the District entered into a power purchase agreement with BP Solar whereby BP will sell electricity to the college. It is anticipated that this will reduce our electricity costs significantly over the terms of the agreement. We expect to be on full solar energy by late summer of 2009. The District will closely monitor this project for cost savings.

All industries including community colleges continue to experience increased costs for services and especially costs for employee benefits, insurance and utilities. During 2002-2003 the District began making contributions to PERS for its employees and retirees. The PERS rate for classified employees for the year ending June 30, 2009 was 9.428%.

As noted in prior year's discussion, training continues with the conversion to the Datatel system to fully integrate and automate instruction, student and business services.

The State continues to experience budget problems which will affect the community college system as well with deferrals of apportionment dollars and categorical program funding being drastically reduced. There is discussion that districts will receive one-time Federal stimulus dollars to help offset some of the loss revenue in categorical funding. Enrollment fees were increased to \$26 per unit beginning Fall, 2009.

Management will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

As of this writing, the District is not aware of any other currently known facts, decisions or conditions that are expected to have any other significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations especially within the State of California.

BASIC FINANCIAL STATEMENTS

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>District</u>	<u>Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,690,621	\$ 61,488
Cash and cash equivalents - restricted	19,991,144	-
Investments	-	746,155
Accounts receivable, net	3,463,902	-
Prepaid expenses	336,213	-
Inventory	162,379	-
Total Current Assets	<u>27,644,259</u>	<u>807,643</u>
Capital assets, net of accumulated depreciation	<u>52,006,575</u>	-
TOTAL ASSETS	<u>\$ 79,650,834</u>	<u>\$ 807,643</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 769,925	\$ -
TRANS debt	992,290	-
Compensated absences	471,624	-
Loan payable - childcare center - current portion	13,000	-
Loan payable - building	64,286	-
Bonds payable - current portion	105,000	-
Total Current Liabilities	<u>2,416,125</u>	-
Non-Current Liabilities:		
Loan payable - building	257,142	-
Bonds payable	5,329,879	-
Certificates of participation	31,995,000	-
Total Non-Current Liabilities	<u>37,582,021</u>	-
TOTAL LIABILITIES	<u>39,998,146</u>	-
NET ASSETS		
Invested in capital assets, net of related debt	31,949,916	-
Restricted for:		
Grants and contracts	276,472	-
Unrestricted	7,426,300	807,643
TOTAL NET ASSETS	<u>39,652,688</u>	<u>807,643</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 79,650,834</u>	<u>\$ 807,643</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>District</u>	<u>Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,322,069	\$ 78,226
Cash and cash equivalents - restricted	10,985,247	-
Investments	-	866,457
Accounts receivable, net	903,829	-
Prepaid expenses	439,884	-
Inventory	135,641	-
Total Current Assets	<u>18,786,670</u>	<u>944,683</u>
Capital assets, net of accumulated depreciation	<u>49,750,000</u>	-
TOTAL ASSETS	<u>\$ 68,536,670</u>	<u>\$ 944,683</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,078,929	\$ -
TRANS debt	1,572,922	-
Compensated absences	405,108	-
Capital leases payable - current portion	11,208	-
Loan payable - childcare center - current portion	13,000	-
Loan payable - FTES - current portion	202,730	-
Loan payable - building	64,286	-
Bonds payable - current portion	195,000	-
Total Current Liabilities	<u>3,543,183</u>	-
Non-Current Liabilities:		
Loan payable - childcare center	13,000	-
Loan payable - building	385,714	-
Bonds payable	5,434,879	-
Certificates of participation	18,600,000	-
Total Non-Current Liabilities	<u>24,433,593</u>	-
TOTAL LIABILITIES	<u>27,976,776</u>	-
NET ASSETS		
Invested in capital assets, net of related debt	33,435,242	-
Restricted for:		
Grants and contracts	167,080	-
Unrestricted	6,957,572	944,683
TOTAL NET ASSETS	<u>40,559,894</u>	<u>944,683</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 68,536,670</u>	<u>\$ 944,683</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>District</u>	<u>Foundation</u>
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 645,664	\$ -
Less: Scholarship discounts and allowances	(282,664)	-
Net enrollment, tuition and other fees	363,000	-
Grants and contracts, non-capital		
Federal	1,440,730	-
State	2,059,713	-
Local	1,007,005	52,302
TOTAL OPERATING REVENUES	<u>4,870,448</u>	<u>52,302</u>
OPERATING EXPENSES		
Salaries	9,218,937	-
Employee benefits	3,023,979	-
Supplies, materials and other operating expenses and services	5,772,467	55,738
Financial aid	1,346,673	-
Utilities	807,851	-
Depreciation	484,157	-
TOTAL OPERATING EXPENSES	<u>20,654,064</u>	<u>55,738</u>
OPERATING LOSS	<u>(15,783,616)</u>	<u>(3,436)</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	10,690,146	-
Local property taxes	1,397,863	-
State taxes and other revenues	911,629	-
Investment income, net	587,175	-
Interest expense	(983,013)	(133,604)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,603,800</u>	<u>(133,604)</u>
OTHER REVENUES		
State apportionments, capital	2,272,610	-
TOTAL OTHER REVENUES	<u>2,272,610</u>	<u>-</u>
DECREASE IN NET ASSETS	(907,206)	(137,040)
NET ASSETS, BEGINNING OF YEAR	<u>40,559,894</u>	<u>944,683</u>
NET ASSETS, END OF YEAR	<u>\$ 39,652,688</u>	<u>\$ 807,643</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>District</u>	<u>Foundation</u>
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 519,831	\$ -
Less: Scholarship discounts and allowances	<u>(295,157)</u>	<u>-</u>
Net enrollment, tuition and other fees	224,674	-
Grants and contracts, non-capital		
Federal	857,543	-
State	2,933,141	7,400
Local	<u>887,334</u>	<u>42,847</u>
TOTAL OPERATING REVENUES	<u>4,902,692</u>	<u>50,247</u>
OPERATING EXPENSES		
Salaries	8,526,532	-
Employee benefits	2,791,248	-
Supplies, materials and other operating expenses and services	5,160,802	34,365
Financial aid	1,022,947	-
Utilities	601,637	-
Depreciation	<u>794,716</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>18,897,882</u>	<u>34,365</u>
OPERATING INCOME (LOSS)	<u>(13,995,190)</u>	<u>15,882</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	11,273,468	-
Local property taxes	1,365,109	-
State taxes and other revenues	1,189,412	-
Investment income, net	609,084	-
Interest expense	<u>(748,776)</u>	<u>(27,538)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>13,688,297</u>	<u>(27,538)</u>
OTHER REVENUES		
State apportionments, capital	<u>4,090,613</u>	<u>-</u>
TOTAL OTHER REVENUES	<u>4,090,613</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>3,783,720</u>	<u>(11,656)</u>
NET ASSETS, BEGINNING OF YEAR	<u>36,776,174</u>	<u>956,339</u>
NET ASSETS, END OF YEAR	<u>\$ 40,559,894</u>	<u>\$ 944,683</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>District</u>	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 363,000	\$ -
Federal grants and contracts	1,434,944	-
State grants and contracts	(571,084)	-
Local grants and contracts	1,083,515	52,302
Auxiliary operation sales	(26,738)	-
Payments to suppliers	(7,366,283)	(55,738)
Payments to/on behalf of employees	(12,176,400)	-
Payments to/on behalf of students	(1,346,673)	-
Net cash used by operating activities	<u>(18,605,719)</u>	<u>(3,436)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	11,601,775	-
Property and State taxes	1,397,863	-
Interest paid on noncapital debt	(284,911)	-
Net cash provided by non-capital financing activities	<u>12,714,727</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	2,272,610	-
Proceeds from certificates of participation	13,395,000	-
Purchase of capital assets	(2,740,732)	-
Interest paid on capital debt	(698,102)	-
Principal paid on capital debt	(550,510)	-
Net cash provided by capital and related financing activities	<u>11,678,266</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	120,302
Investment income (loss)	587,175	(133,604)
Net cash provided (used) by investing activities	<u>587,175</u>	<u>(13,302)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,374,449	(16,738)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>17,307,316</u>	<u>78,226</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 23,681,765</u>	<u>\$ 61,488</u>

Continued

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - (continued)

FOR THE YEAR ENDED JUNE 30, 2009

**Reconciliation of Operating Loss to
Net Cash Used by Operating Activities**

	<u>District</u>	<u>Foundation</u>
CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (15,783,616)	\$ (3,436)
Adjustments to reconcile operating loss to cash used by operating activities:		
Depreciation expense	484,157	-
Changes in assets and liabilities:		
Accounts receivables	(2,560,073)	-
Prepaid expenses	103,671	-
Inventory	(26,738)	-
Accounts payable	(889,636)	-
Compensated absences	<u>66,516</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (18,605,719)</u>	<u>\$ (3,436)</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>District</u>	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 224,674	\$ -
Federal grants and contracts	970,630	-
State grants and contracts	7,545,199	7,400
Local grants and contracts	892,593	42,847
Payments to suppliers	(4,821,446)	(34,365)
Payments to/on behalf of employees	(11,241,905)	-
Payments to/on behalf of students	(1,022,947)	-
Net cash provided (used) by operating activities	<u>(7,453,202)</u>	<u>15,882</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	11,273,468	-
Property and State taxes	2,554,521	-
Net cash provided by non-capital financing activities	<u>13,827,989</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	4,090,613	-
Purchase of capital assets	(13,959,986)	-
Interest paid on capital debt	(748,776)	-
Principal paid on capital debt	(582,000)	-
Net cash provided by capital and related financing activities	<u>(11,200,149)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	33,706
Investment loss	609,084	(27,538)
Net cash provided (used) by investing activities	<u>609,084</u>	<u>6,168</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,216,278)	22,050
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>21,523,594</u>	<u>56,176</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 17,307,316</u>	<u>\$ 78,226</u>

Continued

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - (continued)

FOR THE YEAR ENDED JUNE 30, 2008

**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) by Operating Activities**

	<u>District</u>	<u>Foundation</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (13,995,190)	\$ 15,882
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation expense	794,716	-
Changes in assets and liabilities:		
Accounts receivables	4,730,404	-
Prepaid expenses	(439,884)	-
Inventory	(68,807)	-
Accounts payable	1,449,684	-
Compensated absences	<u>75,875</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (7,453,202)</u>	<u>\$ 15,882</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$ 29,535
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TOTAL ASSETS	<u>\$ 29,535</u>
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LIABILITIES

Accounts payable	\$ -
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TOTAL LIABILITIES	<u>-</u>
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NET ASSETS

Undesignated	<u>29,535</u>
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TOTAL NET ASSETS	<u>29,535</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,535</u>
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(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

ASSETS

Cash and cash equivalents	\$ 38,388
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TOTAL ASSETS	<u>\$ 38,388</u>
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LIABILITIES

Accounts payable	\$ -
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TOTAL LIABILITIES	<u>-</u>
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NET ASSETS

Undesignated	<u>38,388</u>
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TOTAL NET ASSETS	<u>38,388</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,388</u>
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(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS

Other local revenues	\$ 97,599
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DEDUCTIONS

Supplies and materials and other operating expenses and services	<u>106,452</u>
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TOTAL DEDUCTIONS	<u>106,452</u>
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CHANGE IN NET ASSETS	(8,853)
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NET ASSETS, BEGINNING OF YEAR	<u>38,388</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 29,535</u></u>
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(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

ADDITIONS

Other local revenues	\$ <u>68,476</u>
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DEDUCTIONS

Supplies and materials and other operating expenses and services	<u>63,346</u>
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TOTAL DEDUCTIONS	<u>63,346</u>
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CHANGE IN NET ASSETS	5,130
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NET ASSETS, BEGINNING OF YEAR	<u>33,258</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 38,388</u></u>
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(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

1) ORGANIZATION AND NATURE OF ACTIVITIES

Reporting Entity

The Palo Verde Community College District was formed in 1947 to provide access to higher education in the eastern portion of Riverside County. The District consists of two campuses located in Blythe and Needles.

The District includes all funds, account groups, and other entities that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. For financial reporting purposes the Palo Verde College Foundation (the Foundation) is reported in the District's financial statements because of the significance of its relationship with the District. The Foundation, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to provide support to the students and faculty of the District.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments and including Statement No. 35, Basic Financial Statements and Management Discussion and Analysis of Public College and Universities, issued in June and November 1999 and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

Basis of Accounting

The accounting policies and procedures used by the District are those recommended in the "Budget and Accounting Manual for California Colleges".

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

The Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in the financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

Cash and cash equivalents

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts receivable

Accounts receivable consist primarily of accounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventory

Inventory is valued at average cost and consists of expendable bookstore textbooks and supplies. The cost is recorded as an expenditure at the time individual inventory items are sold.

Capital assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and land improvements, 5 - 10 years for equipment and vehicles and 5 years for technology.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

Compensated Absences

Compensated absence costs are accrued when earned by employees. In accordance with GASB No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

Net assets

Invested in capital assets, net of related debt: This represents the District's total investment capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific purposes.

State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February 2010 will be recorded in the year computed by the State.

Property Taxes

The property tax levy and due date is November 1. The tax lien date is March 1 and the tax collection dates are April 10 and December 10 of each year.

On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community College and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

Unapportioned Taxes and Deferred Revenue

Unapportioned Taxes not distributed to the District within 60 days after year end are recognized as income in the fiscal year in which they are received. However, a corresponding reduction in State revenue and the related deferred revenue is also recorded in order to properly reflect the District's annual base revenue.

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

5) **CAPITAL ASSETS** – continued

	<u>Balance</u> <u>July 1, 2007</u>	<u>Net Change in</u> <u>Capital Assets</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Capital Assets</u>			
Land	\$ 1,207,022	\$ -	\$ 1,207,022
Buildings	19,809,482	8,880,641	28,690,123
Site and site improvements	1,361,661	-	1,361,661
Equipment	1,284,726	1,157,764	2,442,490
Vehicles	125,644	-	125,644
Construction in progress	<u>16,572,608</u>	<u>4,360,373</u>	<u>20,932,981</u>
Total cost	<u>\$ 40,361,143</u>	<u>\$ 14,398,778</u>	<u>\$ 54,759,921</u>
	<u>Balance</u> <u>July 1, 2007</u>	<u>Net Change in</u> <u>Accumulated</u> <u>Depreciation</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Accumulated Depreciation</u>			
Buildings	\$ 2,986,660	\$ 496,712	\$ 3,483,372
Site and site improvements	352,593	43,218	395,811
Equipment	772,247	249,153	1,021,400
Vehicles	<u>103,705</u>	<u>5,633</u>	<u>109,338</u>
Total accumulated depreciation	<u>4,215,205</u>	<u>794,716</u>	<u>5,009,921</u>
Net capital assets	<u>\$ 36,145,938</u>	<u>\$ 13,604,062</u>	<u>\$ 49,750,000</u>

Construction in progress at June 30, 2009 consists primarily of the Management Information Systems and the Fine and Performing Arts Complex (See Note 7) which are near completion at June 30, 2009. Depreciation on these Buildings will commence at date of completion.

6) **LONG-TERM LIABILITIES**

The following provides a summary of change in long-term liabilities for the years ended June 30, 2009 and 2008:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital leases payable	\$ 11,208	\$ -	\$ (11,208)	\$ -
Loan payable – child care center	26,000	-	(13,000)	13,000
Loan payable - building	450,000	-	(128,572)	321,428
Loan payable - FTES	202,730	-	(202,730)	-
Certificates of participation	18,600,000	31,995,000	(18,600,000)	31,995,000
General obligation bonds payable	<u>5,629,879</u>	-	<u>(195,000)</u>	<u>5,434,879</u>
Totals	<u>\$ 24,919,817</u>	<u>\$ 31,995,000</u>	<u>\$(19,150,510)</u>	<u>\$ 37,764,307</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

6) LONG-TERM LIABILITIES – continued

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>
Capital leases payable	\$ 22,416	\$ -	\$ (11,208)	\$ 11,208
Loan payable – child care center	39,000	-	(13,000)	26,000
Loan payable – building	-	450,000	-	450,000
Loan payable – FTES	586,730	-	(384,000)	202,730
Certificates of participation	18,600,000	-	-	18,600,000
General obligation bonds payable	<u>5,814,879</u>	-	<u>(185,000)</u>	<u>5,629,879</u>
Totals	<u>\$ 25,063,025</u>	<u>\$ 450,000</u>	<u>\$ (593,208)</u>	<u>\$ 24,919,817</u>

Capital Leases payable

The District leased office equipment valued at \$85,914 under agreements which provide the District with the option to purchase the equipment upon expiration of the lease agreements. The capital leases were paid in full during the year ended June 30, 2009.

Loan Payable – Child Care Center

The loan payable represents a \$130,000 loan with the State of California for proceeds received for the new child care development center. The loan requires ten annual payments of \$13,000, with no interest, through March 2010. The outstanding balance of the loan at June 30, 2009 was \$13,000.

Loan Payable – Building

In July 6, 2007 the District financed the purchase of a building in the amount of \$450,000. This building was previously rented by the District as existing classroom space. The District will pay \$64,286 annually for seven years with zero percent interest for a total of \$450,000. The outstanding balance of the loan at June 30, 2009 was \$321,428.

Loan Payable – FTES

The District has approved a repayment schedule to the State Chancellor's Office for excess FTES claimed during the 2001-2002 and 2002-2003 fiscal years, terminating in 2009. (See further discussion at Note 11). The outstanding balance of the repayments was paid in full during the year ended June 30, 2009.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

6) LONG-TERM LIABILITIES – continued

Total combined future maturities on all long-term liabilities excluding general obligation bonds payable and certificates of participation payable (See Note 7 and 8) are as follows:

<u>June 30,</u>	
2010	\$ 77,286
2011	64,286
2012	64,286
2013	64,286
2014	<u>64,284</u>
	<u>\$ 334,428</u>

7) CERTIFICATES OF PARTICIPATION

In September 2006, the District approved certificates of participation in the amount of \$18.6 million, to assist in providing timely cash flows during the construction period of the Physical Education Complex and the chiller plant until State reimbursements are received. The projects were completed in the Fall of 2008 and were 100% State reimbursed. The additional proceeds from the certificates of participation were used for computer upgrades for the District and other capital renovations on the Blythe and Needles campus.

The District refinanced these Certificates of Participation in July 2008 taking advantage of lower interest rates.

The District has construction commitments of approximately \$23 million at June 30, 2009 for the construction of the Fine and Performing Arts Complex (Phase #4) and completion of the Management Information Systems Project.

The annual debt requirements on these certificates payable as of June 30, 2009 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 1,664,350	\$ 1,664,350
2011	-	1,664,350	1,664,350
2012	-	1,664,350	1,664,350
2013	690,000	1,664,350	2,354,350
2014	715,000	1,636,750	2,351,750
2015-2019	4,070,000	7,688,363	11,758,363
2020-2024	5,085,000	6,674,100	11,759,100
2025-2029	6,550,000	5,212,350	11,762,350
2030-2034	8,545,000	3,203,750	11,748,750
2035-2037	<u>6,340,000</u>	<u>709,050</u>	<u>7,049,050</u>
Total	<u>\$ 31,995,000</u>	<u>\$ 31,781,763</u>	<u>\$ 63,776,763</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

8) GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds of up to \$6,000,000 were approved by election in June 2005 and are to be used to finance real property improvements to the Districts' Needles campus. In October 2005, the District issued the first series on these available bonds amounting to \$2,946,254. The District took a second drawdown in September 2006, amounting to \$3,053,625. The improvements on the Needles campus were completed in the Fall of 2009. The following information is provided for purposes of additional analysis only.

All debt repayments will be made by the county from property tax revenues.

The annual debt requirements on these bonds payable as of June 30, 2009 are as follows:

Year Ended	<u>Series 2005 Bonds</u>		<u>Series 2006 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
<u>June 30,</u>					
2010	\$ 10,000	\$ 133,214	\$ 95,000	\$ 111,850	\$ 350,064
2011	15,000	132,884	105,000	108,050	360,934
2012	25,000	132,374	110,000	103,850	371,224
2013	30,000	131,499	120,000	99,450	380,949
2014	40,000	130,389	125,000	94,650	390,039
2015-2019	181,254	764,084	790,000	386,700	2,122,038
2020-2024	560,000	564,900	1,130,000	161,700	2,416,600
2025-2029	975,000	351,000	356,083	1,263,917	2,946,000
2030-2032	<u>545,000</u>	<u>49,800</u>	<u>222,542</u>	<u>1,182,458</u>	<u>1,999,800</u>
Totals:	<u>\$2,381,254</u>	<u>\$2,390,144</u>	<u>\$3,053,625</u>	<u>\$3,512,625</u>	<u>\$11,337,648</u>

9) EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

Plan Description

State Teachers' Retirement System (STRS)

All full-time certificated employees participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. At June 30, 2009, the District employed 135 full and part-time certificated employees with a total payroll of approximately \$5,320,945. At June 30, 2008, the District employed 100 full and part-time certificated employees with a total payroll of approximately \$4,923,258.

The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

9) EMPLOYEE RETIREMENT SYSTEMS – continued

California Public Employees Retirement System (PERS)

All full-time classified employees participate in PERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. At June 30, 2009, the District employed 64 full and part-time classified employees with a total payroll of approximately \$3,041,814. At June 30, 2008, the District employed 59 full and part-time classified employees with a total payroll of approximately \$2,765,308. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

State Teachers' Retirement System (STRS)

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year ended June 30, 2009 and 2008 was 8.25% of annual payroll for both years. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2009, 2008 and 2007 were \$438,978, \$406,169 and \$387,192, respectively, and equal to 100% of the required contributions for each year.

California Public Employees Retirement System (PERS)

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2008/09 was 9.43% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contribution to CalPERS for fiscal years ending June 30, 2009, 2008 and 2007 were \$286,783, \$257,340 and 233,372, respectively, and equal to 100% of the required contribution for each year.

10) TRANS DEBT

In July 1, 2008 the District entered into a tax and revenue anticipation notes (TRANS) in the amount of \$1,003,190 with issuance costs of (\$10,900) for a total of \$992,290 with an interest rate of 4%. The funds were provided by the County of Riverside to provide interim funds for the payment of operating expenses of the District for the fiscal year beginning July 1, 2008 and ending June 30, 2009 in anticipation of the receipt from taxes, revenues, cash receipts and other moneys which are received by the District. The TRANS debt of \$992,290 were paid in full in July 2009.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

11) JOINT POWERS AGREEMENTS

The Palo Verde Community College District participates in five joint ventures under joint powers agreements (JPA): Community Colleges of Riverside County Self Insurance Program for Employees (CCRCSIPE), Schools Excess Liability Fund (SELF), Riverside Schools Insurance Authority (RSIA), Riverside County Employer/Employee Partnership for Benefits Plan (REEP) and Riverside Schools Risk Management Association (RSRMA). The relationships between the District and JPA's are such that the JPA's are not a component unit of the Palo Verde Community College District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities. The most recent available condensed audited financial information for public entity risk pools and joint powers authorities are as follows:

	(REEP) June 30, 2008	(RSIA) June 30, 2008	(SELF) June 30, 2008	(CCRCSIPE) June 30, 2008	(RSRMA) June 30, 2008
Assets	\$ 30,661,661	\$ 6,020,531	\$ 238,680,000	\$ 2,867,811	\$ 9,909,610
Liabilities	10,589,081	4,132,288	189,962,000	793,291	2,373,123
Fund Equity	<u>\$ 20,072,580</u>	<u>\$ 1,888,243</u>	<u>\$ 48,718,000</u>	<u>\$ 2,074,520</u>	<u>\$ 7,536,487</u>
Revenue	115,961,774	8,018,172	36,441,000	527,943	16,978,535
Expenses	108,491,810	7,862,729	17,833,000	431,909	16,385,325
Net Increase (Decrease) In Fund Equity	<u>\$ 7,469,964</u>	<u>\$ 155,443</u>	<u>\$ 18,608,000</u>	<u>\$ 96,034</u>	<u>\$ 593,210</u>

12) OTHER

The District initiated a civil litigation seeking to recover, in part, at least \$1.3 million in funds paid to certain private individuals/entities in connection with courses which those private individuals/entities allegedly offered through the District during the 2001-2002 and 2002-2003 fiscal years. The litigation was settled in January 2007 in which the District was successful. One defendant paid the District \$350,000 at June 30, 2007 and the other defendants have made arrangements to repay the District in future years.

Additionally, the District has agreed upon a repayment schedule with the State Chancellor's Office State for funds received in connection with the aforementioned courses. (See loan payable at Note 6). The funds returned may be partially or wholly offset by any recovery in the civil litigation. The outstanding balance of the repayments to the State was paid in full during the year ended June 30, 2009.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUE 30, 2009 AND 2008

13) RECENT ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has recently issued Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement would be effective for phase three GASB No. 34 implementers in fiscal year 2009-10. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as those benefits the employees have already earned. Annual required contributions shall include the employer's normal cost and a provision(s) for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement also requires that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

The District had an actuarial study performed in February 2007 that resulted in an estimated future liability of \$519,185. Interest income of \$59,268 within the Self-Insurance fund was allocated towards the estimated future liability; however no amounts were transferred during the year ended June 30, 2008 from the general fund due to the uncertainty with the State Budget and future funds available to the District. Interest income in the amount of \$18,612 within the Self-Insurance fund was allocated towards the estimated future liability during the year ended June 30, 2009. The following shows amounts that have been transferred and interest income that has been allocated at June 30, 2009:

<u>Year Ended:</u>	<u>Amount</u>
June 30, 2007, transferred	\$ 74,555
June 30, 2008, allocated	59,268
June 30, 2009, allocated	<u>18,612</u>
Total	<u>\$ 152,435</u>

14) SUBSEQUENT EVENTS

Statement of Financial Accounting Standards #165 requires that Palo Verde Community District assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The District evaluated all potential subsequent events as of December 14, 2009, when the financial statements were authorized and available to be issued. The following subsequent transaction was identified as of December 14, 2009 that requires disclosure to the financial statements.

On July 1, 2009 the District entered into a tax and revenue anticipation note in the amount of \$2,000,000 with an interest rate of 4% maturing July 1, 2010. These funds were provided by the County of Riverside to provide interim cash flows during the year July 1, 2009 through June 30, 2010. The TRANS debt outstanding at June 30, 2009 in the amount of \$992,290 was paid in full in July 2009.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

15) FUNCTIONAL EXPENSES:

Functional expenses for the District only, for the year ended June 30, 2009 and 2008, consisted of the following:

2009

	Salaries	Employee Benefits	Supplies, Material & Other Expenses & Services	Financial Aid	Depreciation	Total
Instructional Activities	\$ 4,183,668	\$ 1,048,076	\$ 1,364,126	\$ -	\$ -	\$ 6,595,870
Academic Support	651,869	265,355	408,448	-	-	1,325,672
Administration & Records	231,382	98,857	4,421	-	-	334,660
Student Services	1,713,977	615,838	693,737	-	-	3,023,552
Operation & Maintenance of Plant	341,543	173,670	897,406	-	-	1,412,619
Planning, Policy & Coord.	282,016	169,400	280,166	-	-	731,582
Institutional Support Services	1,660,681	544,443	863,607	-	-	3,068,731
Community Services & Economic Development	-	-	-	-	-	-
Ancillary Services & Auxiliary Operations	7,124	271	28,352	-	-	35,747
Physical Property & Related Acquisitions	146,677	41,553	23,657,230	-	-	23,845,460
Transfers, Student Aid & Other Outgo	-	-	71,337	1,346,673	-	1,418,010
GASB 35 adjustment	-	66,516	(21,688,512)	-	484,157	(21,137,839)
Total	\$ 9,218,937	\$ 3,023,979	\$ 6,580,318	\$ 1,346,673	\$ 484,157	\$ 20,654,064

2008

Instructional Activities	\$ 3,950,575	\$ 1,014,470	\$ 1,170,230	\$ -	\$ -	\$ 6,135,275
Academic Support	643,090	215,061	319,276	-	-	1,177,427
Administration & Records	202,558	86,724	9,680	-	-	298,962
Student Services	1,662,616	592,496	809,776	-	-	3,064,888
Operation & Maintenance of Plant	365,278	151,554	744,307	-	-	1,261,139
Planning, Policy & Coord.	303,870	186,366	279,005	-	-	769,241
Institutional Support Services	1,399,200	468,406	1,453,754	-	-	3,321,360
Community Services & Economic Development	-	-	-	-	-	-
Ancillary Services & Auxiliary Operations	-	5	36,881	-	-	36,886
Physical Property & Related Acquisitions	(655)	291	15,097,516	-	-	15,097,152
Transfers, Student Aid & Other Outgo	-	-	-	1,022,947	-	1,022,947
GASB 35 adjustment	-	75,875	(14,157,986)	-	794,716	(13,287,395)
Total	\$ 8,526,532	\$ 2,791,248	\$ 5,762,439	\$ 1,022,947	\$ 794,716	\$ 18,897,882

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Palo Verde Community College District
Blythe, California

We have audited the basic financial statements of Palo Verde Community College District for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 14, 2009. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 and the standards identified by the California Community Colleges Contracted District Audit Manual, issued by the California State Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the business-type activities and discretely presented component unit of Palo Verde Community College District, which collectively comprise the District's basic financial statements. The accompanying supplementary information, listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District.

The information in the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects in relation to the basic financial statements taken as a whole.

December 14, 2009

PALO VERDE COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF NET ASSETS - DISTRICT

JUNE 30 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,766,691	\$ 360,164	\$ 808,612
Cash and cash equivalents - restricted	-	-	19,991,144
Accounts receivable, net	1,231,979	-	2,207,806
Due from other funds	172,783	-	-
Prepaid expenses	-	-	336,213
Inventory	-	-	-
Total Current Assets	<u>3,171,453</u>	<u>360,164</u>	<u>23,343,775</u>
Capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 3,171,453</u></u>	<u><u>\$ 360,164</u></u>	<u><u>\$23,343,775</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 759,032	\$ -	\$ 8,922
TRANS debt	992,290	-	-
Due to other funds	-	-	-
Compensated absences	-	-	-
Current portion of long-term liabilities	-	-	-
Total Current liabilities	<u>1,751,322</u>	<u>-</u>	<u>8,922</u>
Long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,751,322</u>	<u>-</u>	<u>8,922</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Grants and contracts	276,472	-	-
Unrestricted	<u>1,143,659</u>	<u>360,164</u>	<u>23,334,853</u>
TOTAL NET ASSETS	<u>1,420,131</u>	<u>360,164</u>	<u>23,334,853</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,171,453</u></u>	<u><u>\$ 360,164</u></u>	<u><u>\$23,343,775</u></u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ 2	\$ 33,344	\$ 337,179	\$ 384,629	\$ -	\$ 3,690,621
-	-	-	-	-	19,991,144
-	19,791	3,140	1,186	-	3,463,902
-	-	-	-	(172,783)	-
-	-	-	-	-	336,213
-	-	162,379	-	-	162,379
<u>2</u>	<u>53,135</u>	<u>502,698</u>	<u>385,815</u>	<u>(172,783)</u>	<u>27,644,259</u>
-	-	-	-	52,006,575	52,006,575
<u>\$ 2</u>	<u>\$ 53,135</u>	<u>\$ 502,698</u>	<u>\$ 385,815</u>	<u>\$ 51,833,792</u>	<u>\$ 79,650,834</u>
\$ -	\$ 1,624	\$ 347	\$ -	\$ -	\$ 769,925
-	-	-	-	-	992,290
-	28,926	88,486	55,371	(172,783)	-
-	-	-	-	471,624	471,624
-	-	-	-	182,286	182,286
-	30,550	88,833	55,371	481,127	2,416,125
-	-	-	-	37,582,021	37,582,021
-	30,550	88,833	55,371	38,063,148	39,998,146
-	-	-	-	31,949,916	31,949,916
-	-	-	-	-	276,472
<u>2</u>	<u>22,585</u>	<u>413,865</u>	<u>330,444</u>	<u>(18,179,272)</u>	<u>7,426,300</u>
<u>2</u>	<u>22,585</u>	<u>413,865</u>	<u>330,444</u>	<u>13,770,644</u>	<u>39,652,688</u>
<u>\$ 2</u>	<u>\$ 53,135</u>	<u>\$ 502,698</u>	<u>\$ 385,815</u>	<u>\$ 51,833,792</u>	<u>\$ 79,650,834</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT

JUNE 30 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,345,598	\$ 467,547	\$ 1,988,110
Cash and cash equivalents - restricted	-	-	10,985,247
Accounts receivable, net	839,471	-	32,015
Due from other funds	-	-	-
Prepaid expenses	-	-	439,884
Inventory	-	-	-
Total Current Assets	<u>4,185,069</u>	<u>467,547</u>	<u>13,445,256</u>
Capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 4,185,069</u></u>	<u><u>\$ 467,547</u></u>	<u><u>\$13,445,256</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 523,276	\$ -	\$ 554,534
TRANS debt	1,572,922	-	-
Due to other funds	-	-	-
Compensated absences	-	-	-
Current portion of long-term liabilities	-	-	-
Total Current liabilities	<u>2,096,198</u>	<u>-</u>	<u>554,534</u>
Long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,096,198</u>	<u>\$ -</u>	<u>554,534</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Grants and contracts	167,080	-	-
Unrestricted	<u>1,921,791</u>	<u>467,547</u>	<u>12,890,722</u>
TOTAL NET ASSETS	<u>2,088,871</u>	<u>467,547</u>	<u>12,890,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,185,069</u></u>	<u><u>\$ 467,547</u></u>	<u><u>\$13,445,256</u></u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ 2	\$ 34,954	\$ 211,081	\$ 274,777	\$ -	\$ 6,322,069
-	-	-	-	-	10,985,247
-	4,957	24,608	2,778	-	903,829
-	-	-	-	-	-
-	-	-	-	-	439,884
-	-	135,641	-	-	135,641
<u>2</u>	<u>39,911</u>	<u>371,330</u>	<u>277,555</u>	<u>-</u>	<u>18,786,670</u>
-	-	-	-	<u>49,750,000</u>	<u>49,750,000</u>
<u>\$ 2</u>	<u>\$ 39,911</u>	<u>\$ 371,330</u>	<u>\$ 277,555</u>	<u>\$ 49,750,000</u>	<u>\$ 68,536,670</u>
\$ -	\$ 803	\$ 316	\$ -	\$ -	\$ 1,078,929
-	-	-	-	-	1,572,922
-	-	-	-	-	-
-	-	-	-	405,108	405,108
-	-	-	-	486,224	486,224
-	803	316	-	891,332	3,543,183
-	-	-	-	24,433,593	24,433,593
-	803	316	-	25,324,925	27,976,776
-	-	-	-	33,435,242	33,435,242
-	-	-	-	-	167,080
<u>2</u>	<u>39,108</u>	<u>371,014</u>	<u>277,555</u>	<u>(9,010,167)</u>	<u>6,957,572</u>
<u>2</u>	<u>39,108</u>	<u>371,014</u>	<u>277,555</u>	<u>24,425,075</u>	<u>40,559,894</u>
<u>\$ 2</u>	<u>\$ 39,911</u>	<u>\$ 371,330</u>	<u>\$ 277,555</u>	<u>\$ 49,750,000</u>	<u>\$ 68,536,670</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
OPERATING REVENUES			
Enrollment, tuition and other fees (gross)	\$ 545,299	\$ -	\$ -
Less: Scholarship discounts and allowances	<u>(282,664)</u>	<u>-</u>	<u>-</u>
Net enrollment, tuition and other fees	262,635	-	-
Grants and contracts, non-capital			
Federal	366,562	-	-
State	1,891,655	-	-
Local	<u>408,270</u>	<u>-</u>	<u>4,400</u>
TOTAL OPERATING REVENUES	<u>2,929,122</u>	<u>-</u>	<u>4,400</u>
Salaries	8,960,642	-	-
Employee benefits	2,819,336	-	-
Supplies, materials and other operating expenses and services	3,137,433	196,540	23,587,259
Financial aid	298,618	-	-
Utilities	779,646	-	16,933
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>15,995,675</u>	<u>196,540</u>	<u>23,604,192</u>
TOTAL OPERATING INCOME (LOSS)	(A) <u>(13,066,553)</u>	<u>(196,540)</u>	<u>(23,599,792)</u>

(A) GASB 35 financial statement presentation considers state apportionment and local property taxes as "non-operating revenues" (see the following page)

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ -	\$ -	\$ 100,365	\$ -	\$ 645,664
-	-	-	-	-	(282,664)
-	-	-	100,365	-	363,000
1,048,055	26,113	-	-	-	1,440,730
-	168,058	-	-	-	2,059,713
-	-	575,723	18,612	-	1,007,005
<u>1,048,055</u>	<u>194,171</u>	<u>575,723</u>	<u>118,977</u>	<u>-</u>	<u>4,870,448</u>
-	199,050	59,245	-	-	9,218,937
-	95,014	25,665	17,448	66,516	3,023,979
-	33,188	451,188	55,371	(21,688,512)	5,772,467
1,048,055	-	-	-	-	1,346,673
-	11,272	-	-	-	807,851
-	-	-	-	484,157	484,157
<u>1,048,055</u>	<u>338,524</u>	<u>536,098</u>	<u>72,819</u>	<u>(21,137,839)</u>	<u>20,654,064</u>
-	(144,353)	39,625	46,158	21,137,839	(15,783,616)

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT -(continued)
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
NON-OPERATING REVENUE (EXPENSES)			
State apportionments, non-capital	\$10,487,416	\$ -	\$ -
Local property taxes	1,072,730	325,133	-
State taxes and other revenues	780,732	3,931	-
Investment income, net	93,370	8,569	474,415
Interest expense	<u>(36,435)</u>	<u>(248,476)</u>	<u>(698,102)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,397,813</u>	<u>89,157</u>	<u>(223,687)</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)			
Other financing sources	-	-	31,995,000
State apportionments, capital	<u>-</u>	<u>-</u>	<u>2,272,610</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>-</u>	<u>-</u>	<u>34,267,610</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(668,740)</u>	<u>(107,383)</u>	<u>10,444,131</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,088,871</u>	<u>467,547</u>	<u>12,890,722</u>
NET ASSETS, END OF YEAR	<u>\$ 1,420,131</u>	<u>\$ 360,164</u>	<u>\$23,334,853</u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 202,730	\$ 10,690,146
-	-	-	-	-	1,397,863
-	126,966	-	-	-	911,629
-	864	3,226	6,731	-	587,175
-	-	-	-	-	(983,013)
-	<u>127,830</u>	<u>3,226</u>	<u>6,731</u>	<u>202,730</u>	<u>12,603,800</u>
-	-	-	-	(31,995,000)	-
-	-	-	-	-	<u>2,272,610</u>
-	-	-	-	(31,995,000)	<u>2,272,610</u>
-	<u>(16,523)</u>	<u>42,851</u>	<u>52,889</u>	<u>(10,654,431)</u>	<u>(907,206)</u>
<u>2</u>	<u>39,108</u>	<u>371,014</u>	<u>277,555</u>	<u>24,425,075</u>	<u>40,559,894</u>
<u>\$ 2</u>	<u>\$ 22,585</u>	<u>\$ 413,865</u>	<u>\$ 330,444</u>	<u>\$ 13,770,644</u>	<u>\$ 39,652,688</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
OPERATING REVENUES			
Enrollment, tuition and other fees (gross)	\$ 519,831	\$ -	\$ -
Less: Scholarship discounts and allowances	<u>(295,157)</u>	<u>-</u>	<u>-</u>
Net enrollment, tuition and other fees	224,674	-	-
Grants and contracts, non-capital			
Federal	92,060	-	-
State	1,948,579	-	697,593
Local	<u>106,935</u>	<u>-</u>	<u>246,959</u>
TOTAL OPERATING REVENUES	<u>2,372,248</u>	<u>-</u>	<u>944,552</u>
Salaries	8,305,657	-	-
Employee benefits	2,546,785	-	-
Supplies, materials and other operating expenses and services	3,354,349	441,666	15,073,430
Financial aid	283,083	-	-
Utilities	582,355	-	8,551
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>15,072,229</u>	<u>441,666</u>	<u>15,081,981</u>
TOTAL OPERATING INCOME (LOSS)	(A) <u>(12,699,981)</u>	<u>(441,666)</u>	<u>(14,137,429)</u>

(A) GASB 35 financial statement presentation considers state apportionment and local property taxes as "non-operating revenues" (see the following page)

Continued

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,831
-	-	-	-	-	(295,157)
-	-	-	-	-	224,674
739,864	25,619	-	-	-	857,543
-	286,969	-	-	-	2,933,141
-	-	533,440	-	-	887,334
<u>739,864</u>	<u>312,588</u>	<u>533,440</u>	<u>-</u>	<u>-</u>	<u>4,902,692</u>
-	170,090	50,785	-	-	8,526,532
-	90,814	23,493	54,281	75,875	2,791,248
-	28,473	420,870	-	(14,157,986)	5,160,802
739,864	-	-	-	-	1,022,947
-	10,731	-	-	-	601,637
-	-	-	-	794,716	794,716
<u>739,864</u>	<u>300,108</u>	<u>495,148</u>	<u>54,281</u>	<u>(13,287,395)</u>	<u>18,897,882</u>
-	12,480	38,292	(54,281)	13,287,395	(13,995,190)

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT -(continued)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
NON-OPERATING REVENUE (EXPENSES)			
State apportionments, non-capital	\$10,889,468	\$ -	\$ -
Local property taxes	999,957	365,152	-
State taxes and other revenues	1,188,402	-	-
Investment income, net	155,649	18,994	402,172
Interest expense	<u>-</u>	<u>-</u>	<u>(748,776)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>13,233,476</u>	<u>384,146</u>	<u>(346,604)</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)			
State apportionments, capital	<u>-</u>	<u>-</u>	<u>4,090,613</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>-</u>	<u>-</u>	<u>4,090,613</u>
INCREASE (DECREASE) IN NET ASSETS	<u>533,495</u>	<u>(57,520)</u>	<u>(10,393,420)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,555,376</u>	<u>525,067</u>	<u>23,284,142</u>
NET ASSETS, END OF YEAR	<u>\$ 2,088,871</u>	<u>\$ 467,547</u>	<u>\$12,890,722</u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 384,000	\$ 11,273,468
-	-	-	-	-	1,365,109
-	1,010	-	-	-	1,189,412
-	1,180	16,107	14,982	-	609,084
-	-	-	-	-	(748,776)
-	2,190	16,107	14,982	384,000	13,688,297
-	-	-	-	-	4,090,613
-	-	-	-	-	4,090,613
-	14,670	54,399	(39,299)	13,671,395	3,783,720
2	24,438	316,615	316,854	10,753,680	36,776,174
\$ 2	\$ 39,108	\$ 371,014	\$ 277,555	\$ 24,425,075	\$ 40,559,894

PALO VERDE COMMUNITY COLLEGE DISTRICT

BOARD OF TRUSTEES AND ORGANIZATION

BOARD OF TRUSTEES AND ORGANIZATION

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Debbie Schuster	President	2010
Edmundo Gonzales	Vice-President	2012
Millie Rodriguez	Clerk of the Board	2012
Lincoln Edmond	Trustee	2012
Ted Arneson	Trustee	2010
Jerry Lewis	Trustee	2010
Samuel Burton	Trustee	2010
Marcus Rodriguez	Student Trustee	2009

ADMINISTRATION

James Hottois	Superintendent/President
Geri Butler	Vice-President of Administrative Services
Diana Rodriguez	Vice-President of Student Services
William Smith	Vice-President of Instructional Services

ORGANIZATION

The Palo Verde Community College was established in 1947 and became a separate district in 1973. The District is located in the eastern portion of Riverside County. The District annexed the City of Needles during 1999. There were no other changes to the boundaries of the District during the year. The District operates a campus in Blythe, California and a campus in Needles, California. The District relocated to its newly constructed campus in Blythe in August, 2001.

The District provides the first two years of instruction transferable to accredited four-year colleges and universities, as well as vocational and technical education.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

Schedule of Workload Measures for State General Apportionment

This schedule shows the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements.

Schedule of Expenditures of Federal Awards

This schedule provides financial information relating to Federal financial assistance programs administered by the District.

PALO VERDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

ANNUALIZED ATTENDANCE OF IN-STATE STUDENTS AS OF JUNE 30, 2009

CATEGORIES

A. Credit Full-Time Equivalent Student (FTES)

1. Weekly census	409.16
2. Daily census (including summer)	217.80
3. Actual hours of attendance	464.42
4. Independent Study/Work experience	<u>650.08</u>
TOTAL	1,741.46

B. Noncredit FTES

1. Actual hours of attendance	108.68
2. Daily census (including summer)	45.48

C. Student Headcount

1. Fall Session – 2008	3,942
2. Spring Session – 2009	3,555

D. Gross square footage

1. Palo Verde College	151,957
2. Needles Center	<u>26,657</u>
Total	178,614

PALO VERDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Student Financial Aid Trust Fund	Associated Students Trust Fund
June 30, 2009 Annual Financial and Budget Report (CCFS-311) ending fund balance	\$ 1,359,346	\$ -	\$ 1,263
Adjustments increasing (decreasing)			
Revenue understated (overstated)	-	(58,218)	-
Expenses overstated (understated)	60,785	58,218	-
Beginning fund balance understated (overstated)	-	2	-
June 30, 2009 audited financial statements ending fund balance	<u>\$ 1,420,131</u>	<u>\$ 2</u>	<u>\$ 1,263 (A)</u>

All other fund balances as reported on Form CCFS-311 were in agreement to the audited financial statements.

(A) Note: Fund balance for the fiduciary trust funds on the CCFS-311 report does not match the balance on the financial statements because the CCFS-311 report does not require all expendable trust funds to be reported. The reconciliation of the above fund balance to the financial statement totals is as follows:

Associated Students Trust Fund	1,263
Student Clubs and Scholarships	<u>28,272</u>
Total per financial statements	<u>\$ 29,535</u>



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Palo Verde Community College District
Blythe, California

Compliance

We have audited the compliance of Palo Verde Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Districts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Districts' management. Our responsibility is to express an opinion on the Districts' compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Districts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Districts' compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Palo Verde Community College District is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Districts' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

