

PALO VERDE COMMUNITY COLLEGE DISTRICT

BLYTHE, CALIFORNIA

COUNTY OF RIVERSIDE

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2010 AND 2009

PALO VERDE COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

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PALO VERDE COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

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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, 2010 and 2009 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, 2010 and 2009 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 15, 2010, 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.

December 15, 2010

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, 2009 and June 30, 2010. 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.

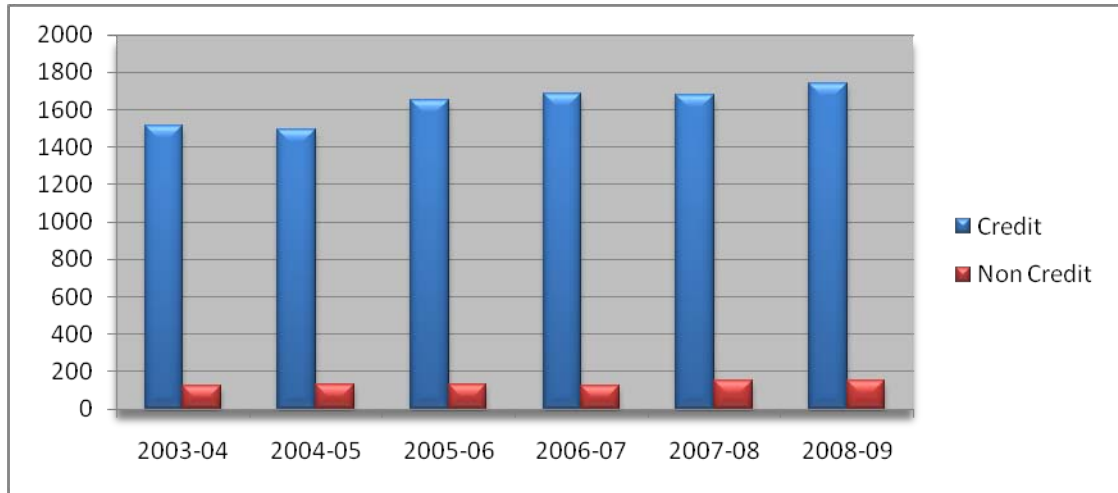
- **Distance Education**
 - The District also offers distance education programs which provide a wide variety of classes. Distance education classes are ideal when a campus-based alternative is impractical or unavailable. However, it must be noted that successfully completing a distance education class 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 2009-10, 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, 2009 & June 30, 2010 are summarized below:

ASSETS	2008-2009	2009-2010
Current Assets:		
Cash and cash equivalents	\$ 3,690,621	\$ 4,216,918
Cash and cash equivalents – restricted	19,991,144	13,676,284
Accounts receivable	3,463,902	7,771,235
Prepaid expenses	336,213	202,742
Inventory	<u>162,379</u>	<u>189,117</u>
Total Current Assets	<u>27,644,259</u>	<u>26,056,296</u>
Capital assets, net of accumulated depreciation	<u>52,006,575</u>	<u>63,602,221</u>
TOTAL ASSETS	<u>\$ 79,650,834</u>	<u>\$ 89,658,517</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	769,925	3,069,650
TRANS debt	992,290	1,141,175
Compensated absences	471,624	435,582
Loan payable – building	64,286	64,286
Loan payable – childcare center – current portion	13,000	-
Bonds Payable – current portion	<u>105,000</u>	<u>120,000</u>
Total current liabilities	<u>2,416,125</u>	<u>4,830,693</u>
Non-Current Liabilities:		
Net other postemployment benefit obligation	-	40,567
Loan payable – building	257,142	192,858
Bonds payable	5,329,879	5,209,879
Certificates of Participation	<u>31,995,000</u>	<u>31,995,000</u>
Total non-current liabilities	<u>37,582,021</u>	<u>37,438,304</u>
TOTAL LIABILITIES	<u>39,998,146</u>	<u>42,268,997</u>
NET ASSETS		
Invested in capital assets, net of related debt	31,681,003	34,051,691
Restricted for:		
Grants and contracts	276,472	183,885
Unrestricted	<u>7,695,213</u>	<u>13,153,944</u>
TOTAL NET ASSETS	<u>39,652,688</u>	<u>47,389,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 79,650,834</u>	<u>\$ 89,658,517</u>

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

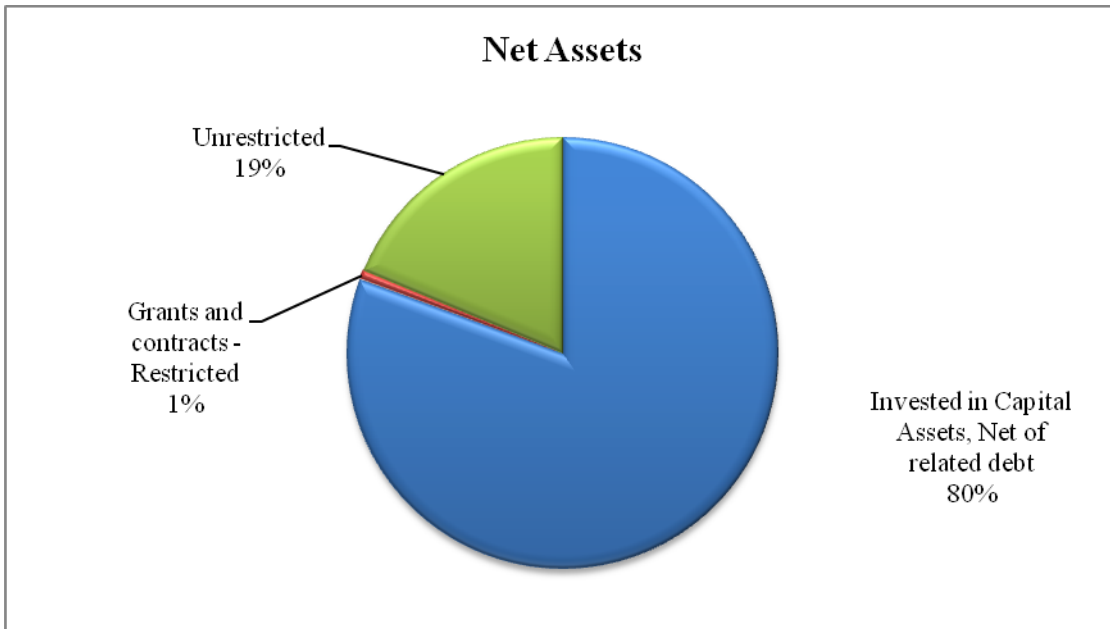
Statement of Net Assets – continued

- Approximately 23% 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, 2010, the District owned capital assets of \$70,479,790. 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 (\$3,069,650).
- Current and noncurrent liabilities also consists of compensated absences \$435,582; TRANS debt 1,141,175; loan payable (building) \$257,144, and other postemployment benefit obligation \$40,567. General Obligation Bonds payable amounted to \$5,329,879 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 (\$13,153,944) consist primarily of \$1,244,681 in the General Fund, \$19,069,288 in the Capital Projects Fund, \$538,110 in the Bookstore Fund, \$442,787 in the Self Insurance Fund and \$366,720 in the Debt Service Fund, Student Financial Aid Fund and Child Development Fund reduced by (\$8,507,642) 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, 2009 and June 30, 2010 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	2008-2009	2009-2010
Net tuition and fees	\$ 645,664	\$ 771,160
Less: Scholarship discounts and allowances	<u>(282,664)</u>	<u>(494,922)</u>
Net enrollment, tuition and other fees	363,000	276,238
Grants and contracts, non-capital		
Federal	1,440,730	2,147,920
State	2,059,713	1,600,462
Local	<u>1,007,005</u>	<u>797,905</u>
Total operating revenues	<u>4,870,448</u>	<u>4,822,535</u>
 OPERATING EXPENSES		
Salaries	9,218,937	8,964,041
Employee benefits	3,023,979	3,109,609
Supplies, materials and other operating expenses	5,772,467	2,887,727
Financial aid	1,346,673	1,706,304
Utilities	807,851	735,087
Depreciation	<u>484,157</u>	<u>1,383,461</u>
TOTAL OPERATING EXPENSES	<u>20,654,064</u>	<u>18,786,229</u>
OPERATING LOSS	<u>(15,783,616)</u>	<u>(13,963,694)</u>
 NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	10,690,146	12,020,541
Local property taxes	1,397,863	1,434,678
State taxes and other revenues	911,629	288,368
Investment income, net	587,175	122,548
Interest expense	<u>(983,013)</u>	<u>(2,000,955)</u>
Total non-operating revenues (expenses)	<u>12,603,800</u>	<u>11,865,180</u>
 Other Revenues, Expenses, Gains, or Losses		
Other financing sources	-	(2)
Statement apportionments, capital	<u>2,272,610</u>	<u>9,835,348</u>
Total other revenues, expenses, gains or losses	<u>2,272,610</u>	<u>9,835,346</u>
 Increase (Decrease) in Net Assets	 (907,206)	 7,736,832
 Net Assets, Beginning of Year	 <u>40,559,894</u>	 <u>39,652,688</u>
 Net Assets, End of Year	 <u>\$ 39,652,688</u>	 <u>\$ 47,389,520</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 64% 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:

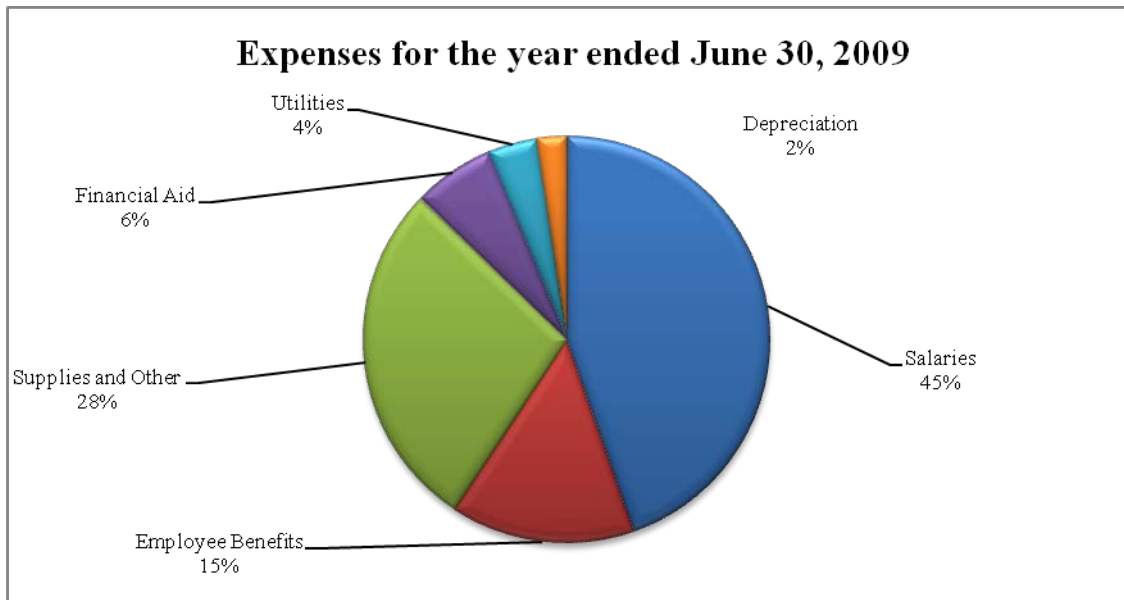
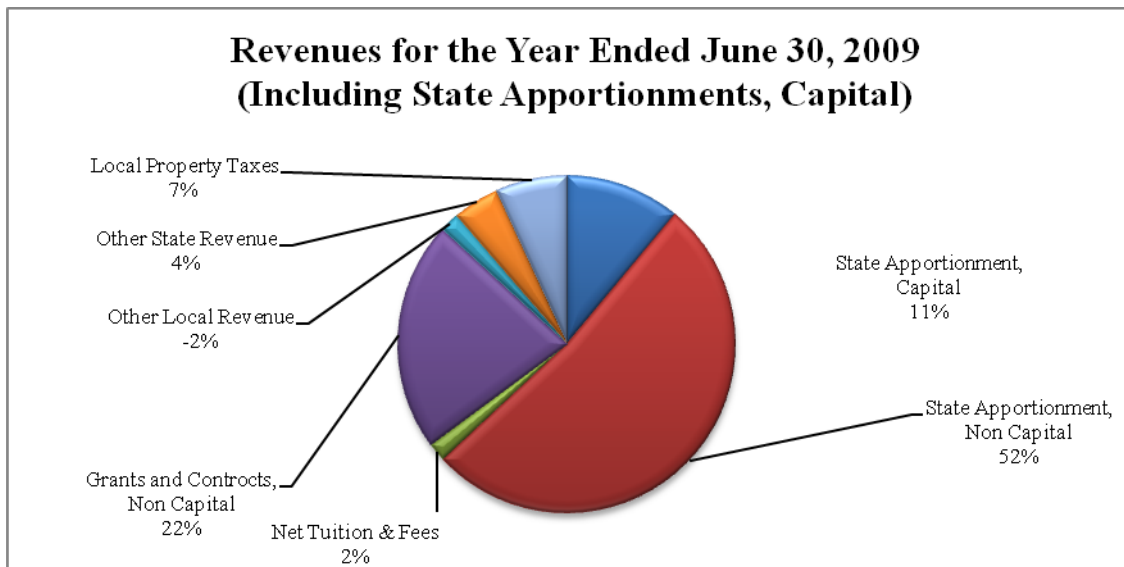
	<u>2008-2009</u>	<u>2009-2010</u>
Salaries	\$ 9,218,937	\$ 8,964,041
Employee Benefits	3,023,979	3,109,609
Supplies, materials, other operating and services	5,772,467	2,887,727
Financial Aid	1,346,673	1,706,304
Utilities	807,851	735,087
Depreciation	484,157	1,383,461
Total Operating Expenses	<u>\$ 20,654,064</u>	<u>\$ 18,786,229</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, 2009 and 2010 are summarized below:

Cash Provided by (Used In)	<u>2008-2009</u>	<u>2009-2010</u>
Operating activities	\$ (18,605,719)	\$ (14,327,698)
Non-capital financing activities	12,714,727	13,406,982
Capital and related financing activities	11,678,266	(4,990,395)
Investing activities	<u>587,175</u>	<u>122,548</u>
Net increase in cash and cash equivalents	6,374,449	(5,788,563)
Cash balance, beginning of year	<u>17,307,316</u>	<u>23,681,765</u>
Cash balance, end of year	<u>\$ 23,681,765</u>	<u>\$ 17,893,202</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 interested 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, 2010, the District had over \$63.6 million invested in net capital assets. Total capital assets of approximately \$70.4 million consist of land, building, site improvements, equipment and vehicles; these assets have an accumulated depreciation of approximately \$6.8 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 \$1,141,175. This amount will be paid by the end of the 2010/2011 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, 2010

	<u>District</u>	<u>Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,216,918	\$ 122,999
Cash and cash equivalents - restricted	13,676,284	-
Investments	-	832,925
Accounts receivable, net	7,771,235	-
Prepaid expenses	202,742	-
Inventory	189,117	-
Total Current Assets	<u>26,056,296</u>	<u>955,924</u>
Capital assets, net of accumulated depreciation	<u>63,602,221</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 89,658,517</u>	<u>\$ 955,924</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 3,069,650	\$ -
TRANS debt	1,141,175	-
Compensated absences	435,582	-
Loan payable - building	64,286	-
Bonds payable - current portion	120,000	-
Total Current Liabilities	<u>4,830,693</u>	<u>-</u>
Non-Current Liabilities:		
Net other postemployment benefit obligation	40,567	-
Loan payable - building	192,858	-
Bonds payable	5,209,879	-
Certificates of participation	31,995,000	-
Total Non-Current Liabilities	<u>37,438,304</u>	<u>-</u>
TOTAL LIABILITIES	<u>42,268,997</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	34,051,691	-
Restricted for:		
Grants and contracts	183,885	-
Unrestricted	13,153,944	955,924
TOTAL NET ASSETS	<u>47,389,520</u>	<u>955,924</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,658,517</u>	<u>\$ 955,924</u>

(The accompanying notes are an integral part of these 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><u>\$ 79,650,834</u></u>	<u><u>\$ 807,643</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 769,925	\$ -
TRANS debt	992,290	-
Compensated absences	471,624	-
Loan payable - building	64,286	-
Loan payable - childcare center - current portion	13,000	-
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	31,681,003	-
Restricted for:		
Grants and contracts	276,472	-
Unrestricted	<u>7,695,213</u>	<u>807,643</u>
TOTAL NET ASSETS	<u>39,652,688</u>	<u>807,643</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 79,650,834</u></u>	<u><u>\$ 807,643</u></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, 2010**

	<u>District</u>	<u>Foundation</u>
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 771,160	\$ -
Less: Scholarship discounts and allowances	(494,922)	-
Net enrollment, tuition and other fees	276,238	-
Grants and contracts, non-capital		
Federal	2,147,930	-
State	1,600,462	-
Local	797,905	87,416
TOTAL OPERATING REVENUES	<u>4,822,535</u>	<u>87,416</u>
OPERATING EXPENSES		
Salaries	8,964,041	-
Employee benefits	3,109,609	-
Supplies, materials and other operating expenses and services	2,887,727	41,772
Financial aid	1,706,304	-
Utilities	735,087	-
Depreciation	1,383,461	-
TOTAL OPERATING EXPENSES	<u>18,786,229</u>	<u>41,772</u>
OPERATING INCOME (LOSS)	<u>(13,963,694)</u>	<u>45,644</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	12,020,541	-
Local property taxes	1,434,678	-
State taxes and other revenues	288,368	-
Investment income, net	122,548	102,637
Interest expense	(2,000,955)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>11,865,180</u>	<u>102,637</u>
OTHER REVENUES		
Other financing sources	(2)	-
State apportionments, capital	9,835,348	-
TOTAL OTHER REVENUES	<u>9,835,346</u>	<u>-</u>
INCREASE IN NET ASSETS	<u>7,736,832</u>	<u>148,281</u>
NET ASSETS, BEGINNING OF YEAR	<u>39,652,688</u>	<u>807,643</u>
NET ASSETS, END OF YEAR	<u>\$ 47,389,520</u>	<u>\$ 955,924</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	<u>(282,664)</u>	<u>-</u>
Net enrollment, tuition and other fees	363,000	-
Grants and contracts, non-capital		
Federal	1,440,730	-
State	2,059,713	-
Local	<u>1,007,005</u>	<u>52,302</u>
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	<u>484,157</u>	<u>-</u>
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	(133,604)
Interest expense	<u>(983,013)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,603,800</u>	<u>(133,604)</u>
OTHER REVENUES		
State apportionments, capital	<u>2,272,610</u>	<u>-</u>
TOTAL OTHER REVENUES	<u>2,272,610</u>	<u>-</u>
DECREASE IN NET ASSETS	<u>(907,206)</u>	<u>(137,040)</u>
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 CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>District</u>	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 276,238	\$ -
Federal grants and contracts	2,216,100	-
State grants and contracts	(2,708,342)	-
Local grants and contracts	731,206	87,416
Auxiliary operation sales	(26,738)	-
Payments to suppliers	(1,040,733)	(41,772)
Payments to/on behalf of employees	(12,069,125)	-
Payments to/on behalf of students	(1,706,304)	-
Net cash provided (used) by operating activities	<u>(14,327,698)</u>	<u>45,644</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	12,308,909	-
Property and State taxes	1,434,678	-
Interest paid on noncapital debt	(336,605)	-
Net cash provided by non-capital financing activities	<u>13,406,982</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	9,835,346	-
Purchase of capital assets	(12,979,107)	-
Interest paid on capital debt	(1,664,350)	-
Principal paid on capital debt	(182,284)	-
Net cash used by capital and related financing activities	<u>(4,990,395)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/sale of investments - net	-	(86,770)
Investment income	122,548	102,637
Net cash provided (used) by investing activities	<u>122,548</u>	<u>15,867</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,788,563)	61,511
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>23,681,765</u>	<u>61,488</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 17,893,202</u>	<u>\$ 122,999</u>

(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, 2010

**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)	\$ (13,963,694)	\$ 45,644
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation expense	1,383,461	-
Changes in assets and liabilities:		
Accounts receivables	(4,307,333)	-
Prepaid expenses	133,471	-
Inventory	(26,738)	-
Accounts payable and other liabilities	2,489,177	-
Compensated absences	<u>(36,042)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (14,327,698)</u>	<u>\$ 45,644</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 FIDUCIARY NET ASSETS

JUNE 30, 2010

ASSETS

Cash and cash equivalents \$ 39,059

TOTAL ASSETS \$ 39,059

LIABILITIES

Accounts payable \$ -

TOTAL LIABILITIES -

NET ASSETS

Undesignated 39,059

TOTAL NET ASSETS 39,059

TOTAL LIABILITIES AND NET ASSETS \$ 39,059

(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

TOTAL ASSETS **\$ 29,535**

LIABILITIES

Accounts payable \$ -

TOTAL LIABILITIES **-**

NET ASSETS

Undesignated 29,535

TOTAL NET ASSETS **29,535**

TOTAL LIABILITIES AND NET ASSETS **\$ 29,535**

(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, 2010

ADDITIONS

Other local revenues	<u>\$ 96,229</u>
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DEDUCTIONS

Supplies and materials and other operating expenses and services	<u>86,705</u>
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TOTAL DEDUCTIONS	<u>86,705</u>
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CHANGE IN NET ASSETS	9,524
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NET ASSETS, BEGINNING OF YEAR	<u>29,535</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 39,059</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, 2009

ADDITIONS

Other local revenues	\$ <u>97,599</u>
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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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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, 2010 AND 2009

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, 2010 AND 2009

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 2011 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, 2010 AND 2009

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, 2010 AND 2009

3) CASH AND INVESTMENTS

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Riverside County Treasurer for the purpose of increasing interest earnings through County investment activities. The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. Substantially all cash held by financial institutions is entirely insured or collateralized.

Cash and cash equivalents consisted of the following at June 30, 2010:

	<u>2010</u>		
	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in County Treasury	\$ 4,034,586	\$ -	\$ -
** Cash held with fiscal agent (Restricted)	13,676,284	-	-
Cash on hand and in bank	172,448	122,999	39,059
Cash in revolving fund	<u>9,884</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 17,893,202</u>	<u>\$ 122,999</u>	<u>\$ 39,059</u>

Cash and cash equivalents consisted of the following at June 30, 2009:

	<u>2009</u>		
	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in County Treasury	\$ 3,574,193	\$ -	\$ -
** Cash held with fiscal agent (Restricted)	19,991,144	-	-
Cash on hand and in bank	106,545	61,488	29,535
Cash in revolving fund	<u>9,883</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 23,681,765</u>	<u>\$ 61,488</u>	<u>\$ 29,535</u>

** This is the balance for the Certificates of Participation issued during the year ended June 30, 2007. The Certificates of Participation were refinanced during the year ended June 30, 2009 (See Note 7)

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

3) CASH AND INVESTMENTS - continued

Under provision of the District's investment policy, and in accordance with Section 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

Specifically identifiable investments are classified as to credit risk by three categories and summarized below as follows:

- Category 1 - includes investments that are insured or registered or for which securities are held in the District's name and deposits insured or collateralized with securities held by the District;
- Category 2 - includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name;
- Category 3 - includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the district's name.

Investments consisted of the following at June 30, 2010 and 2009:

<u>2010</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Stock funds	\$ 425,048	\$ -	\$ -	\$425,048	\$425,048
Bond funds	<u>407,877</u>	<u>-</u>	<u>-</u>	<u>407,877</u>	<u>407,877</u>
	<u>\$ 832,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$832,925</u>	<u>\$832,925</u>

<u>2009</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Stock funds	\$ 369,999	\$ -	\$ -	\$369,999	\$369,999
Bond funds	<u>376,156</u>	<u>-</u>	<u>-</u>	<u>376,156</u>	<u>376,156</u>
	<u>\$ 746,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$746,155</u>	<u>\$746,155</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

4) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2010 and 2009:

<u>2010</u>	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Federal	\$ 47,477	\$ -	\$ -
State	7,537,744	-	-
Other	186,014	-	-
Total accounts receivable	<u>\$7,771,235</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2009</u>	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Federal	\$ 115,647	\$ -	\$ -
State	3,228,940	-	-
Other	119,315	-	-
Total accounts receivable	<u>\$3,463,902</u>	<u>\$ -</u>	<u>\$ -</u>

5) CAPITAL ASSETS

The following provides a summary of changes in capital assets, for the years ended June 30, 2010 and 2009:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Net Change in</u> <u>Capital Assets</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Capital Assets</u>			
Land	\$ 926,137	\$ -	\$ 926,137
Buildings	49,831,960	-	49,831,960
Site and site improvements	1,286,659	-	1,286,659
Equipment	2,457,074	16,555	2,473,629
Vehicles	145,610	-	145,610
Construction in progress	2,853,213	12,962,552	15,815,765
Total cost	<u>\$ 57,500,653</u>	<u>\$ 12,979,107</u>	<u>\$ 70,479,760</u>

	<u>Balance</u> <u>July 1, 2009</u>	<u>Net Change in</u> <u>Accumulated</u> <u>Depreciation</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Accumulated Depreciation</u>			
Buildings	\$ 3,730,506	\$ 1,033,322	\$ 4,763,828
Site and site improvements	364,027	43,218	407,245
Equipment	1,317,853	294,838	1,612,691
Vehicles	81,692	12,083	93,775
Total accumulated depreciation	<u>5,494,078</u>	<u>1,383,461</u>	<u>6,877,539</u>
Net capital assets	<u>\$ 52,006,575</u>	<u>\$ 11,595,646</u>	<u>\$ 63,602,221</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

5) **CAPITAL ASSETS** – continued

	<u>Balance</u> <u>July 1, 2008</u>	<u>Net Change in</u> <u>Capital Assets</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Capital Assets</u>			
Land	\$ 1,207,022	\$ (280,885)	\$ 926,137
Buildings	28,690,123	21,141,837	49,831,960
Site and site improvements	1,361,661	(75,002)	1,286,659
Equipment	2,442,490	14,584	2,457,074
Vehicles	125,644	19,966	145,610
Construction in progress	<u>20,932,981</u>	<u>(18,079,768)</u>	<u>2,853,213</u>
Total cost	<u>\$ 54,759,921</u>	<u>\$ 2,740,732</u>	<u>\$ 57,500,653</u>
	<u>Balance</u> <u>July 1, 2008</u>	<u>Net Change in</u> <u>Accumulated</u> <u>Depreciation</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Accumulated Depreciation</u>			
Buildings	\$ 3,483,372	\$ 247,134	\$ 3,730,506
Site and site improvements	395,811	(31,784)	364,027
Equipment	1,021,400	296,453	1,317,853
Vehicles	<u>109,338</u>	<u>(27,646)</u>	<u>81,692</u>
Total accumulated depreciation	<u>5,009,921</u>	<u>484,157</u>	<u>5,494,078</u>
Net capital assets	<u>\$ 49,750,000</u>	<u>\$ 2,256,575</u>	<u>\$ 52,006,575</u>

Construction in progress at June 30, 2010 consists primarily of the Fine and Performing Arts Complex and the Management Information Systems (See Note 7) which are near completion at June 30, 2010. 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, 2010 and 2009:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Loan payable – child care center	\$ 13,000	\$ -	\$ (13,000)	\$ -
Other postemployment benefit obligation	-	40,567	-	40,567
Loan payable - building	321,428	-	(64,284)	257,144
Certificates of participation	31,995,000	-	-	31,995,000
General obligation bonds payable	<u>5,434,879</u>	<u>-</u>	<u>(105,000)</u>	<u>5,329,879</u>
Totals	<u>\$ 37,764,307</u>	<u>\$ 40,567</u>	<u>\$ (182,284)</u>	<u>\$ 37,622,590</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

6) **LONG-TERM LIABILITIES** – continued

	<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	5,629,879	-	(195,000)	5,434,879
Totals	<u>\$ 24,919,817</u>	<u>\$ 31,995,000</u>	<u>\$(19,150,510)</u>	<u>\$ 37,764,307</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 required ten annual payments of \$13,000, with no interest, through March 2010. The loan payable for the child care development center was paid in full during the year ended June 30, 2010.

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, 2010 was \$257,144.

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 13). 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, 2010 AND 2009

6) **LONG-TERM LIABILITIES** – continued

Total future maturities on loan payable – building are as follows:

<u>June 30,</u>	
2011	\$ 64,286
2012	64,286
2013	64,286
2014	<u>64,286</u>
	<u>\$ 257,144</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, 2010 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	745,000	1,608,150	2,353,150
2016-2020	4,245,000	7,507,525	11,752,525
2021-2025	5,340,000	6,425,713	11,765,713
2026-2030	6,905,000	4,852,100	11,757,100
2031-2035	9,015,000	2,733,775	11,748,775
2036-2037	<u>4,340,000</u>	<u>361,350</u>	<u>4,701,350</u>
Total	<u>\$ 31,995,000</u>	<u>\$ 30,118,413</u>	<u>\$ 62,113,413</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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, 2010 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>					
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	45,000	128,869	140,000	89,650	403,519
2016-2020	221,254	760,015	845,000	349,850	2,176,119
2021-2025	630,000	531,300	1,015,432	343,468	2,520,200
2026-2030	1,080,000	292,500	335,795	1,314,205	3,022,500
2031-2032	<u>285,000</u>	<u>17,100</u>	<u>162,398</u>	<u>897,602</u>	<u>1,362,100</u>
Totals:	<u>\$2,371,254</u>	<u>\$2,256,930</u>	<u>\$2,958,625</u>	<u>\$3,400,775</u>	<u>\$10,987,584</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, 2010, the District employed 127 full and part-time certificated employees with a total payroll of approximately \$5,056,750. At June 30, 2009, the District employed 135 full and part-time certificated employees with a total payroll of approximately \$5,320,945.

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, 2010 AND 2009

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, 2010, the District employed 60 full and part-time classified employees with a total payroll of approximately \$3,060,360. At June 30, 2009, the District employed 64 full and part-time classified employees with a total payroll of approximately \$3,041,814. 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, 2010 and 2009 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, 2010, 2009 and 2008 were \$417,182, \$438,978 and \$406,169, 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 2009/10 was 9.71% 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, 2010, 2009 and 2008 were \$297,132, \$286,783 and 257,340, respectively, and equal to 100% of the required contribution for each year.

10) **ANNUAL OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (OPEB)**

The District provides postemployment health care benefits to eligible retirees in accordance with negotiated contracts with various bargaining units of the District. The District implemented the new reporting requirements of GASB Statement No. 45, *Accounting and Financial Report by Employers for Postemployment Benefits Other Than Pensions (OPEB)* prospectively for the fiscal year ended June 30, 2010.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

10) ANNUAL OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (OPEB) - continued

Plan Description

The plan is a single-employer OPEB defined benefit healthcare plan administered by the Palo Verde Community College District. The plan provides post employment medical benefits to eligible retirees and their dependents. Membership of the Plan consisted of 55 active participants and 5 retirees at June 30, 2010.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The plan is currently funded on a projected pay-as-you-go basis. For fiscal years 2009-10 the District contributed \$139,747 all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan for the year ended June 30, 2010:

Annual required contribution	\$ 180,314
Contributions made	<u>(139,747)</u>
Excess in net OPEB obligation	40,567
Net OPEB obligation, beginning of year*	<u>-</u>
Net OPEB excess, end of year	<u>\$ 40,567</u>

*Due to first year of GASB Statement No. 45 implementation.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Year Ended	Annual Required	Percentage	Net OPEB
<u>June 30,</u>	<u>Contribution</u>	<u>Contributed</u>	<u>Obligation</u>
2010	\$ 180,314	78%	\$ 40,567

Schedule of Funding Progress

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Liability	AAL	Ratio	Payroll	Percentage of
Date	Assets (a)	(AAL)	(UAAL)	(a / b)	Payroll	Covered Payroll
		Entity	(b - a)			((b - a) / c)
		Age (b)				
<u>2/19/2007</u>	<u>\$ -</u>	<u>\$ 519,185</u>	<u>\$ 519,185</u>	<u>\$ -</u>	<u>\$ 8,880,000</u>	<u>6%</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

10) ANNUAL OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (OPEB) - continued

Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the District paying the contribution cost to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated April 4, 2008, the Entry Age Normal cost method was used. The actuarial assumptions included a 5% investment rate of return, based on the assumed long-term return on plan assets. The inflation rate was assumed to be 3% per year. The cost trend rate used for the medical plan was 4%. The UAAL is being amortized at a level dollar method. The remaining amortization period is 30 years. There is no actuarial value of assets because those funds have not been placed in an irrevocable trust. The District has earmarked funds held in the County Treasury for funding of the OPEB obligation but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of plan assets.

11) TRANS DEBT

On July 1, 2009 the District entered into a tax and revenue anticipation note (TRANS) in the amount of \$2,400,000 with issuance costs of (\$20,000) and underwriter's discount of (\$7,853) for a total of \$2,372,147 with an interest rate of 4%. The funds were provided by the County of Riverside to provide cash flows during the year July 1, 2009 through June 30, 2010. This \$2,372,147 TRANS debt was paid in full by May 2010. On April 22, 2010 the District entered into another TRANS debt in the amount of \$1,158,602 with issuance costs of (\$10,551) and underwriter's discount of (\$6,876) for a total of \$1,141,175 with an interest rate of 2% maturing March 1, 2011. The funds were provided by the County of Riverside to provide additional cash flows during the year July 1, 2010 through June 30, 2011.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

11) TRANS DEBT - continued

Additionally, in July 2010 the District entered into another TRANS debt in the amount of \$1,827,503 with issuance costs of (\$7,558) and underwriter's discount of (\$8,080) for a total of \$1,811,865 with an interest rate of 2% maturing June 30, 2011. 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, 2010 and ending June 30, 2011 in anticipation of the receipt of taxes, revenues, cash receipts and other moneys which are received by the District. The TRANS debt outstanding at June 30, 2009 in the amount of \$992,290 was paid in full in July 2009.

12) 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 (CCRC SIPE), 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)	(RSIA)	(SELF)	(CCRC SIPE)	(RSRMA)
	<u>June 30, 2010</u>	<u>June 30, 2010</u>	<u>June 30, 2010</u>	<u>June 30, 2010</u>	<u>June 30, 2010</u>
Assets	\$ 22,990,076	\$ 6,772,789	\$ 196,974,000	\$ 2,509,665	\$ 7,443,133
Liabilities	<u>17,366,085</u>	<u>5,425,279</u>	<u>160,464,000</u>	<u>327,405</u>	<u>755,305</u>
Fund Equity	<u>\$ 5,623,991</u>	<u>\$ 1,347,510</u>	<u>\$ 36,510,000</u>	<u>\$ 2,182,260</u>	<u>\$ 6,687,828</u>
Revenue	172,782,312	7,465,210	14,851,000	265,339	19,323,513
Expenses	179,986,495	7,054,720	30,536,000	221,712	19,505,061
Net non-operating Income/(expense)	<u>(13,012,272)</u>	<u>(864,795)</u>	<u>4,533,000</u>	<u>2,804</u>	<u>59,359</u>
Net Increase (Decrease) In Fund Equity	<u>\$ (20,216,455)</u>	<u>\$ (454,305)</u>	<u>\$ (11,152,000)</u>	<u>\$ 46,431</u>	<u>\$ (122,189)</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

13) 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.

14) SUBSEQUENT EVENTS

The District has evaluated all potential subsequent events as of December 15, 2010, when the financial statements were authorized and available to be issued. Other than those identified on Note 11 to the financial statements no other subsequent events or transactions were identified as of December 15, 2010 that requires additional disclosure to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

15) FUNCTIONAL EXPENSES:

Functional expenses for the District only, for the year ended June 30, 2010 and 2009, consisted of the following:

2010

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, Material & Other Expenses & Services</u>	<u>Financial Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instructional Activities	\$ 4,473,923	\$ 1,197,207	\$ 1,440,066	\$ -	\$ -	\$ 7,111,196
Academic Support	726,491	270,533	250,919	-	-	1,247,943
Administration & Records	253,793	104,420	6,094	-	-	364,307
Student Services	1,456,154	514,633	221,782	99,140	-	2,291,709
Operation & Maintenance of Plant	411,254	181,047	795,239	-	-	1,387,540
Planning, Policy & Coord.	356,373	207,857	138,145	-	-	702,375
Institutional Support Services	1,023,390	526,806	527,006	-	-	2,077,202
Community Services & Economic Development	175,196	75,779	45,395	-	-	296,370
Ancillary Services & Auxiliary Operations	61,352	26,431	180,474	-	-	268,257
Physical Property & Related Acquisitions	-	-	13,175,671	-	-	13,175,671
Transfers, Student Aid & Other Outgo	26,115	371	3,414	1,607,164	-	1,637,064
GASB 35 adjustment	-	4,525	(13,161,391)	-	1,383,461	(11,773,405)
Total	\$ 8,964,041	\$ 3,109,609	\$ 3,622,814	\$ 1,706,304	\$ 1,383,461	\$ 18,786,229

2009

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

SUPPLEMENTARY INFORMATION

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, 2010 and 2009, and have issued our report thereon dated December 15, 2010. 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 15, 2010

PALO VERDE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT

JUNE 30 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 915,507	\$ 325,493	\$ 2,075,402
Cash and cash equivalents - restricted	-	-	13,676,284
Accounts receivable, net	2,627,800	-	5,072,165
Due from other funds	137,259	-	750,000
Prepaid expenses	-	-	202,742
Inventory	-	-	-
Total Current Assets	<u>3,680,566</u>	<u>325,493</u>	<u>21,776,593</u>
Capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,680,566</u>	<u>\$ 325,493</u>	<u>\$21,776,593</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 360,825	\$ -	\$ 2,707,305
TRANS debt	1,141,175	-	-
Due to other funds	750,000	-	-
Compensated absences	-	-	-
Loan payable - building	-	-	-
Bonds payable - current portion	-	-	-
Total Current liabilities	<u>2,252,000</u>	<u>-</u>	<u>2,707,305</u>
Non-Current Liabilities:			
Net other postemployment benefit obligation	-	-	-
Loan payable - building	-	-	-
Bonds payable	-	-	-
Certificates of participation	-	-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,252,000</u>	<u>-</u>	<u>2,707,305</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Grants and contracts	183,885	-	-
Unrestricted	<u>1,244,681</u>	<u>325,493</u>	<u>19,069,288</u>
TOTAL NET ASSETS	<u>1,428,566</u>	<u>325,493</u>	<u>19,069,288</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,680,566</u>	<u>\$ 325,493</u>	<u>\$21,776,593</u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ 20,942	\$ 431,690	\$ 447,884	\$ -	\$ 4,216,918
-	-	-	-	-	13,676,284
-	21,511	1,730	48,029	-	7,771,235
-	-	-	-	(887,259)	-
-	-	-	-	-	202,742
-	-	189,117	-	-	189,117
-	42,453	622,537	495,913	(887,259)	26,056,296
-	-	-	-	63,602,221	63,602,221
<u>\$ -</u>	<u>\$ 42,453</u>	<u>\$ 622,537</u>	<u>\$ 495,913</u>	<u>\$ 62,714,962</u>	<u>\$ 89,658,517</u>
\$ -	\$ 1,226	\$ 294	\$ -	\$ -	\$ 3,069,650
-	-	-	-	-	1,141,175
-	-	84,133	53,126	(887,259)	-
-	-	-	-	435,582	435,582
-	-	-	-	64,286	64,286
-	-	-	-	120,000	120,000
-	1,226	84,427	53,126	(267,391)	4,830,693
-	-	-	-	40,567	40,567
-	-	-	-	192,858	192,858
-	-	-	-	5,209,879	5,209,879
-	-	-	-	31,995,000	31,995,000
-	-	-	-	37,438,304	37,438,304
-	1,226	84,427	53,126	37,170,913	42,268,997
-	-	-	-	34,051,691	34,051,691
-	-	-	-	-	183,885
-	41,227	538,110	442,787	(8,507,642)	13,153,944
-	41,227	538,110	442,787	25,544,049	47,389,520
<u>\$ -</u>	<u>\$ 42,453</u>	<u>\$ 622,537</u>	<u>\$ 495,913</u>	<u>\$ 62,714,962</u>	<u>\$ 89,658,517</u>

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	-	-	-
TOTAL ASSETS	<u>\$ 3,171,453</u>	<u>\$ 360,164</u>	<u>\$23,343,775</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 759,032	\$ -	\$ 8,922
TRANS debt	992,290	-	-
Due to other funds	-	-	-
Compensated absences	-	-	-
Loan payable - building	-	-	-
Loan payable - childcare center - current portion	-	-	-
Bonds Payable - current portion	-	-	-
Total Current liabilities	<u>1,751,322</u>	<u>-</u>	<u>8,922</u>
Non-Current Liabilities:			
Loan payable - building	-	-	-
Bonds payable	-	-	-
Certificates of participation	-	-	-
Total Non-Current 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>\$ 3,171,453</u>	<u>\$ 360,164</u>	<u>\$23,343,775</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
-	-	-	-	64,286	64,286
-	-	-	-	13,000	13,000
-	-	-	-	105,000	105,000
-	<u>30,550</u>	<u>88,833</u>	<u>55,371</u>	<u>481,127</u>	<u>2,416,125</u>
-	-	-	-	257,142	257,142
-	-	-	-	5,329,879	5,329,879
-	-	-	-	31,995,000	31,995,000
-	-	-	-	37,582,021	37,582,021
-	<u>30,550</u>	<u>88,833</u>	<u>55,371</u>	<u>38,063,148</u>	<u>39,998,146</u>
-	-	-	-	31,681,003	31,681,003
-	-	-	-	-	276,472
<u>2</u>	<u>22,585</u>	<u>413,865</u>	<u>330,444</u>	<u>(17,910,359)</u>	<u>7,695,213</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 REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
OPERATING REVENUES			
Enrollment, tuition and other fees (gross)	\$ 763,079	\$ -	\$ -
Less: Scholarship discounts and allowances	<u>(494,922)</u>	<u>-</u>	<u>-</u>
Net enrollment, tuition and other fees	268,157	-	-
Grants and contracts, non-capital			
Federal	620,148	-	-
State	1,255,045	-	-
Local	<u>229,138</u>	<u>-</u>	<u>500</u>
TOTAL OPERATING REVENUES	<u>2,372,488</u>	<u>-</u>	<u>500</u>
Salaries	8,731,143	-	-
Employee benefits	2,949,748	-	-
Supplies, materials and other operating expenses and services	2,585,929	105,000	13,166,591
Financial aid	138,021	-	-
Utilities	723,070	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>15,127,911</u>	<u>105,000</u>	<u>13,166,591</u>
TOTAL OPERATING INCOME (LOSS)	(A) <u>(12,755,423)</u>	<u>(105,000)</u>	<u>(13,166,091)</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
\$ -	\$ 8,081	\$ -	\$ -	\$ -	\$ 771,160
-	-	-	-	-	(494,922)
-	8,081	-	-	-	276,238
1,495,978	31,804	-	-	-	2,147,930
72,305	273,112	-	-	-	1,600,462
-	-	363,905	204,362	-	797,905
<u>1,568,283</u>	<u>312,997</u>	<u>363,905</u>	<u>204,362</u>	-	<u>4,822,535</u>
-	175,196	57,702	-	-	8,964,041
-	75,779	26,431	53,126	4,525	3,109,609
-	33,378	158,220	-	(13,161,391)	2,887,727
1,568,283	-	-	-	-	1,706,304
-	12,017	-	-	-	735,087
-	-	-	-	1,383,461	1,383,461
<u>1,568,283</u>	<u>296,370</u>	<u>242,353</u>	<u>53,126</u>	<u>(11,773,405)</u>	<u>18,786,229</u>
-	16,627	121,552	151,236	11,773,405	(13,963,694)

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT -(continued)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
NON-OPERATING REVENUE (EXPENSES)			
State apportionments, non-capital	\$10,657,111	\$ -	\$ 1,363,430
Local property taxes	1,126,823	307,855	-
State taxes and other revenues	282,910	3,760	-
Investment income, net	187	3,253	116,098
Interest expense	<u>(53,173)</u>	<u>(244,539)</u>	<u>(1,664,350)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,013,858</u>	<u>70,329</u>	<u>(184,822)</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)			
Other financing sources	750,000	-	(750,000)
State apportionments, capital	<u>-</u>	<u>-</u>	<u>9,835,348</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>750,000</u>	<u>-</u>	<u>9,085,348</u>
INCREASE (DECREASE) IN NET ASSETS	<u>8,435</u>	<u>(34,671)</u>	<u>(4,265,565)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,420,131</u>	<u>360,164</u>	<u>23,334,853</u>
NET ASSETS, END OF YEAR	<u>\$ 1,428,566</u>	<u>\$ 325,493</u>	<u>\$19,069,288</u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,020,541
-	-	-	-	-	1,434,678
-	1,698	-	-	-	288,368
-	317	2,693	-	-	122,548
-	-	-	(38,893)	-	(2,000,955)
-	2,015	2,693	(38,893)	-	11,865,180
(2)	-	-	-	-	(2)
-	-	-	-	-	9,835,348
(2)	-	-	-	-	9,835,346
(2)	18,642	124,245	112,343	11,773,405	7,736,832
2	22,585	413,865	330,444	13,770,644	39,652,688
\$ -	\$ 41,227	\$ 538,110	\$ 442,787	\$ 25,544,049	\$ 47,389,520

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)

Continued

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>
-	-	-	-	<u>(31,995,000)</u>	<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

BOARD OF TRUSTEES AND ORGANIZATION

JUNE 30, 2010

BOARD OF TRUSTEES AND ORGANIZATION

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

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

JUNE 30, 2010

1) PURPOSE OF SCHEDULES

a. Schedule of Workload Measures for State General Apportionment

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

b. 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.

c. 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, 2010

CATEGORIES

A. Credit Full-Time Equivalent Student (FTES)

1. Weekly census	522.75
2. Daily census (including summer)	197.62
3. Actual hours of attendance	360.83
4. Independent Study/Work experience	<u>655.37</u>
TOTAL	1,736.57

B. Noncredit FTES

1. Actual hours of attendance	141.83
2. Daily census (including summer)	37.71

C. Student Headcount

1. Fall Session – 2009	4,220
2. Spring Session – 2010	3,463

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, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Student Financial Aid Trust Fund</u>	<u>Self - Insurance Fund</u>	<u>Associated Students Trust Fund</u>
June 30, 2010 Annual Financial and Budget Report (CCFS-311) ending fund balance	\$ 604,309	\$ 20,296,688	\$ -	\$ 495,913	\$ 1,374
Adjustments increasing (decreasing)					
Revenue understated (overstated)	662,572	(1,132,570)	72,305	-	-
Expenses overstated (understated)	<u>161,685</u>	<u>(94,830)</u>	<u>(72,305)</u>	<u>(53,126)</u>	<u>-</u>
June 30, 2010 audited financial statements ending fund balance	<u>\$ 1,428,566</u>	<u>\$ 19,069,288</u>	<u>\$ -</u>	<u>\$ 442,787</u>	<u>\$ 1,374 (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	1,374
Student Clubs and Scholarships	<u>37,685</u>
Total per financial statements	<u>\$ 39,059</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, Board of Trustees and various county, state and federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.

December 15, 2010

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

Board of Trustees
Palo Verde Community College District
Blythe, California

We have audited the basic financial statements of Palo Verde Community College District as of and for the year ended June 30, 2010 and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Districts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified three deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items #10-4, #10-5 and #10-6.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.

December 15, 2010

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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 year ended June 30, 2010, and have issued our report thereon dated December 15, 2010. Our audit was made in accordance with governmental auditing standards generally accepted in the United States of America and issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- A) A separate and complete tabulation is maintained for each course section in which the student attendance is reported for state support. Credit student head count data has been collected pursuant to definitions in the California Community Colleges Management Information Systems Data Element Dictionary. Also, gross square footage and FTES is less than 100% leased space.
- B) The District's salaries of classroom instructors is equal to or exceeds 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- C) The District only claims State apportionment for credit courses for students that are residents of California at the time of registration.
- D) The District only claimed FTES for concurrent enrollment of K-12 pupils who met all of the requirements of the Education Code and the California Code of Regulations.
- E) For District apportionment claim purposes, all courses being submitted are open to enrollment by the general public.
- F) For purposes of determining the District's share of annual apportionments, enrollment fee reports were reviewed to verify that the total amount the students should have paid for enrollment fees are being reported.
- G) State allocations spent for matriculation-related expenditures do not exceed 25 percent of the total funds spent for matriculation efforts in accordance with the Seymour-Campbell Matriculation Act of 1986.

- H) The District computes its annual appropriation limit in accordance with Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980. The appropriation limit, appropriations subject to limit, State aid apportionments, subventions included within property tax proceeds and amounts excluded from the appropriations subject to limit are reported in accordance with Section 7908(c) of the Government Code.
- I) The District only charges mandatory student fees for which it is under express statutory authority and no fees charged are in conflict or inconsistent with existing law, and are not inconsistent with the purposes for which the District has been established.
- J) Instructional service agreements, if any, were reviewed to be certain that requirements were met in order to claim Full-Time Equivalent Students (FTES).
- K) The District only claims, for apportionment purposes, the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).
- L) The District expended CalWORKs Program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students.
- M) The actual amount expended in fiscal year 1995-96 in the General Fund for Activity Code 6500, Operation and Maintenance of Plant, excluding any State funds and match dollars expended for "Deferred Maintenance and Special Repairs" as defined in Education Code Section 84660, if reported in Activity Code 6500 were \$251,176 which will be identified as "base year expenditures".

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for three findings described in the accompanying schedule of findings and questioned costs (#10-1, #10-2 and #10-3), the Palo Verde Community College District complied, in all material respects, with the aforementioned requirements.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties.

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

Board of Trustees
Palo Verde College District
Blythe, California

We have audited the basic financial statements of the Palo Verde Community College District for the year ended June 30, 2010 and have issued our report thereon dated December 15, 2010. These financial statements are the responsibility of the Palo Verde Community College District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Palo Verde Community College District, taken as a whole. 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 not a required part of the financial statements, including the State Financial Assistance schedule. The information in those schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.

December 15, 2010

PALO VERDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

FOR THE YEAR ENDED JUNE 30, 2010

	Federal Catalog <u>Number</u>	Program <u>Expenditures</u>
<u>FEDERAL PROGRAMS:</u>		
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid		
Pell Grant Program	84.063	\$ 1,446,598
College Work Study	84.033	25,905
Supplemental Education Opportunity Grant program	84.007	<u>23,475</u>
Student Financial Aid totals		<u>1,495,978</u>
Developing a Virtual Campus through Assisted Distance Education Programs and Services	84.031A	512,154
Passed through the California Department of Education		
ARRA State Fiscal Stabilization Fund	84.394	<u>74,991</u>
Total U.S. Department of Education		<u>2,083,123</u>
U.S. DEPARTMENT OF THE INTERIOR		
National Register of Historic Places	15.914	<u>33,003</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the California Department of Education		
Child Care Food program	10.558	27,516
Child Care Food Program	10.558	<u>4,288</u>
Total U.S. Department of Agriculture		<u>31,804</u>
Total federal programs		<u>\$2,147,930</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

FOR THE YEAR ENDED JUNE 30, 2010

STATE PROGRAMS:

General Fund

Basic Skills & Immigration	\$ 90,000
California Grant B	71,153
California Grant C	1,152
CalWORKs	101,250
Cooperative Agencies & Resources for Education	38,221
Disables Student Program and Services	154,554
Extended Opportunity Program and Services	251,655
Faculty & Staff Diversity	3,725
Matriculation Credit	161,172
Matriculation Non-Credit	19,472
Solar Energy Generation Project	89,858
Strengthening Career Technical Education	56,000
Student Financial Aid Administration	138,320
TANF	24,004
VATEA	<u>126,814</u>
Fund totals	1,327,350

Child Development Fund

Child Development Apportionment	<u>273,112</u>
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Total state programs \$1,600,462

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of Palo Verde Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the presentation of, the basic financial statements.

Note B – Significant Accounting Policies

See Footnote 1 of the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditors' report issued on the financial statements is unqualified.
2. Internal control over financial reporting identified three deficiencies.
3. There were no significant deficiencies that are considered to be a material weakness.
4. There are no instances of noncompliance material to the financial statements.

Federal Awards

1. The auditors' report issued on compliance for the major programs is unqualified.
2. Internal control over the major programs identified no significant deficiencies.
3. There are no significant deficiencies that are considered to be a material weakness.
4. There are no audit findings that should be disclosed in accordance with Section 510(a) of Circular A-133.

Major Programs

CFDA No. 84.063
Pell Grant Program

CFDA No. 84.031A
Developing a Virtual Campus through Assisted Distance Education Programs and Services

1. The dollar threshold that was used to distinguish between type A and type B programs was \$300,000.
2. Palo Verde Community College District qualified as a low-risk auditee.

PALO VERDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2010.

STATE COMPLIANCE

Finding #10-1

The California Education Code Section 14020 states that a student must demonstrate that they have a verified disability and can benefit from general education classes, activities, and services offered through the Community College system in order to qualify for services provided under the Disabled Student Programs and Services (DSPS). It furthermore states that classes are to be provided only when they facilitate the student's measurable progress towards their educational goals. During our audit of DSPS students, it was noted that four out of ten students tested did not have either a verified disability report on file or the application for the program was incomplete. One student had a DSPS coordinator observable disability report on file, however the code is specific in which the disability has to be verified by an independent professional or in conjunction with other State Agencies.

Recommendation

We recommend that the District implement written procedures to ensure that all DSPS students have an independent professional verifiable disability on file and that their application is complete as required by the California Education Code.

Response

Management agrees with this finding and is implementing procedures necessary to meet the requirements of the State.

Finding #10-2

Section 76002(a) of the Education Code specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Sections 48800 and 76001 in the district's report of full-time equivalent students (FTES). During our testing of the State Compliance Requirements as it relates to concurrent enrollment of K-12 students in community college credit courses we noted that one student's file was not completed as required by Section 76002 of the Education Code. At the time the student's application was reviewed and approved, the student was underage requiring a parental approval signature for which none was provided. A second form containing a parental signature was on file and therefore the District is still in compliance with the reporting requirements as it pertains to its report of full-time equivalent students.

Recommendation

We recommend that the District review all K-12 special student applications for concurrent enrollment and ensure that the necessary information is completed before approving the student's application and giving them access to register for classes.

PALO VERDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

STATE COMPLIANCE – (continued)

Response

Management agrees with this finding and as of the date of this report has requested a complete application from the student whose application was missing the parent's signature. Additionally, the District has implemented procedures to ensure that all K-12 applications are reviewed and completed before approval.

Finding #10-3

Section 81362 of the Education Code requires that the District's salaries of classroom instructors is equal to or exceed 50 percent of the District's current expense of education. It also requires that salaries for instructional aides are not included in the calculation for 50 percent allocations. One way to ensure that an instructional aide's salary is not included as salaries of classroom instructors is via ensuring that they have a job description which clearly states that they are not an instructor and that one of their duties is to report directly to an instructor for supervision. During our audit it was noted that four out of five instructional aides tested did not have any documentation in their personnel file demonstrating that they were in fact instructional aides working under the supervision of a classroom instructor. Through review of their resume, degree and work history it was not obvious they were in fact instructional aides. The District is still in compliance with the reporting requirements as it pertains to the 50 percent law under Section 81362 of the Education Code.

Recommendation

We recommend that the District review personnel files for all instructional aides and ensure that they document each employee's job description to ensure adherence to the California Education Code.

Response

Management agrees with this finding and as of the date of this report has documented that the four instructional aides tested have a job description on file indicating their job functions include reporting to an instructor for supervision. Management has also implemented procedures to ensure that all instructional aides have a job description documented accordingly in their personnel files.

INTERNAL CONTROL

Finding #10-4

Auditing and accounting standards state that an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards specifically GASB #35. The District's personnel were not capable of preparing full disclosure financial statements. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

Recommendation

We recommend that the District evaluate the benefits of preparing, reviewing and approving their own full disclosure financial statements in conformity with Government Auditing Standards at yearend against the cost of doing so, internally or through an independent CPA

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

INTERNAL CONTROL – (continued)

Response

Management agrees with this finding and has opted to utilize the auditor to prepare full disclosure financial statements in conformity with GASB #35.

Finding #10-5

During our audit, we made fifteen adjustments to the CCFS-311 report for a combined net decrease of approximately \$456,000 on the Statement of Revenues, Expenses and Changes in Net Assets. Eight adjustments were made between revenue and expense accounts to better reflect the nature of the amounts with no effect on the Statement of Revenues, Expenses and Changes in Net Assets. Three adjustments were made to record additional receivables at June 30, 2010 for a combined increase of \$1,213,326. Two adjustments were made to decrease cash and record additional revenues for a combined decrease of (\$1,574,765). Finally, two adjustments were made to record additional contract expenditures for a decrease of (\$94,830).

Recommendation

We recommend that the District closely review all financial data included in the CCFS-311 report and make the necessary adjustments at yearend before submitting for the audit and to the required agencies.

Response

Management agrees with this finding and has implemented procedures to review all data provided to ensure that the correct amounts are include in the CCFS-311 report before submission to the corresponding agencies. The District submitted a corrected CCFS-311 report in December 2010.

Finding #10-6

While testing certain State Compliance requirements relating to employee personnel files, it was noted that certain required federal forms were either missing or completed incorrectly. The particular form is the I-9 in which a newly hired employee presents proof that they are lawfully able to work in the United States of America and the employer verifies this by observing pieces of identification. With recent developments in the area of immigration, the burden is being placed on the employer to verify that the employee is lawfully able to work in this country. There are fines for incomplete files or missing information ranging from \$100 to \$10,000 per violation.

Recommendation

We recommend that the I-9 form be fully completed and maintained for all employees hired after November 6, 1986 in accordance with the Immigration Reform and Control Act of 1986.

Response

Management agrees with this finding and has implemented written procedures to ensure that all District employees have a fully completed I-9 form on file. Management will also add all employee's information into the new Datatel program including the I-9 forms which will prevent this from occurring in the future as the computer has the capability to recognize missing or incorrect information.

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2009.

STATE COMPLIANCE

Finding #09-1

Section 68050 of the Education Code requires that a student classified as a nonresident shall be required to pay, in addition to other institution required fees, nonresident tuition. During our testing of State Compliance Requirements as it applies to Residency Determination for Credit Courses, we noted that two out of sixteen students tested were charged California residency fees of \$20 while it was determined that they were Arizona residents and should have been charged Arizona residency fees of \$42.

Management has implemented the necessary procedures to ensure that proper tuition rates are being applied to each student.

INTERNAL CONTROL

Finding #09-2

Statement of Auditing Standards (SAS) #112 states that the auditor cannot be a component of the District's internal control system and that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with generally accepted accounting principles. The District's personnel were not capable of preparing, reviewing and approving full disclosure financial statements, in conformity with GASB #35 allowing for the remote likelihood that a misstatement of their financial statements that is more than inconsequential will not be prevented or detected. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

This internal control finding was not corrected in the current year. (See Finding #10-4)

Finding #09-3

During our audit, we made two adjustments to the CCFS-311 report for a combined net increase of approximately \$61,000 on the Statement of Revenues, Expenses and Changes in Net Assets. One adjustment was made to reduce accounts payable for an amount that was posted twice of approximately \$61,000. A second adjustment was made to financial aid to reduce duplicate Cal Grant income and corresponding expenses that had already been recorded in the General Fund.

This internal control finding was not corrected in the current year. (See Finding #10-5)