

**PALO VERDE COMMUNITY  
COLLEGE DISTRICT**

**County of Riverside  
Blythe, California**

**REPORT ON AUDIT  
June 30, 2014**

# PALO VERDE COMMUNITY COLLEGE DISTRICT

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June 30, 2014

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Palo Verde Community College District  
Blythe, California

### Report on the Financial Statements

We have audited the financial accompanying financial statements of the business-type activities and the fiduciary activities of Palo Verde Community College District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of Palo Verde Community College District, as of June 30, 2014, and the changes in net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the management's discussion and analysis on pages 4 through 12 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Board of Trustees  
Palo Verde Community College District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 19, 2014, on our consideration of Palo Verde Community College 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 19, 2014

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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This section of Palo Verde Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014.

## Introduction

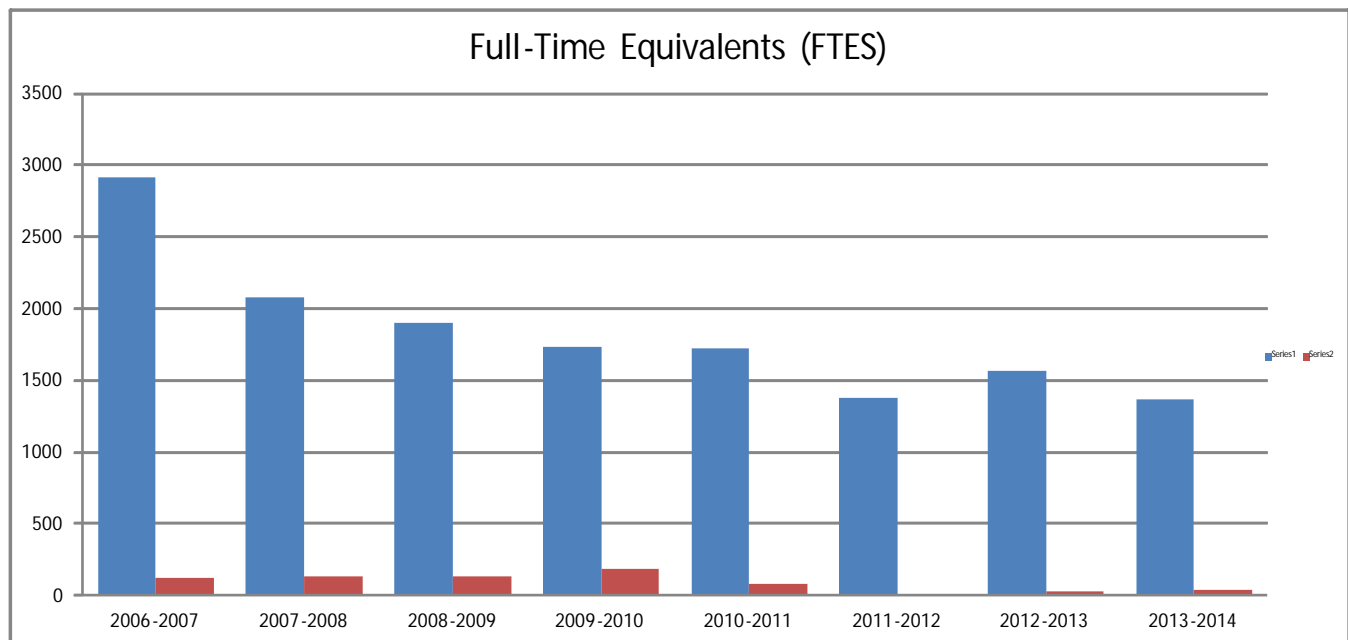
The following discussion and analysis provides an overview of the financial position and activities of the Palo Verde Community College District (the "District") for the years ended June 30, 2014 and June 30, 2013. This discussion has been prepared by management and should be read in conjunction with 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.

## Enrollment Highlights

During 2013-14, total full-time equivalent students increased approximately 12.27% 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:



# PALO VERDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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## Financial Highlights

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

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

## Statement of Net Position

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

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

The Statement of Net Position, as of June 30, 2014 and June 30, 2013, is summarized below:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
<b>ASSETS</b>			
Current assets	\$ 14,937,357	\$ 15,369,899	\$ (432,542)
Non-current assets	67,304,235	69,305,408	(2,001,173)
<b>Total Assets</b>	<u>82,241,592</u>	<u>84,675,307</u>	<u>(2,433,715)</u>
<b>LIABILITIES</b>			
Current liabilities	2,309,598	2,235,958	73,640
Non-current liabilities	35,404,483	36,677,128	(1,272,645)
<b>Total Liabilities</b>	<u>37,714,081</u>	<u>38,913,086</u>	<u>(1,199,005)</u>
<b>Total Net Position</b>	<u>\$ 44,527,511</u>	<u>\$ 45,762,221</u>	<u>\$ (1,234,710)</u>

## **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2014

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- Approximately 32% and 67% of the cash and cash equivalent current assets is cash deposited with the Riverside County Treasurer's Office and a fiscal agent, respectively. 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, 2014, the District owned capital assets of \$66,986,944 . The breakdown of this total net value can be found in Note 6 of the financial statements.
- Accounts payable and accrued liabilities consists of payables to vendors, accrued payroll and benefits (\$1,074,665 )
- Noncurrent liabilities consist of compensated absences, other postemployment benefit obligation, General Obligation Bonds, and Certificates of Participation .
- Unrestricted net position totaled \$1,535,800 .

### **Statement of Revenues, Expenses, and Changes in Net Position**

The change in total net position presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District.

Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. As an example, tuition fees paid by the student are considered an exchange for instructional services. This activity is considered an operating activity. The receipt of State apportionments and property taxes do not include this exchange relationship between payment and receipt of goods or services. These revenues and related expenses are classified as non-operating activities.



## PALO VERDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

A summary of the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and June 30, 2013 is shown below.

	2014	2013	Net Change
<b>Revenues</b>			
Operating revenues	\$ 4,858,350	\$ 5,240,696	\$ (382,346)
Non-operating revenues	12,777,372	10,424,514	2,352,858
Other revenues	20,000	1,380,799	(1,360,799)
<b>Total Revenues</b>	<u>17,655,722</u>	<u>17,046,009</u>	<u>609,713</u>
<b>Expenses</b>			
Operating expenses	14,984,531	15,719,859	735,328
Non-operating expenses	1,999,771	1,972,381	(27,390)
Depreciation	1,906,130	1,924,138	18,008
<b>Total Expenses</b>	<u>18,890,432</u>	<u>19,616,378</u>	<u>725,946</u>
<b>Excess (deficiency)</b>	(1,234,710)	(2,570,369)	1,335,659
<b>Net Position - Beginning</b>	<u>45,762,221</u>	<u>48,332,590</u>	<u>(2,570,369)</u>
<b>Net Position - Ending</b>	<u>\$ 44,527,511</u>	<u>\$ 45,762,221</u>	<u>\$ (1,234,710)</u>

- Enrollment fees are generated by students who are residents of California and residents of neighboring Arizona counties who have approved reciprocity agreements. Out of state tuition plus enrollment fees are paid by all non-resident and foreign students.

- Non-capital grants and contracts are primarily those received from federal and state sources and used in the instructional program.

- Personnel costs are 56% of operating expenses, which includes all funds and depreciation. 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. 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 12 of the financial statements.

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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Operating Expenses (by natural classification) – object:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Salaries	\$ 6,964,335	\$ 6,931,830	\$ (32,505)
Benefits	2,537,908	2,325,678	(212,230)
Payments to students	2,262,481	2,384,502	122,021
Supplies, materials, and other expenses	2,950,686	3,799,464	848,778
Utilities	269,121	278,385	9,264
Depreciation	<u>1,906,130</u>	<u>1,924,138</u>	<u>18,008</u>
 Total Operating Expenses	 <u>\$ 16,890,661</u>	 <u>\$ 17,643,997</u>	 <u>\$ 753,336</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.
- 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 of depreciation

### **Statement of Cash Flows**

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for 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 used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. The net cash used by the District for operating activities, for the year ending June 30, 2014, was \$10,153,556.

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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The Statement of Cash Flows, for the years ended June 30, 2014 and June 30, 2013, is summarized below:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Net cash provided by (used in)			
Operating activities	\$ (10,153,556)	\$ (10,513,057)	\$ 359,501
Non-capital financing activities	13,066,110	9,138,642	3,927,468
Capital financing activities	(2,746,997)	(1,884,317)	(862,680)
Investing activities	66,873	52,578	14,295
Net decrease in cash and cash equivalents	<u>232,430</u>	<u>(3,206,154)</u>	<u>3,438,584</u>
Cash balance, beginning of year	<u>12,836,821</u>	<u>16,042,975</u>	<u>(3,206,154)</u>
Cash balance, end of year	<u>\$ 13,069,251</u>	<u>\$ 12,836,821</u>	<u>\$ 232,430</u>

The primary cash receipts from operating activities are from student enrollment fees and tuition, Federal, State and Local grants and contracts. The primary cash outlays are payments of wages, benefits, vendors, and students related to the instruction program.

- General apportionment is the primary source of non-capital financing. The three main components of general apportionment are State apportionment, property taxes and enrollment fees.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment).
- Cash earned from investing activities is interest earned on cash in bank.

### **The District's Fiduciary Responsibility**

The District is the trustee, or fiduciary, for certain amounts held on behalf of the students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. 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.

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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### Capital Assets

A comparison of capital assets, net of depreciation, is summarized below:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Land and construction in progress	\$ 1,010,614	\$ 1,010,614	\$ -
Buildings and equipment	78,672,203	79,084,537	(412,334)
Accumulated depreciation	<u>(12,695,873)</u>	<u>(10,789,743)</u>	<u>(1,906,130)</u>
<b>Total Capital Assets</b>	<b><u>\$ 66,986,944</u></b>	<b><u>\$ 69,305,408</u></b>	<b><u>\$ (2,318,464)</u></b>

### Debt

At June 30, 2014, the District had \$36,639,416 in long-term debt. A comparison of long-term debt is summarized below:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Bonds payable	\$ 5,242,484	\$ 5,322,808	(80,324)
Certificates of participation	30,590,000	31,305,000	(715,000)
Loan payable - building	-	64,286	(64,286)
SERP	472,675	819,343	(346,668)
OPEB	84,903	145,830	(60,927)
Compensated absences	<u>249,354</u>	<u>310,815</u>	<u>(61,461)</u>
<b>Total Long-term Liabilities</b>	<b><u>\$ 36,639,416</u></b>	<b><u>\$ 37,968,082</u></b>	<b><u>\$ (1,328,666)</u></b>

## **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis  
June 30, 2014

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### **Economic Factors**

The economic position of Palo Verde Community College is closely tied to that of the State of California. As the economy improves, historically, community colleges tend to experience a decrease in enrollment.

Palo Verde Community College saw a decrease in enrollment over the previous year despite the slight improvement in the State economy. This decrease can be attributed to a decrease in service area. In the past, as other community colleges exceeded their capacity, Palo Verde College was able to provide educational services in those areas. In 2013-14 additional funding was provided for community colleges to restore to their previous enrollment levels, which reduced the availability to Palo Verde College to provide those additional educational services.

In 2010-11, the smaller colleges, which Palo Verde Community College is considered, did not experience the statewide cut to apportionment that the rest of the system felt. With the rest of the colleges absorbing these cuts, we will not be receiving any increases in apportionment until the 2010-11 revisions are restored.

All industries, including community colleges, continue to experience increased costs for services and especially costs for employee benefits, insurance and utilities. Beginning 2002-2003, the District began making contributions to PERS for its employees and retirees. The PERS rate, for the year ending June 30, 2014, was 11.442%.

All community colleges will be facing higher STRS rates in the future due to recently passed legislation. The rates, ending June 30, 2014, were 8.25% and had been stable at that rate for many years. Beginning July 1, 2014 the rates will increase to 8.88%, which is a 0.63% increase.

During the elections in November 2012, Proposition 30 was passed which will help the community college budgets in the future. With the passage of this proposition, the sales tax will increase for 4 years and the personal income taxes of those making more than \$250,000 will increase for a couple years longer than the sales tax will exist. This was passed by the voters to help mitigate the cuts being aimed at the community college system. The District changed its approach to budget development in 2011-12, which included not using the ending balance as part of the budget, dividing up accountability of the budget monitoring, and creating a more transparent approach to observing and monitoring the budget. The District continued with this practice in the development of the 2014-15 budget. The District also made considerable cuts to the budget in order to bring part of the debt service payment into the general budget.

The District has experienced extensive changes to administration which began in 2011-12. A new Vice-President of Instructional and Student Services began July 1, 2014. The administrative staff positions have been filled.

Management will continue a close watch over resources to react to any internal or external issues, if and when they may arise.

## **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis

June 30, 2014

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### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Office of Business Services, Palo Verde Community College, One College Drive, Blythe, California 92225.

## **BASIC FINANCIAL STATEMENTS**

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# PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Net Position  
June 30, 2014

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## ASSETS

### Current assets:

Cash and cash equivalents	\$ 13,069,251
Accounts receivable	1,820,815
Prepaid expenses	<u>47,291</u>
Total current assets	14,937,357

### Non-Current assets:

Notes receivable	317,291
Fixed assets, net	<u>66,986,944</u>
Total non-current assets	<u>67,304,235</u>

## TOTAL ASSETS

\$ 82,241,592

## LIABILITIES

### Current liabilities:

Current liabilities	\$ 1,074,665
Current portion of long-term debt	<u>1,234,933</u>
Total current liabilities	2,309,598

### Non-Current Liabilities

35,404,483

## TOTAL LIABILITIES

37,714,081

## NET POSITION

Invested in capital assets	31,154,460
Restricted for:	
Capital projects	10,825,825
Debt service	444,606
Other activities	566,820
Unrestricted	<u>1,535,800</u>

## TOTAL NET POSITION

44,527,511

## TOTAL LIABILITIES AND NET POSITION

\$ 82,241,592

See the accompanying notes to the financial statements.



**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2014

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**OPERATING REVENUES**

Tuition and fees	\$ 1,427,889
Less: Scholarship discounts and allowances	<u>(923,416)</u>
Net Tuition and Fees	504,473
Grants and contracts	
Federal	2,218,810
State	1,867,176
Local	<u>267,891</u>
<b>Total Operating Revenues</b>	<b>4,858,350</b>

**OPERATING EXPENSES**

Salaries	6,964,335
Benefits	2,537,908
Payments to students	2,262,481
Supplies, materials, and other expenses	2,950,686
Utilities	269,121
Depreciation	<u>1,906,130</u>
<b>Total Operating Expenses</b>	<b><u>16,890,661</u></b>

**OPERATING INCOME/(LOSS)** (12,032,311)

See the accompanying notes to the financial statements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Statement of Revenues, Expenses and Changes in Net Position, Continued  
For the Fiscal Year Ended June 30, 2014

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<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
State apportionments, non-capital	10,660,198
Local property taxes	1,548,984
State taxes and other revenues	503,061
Investment income, net	65,129
Interest expense	(1,944,795)
Loss on capital asset disposal	<u>(54,976)</u>
<b>Total non-operating revenues</b>	<u>10,777,601</u>
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	(1,254,710)
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	
Grants and contracts, capital	<u>20,000</u>
<b>Total Other Revenues, Expenses, Gains or Losses</b>	<u>20,000</u>
<b>CHANGE IN NET POSITION</b>	(1,234,710)
<b>NET POSITION</b>	
Net Position - Beginning	<u>45,762,221</u>
Net Position - Ending	<u>\$ 44,527,511</u>

See the accompanying notes to the financial statements.

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014

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## Cash Flows from Operating Activities

Tuition and fees	\$ 566,565
Federal grants and contracts	2,217,649
State grants and contracts	1,916,137
Local grants and contracts	267,891
Payments to suppliers	(2,618,897)
Payments for utilities	(269,121)
Payments to/on-behalf of employees	(9,971,299)
Payments to/on-behalf of students	<u>(2,262,481)</u>
Net cash provided by (used in) operating activities	(10,153,556)

## Cash Flows from Non-capital Financing Activities

State apportionments and receipts	11,053,200
Property taxes	1,549,338
State taxes and other revenues	<u>463,572</u>
Net cash provided by (used in) by non-capital financing activities	13,066,110

## Cash Flows from Capital Financing Activities

Local revenue, capital projects	20,000
Principal paid on capital debt	(944,286)
Interest paid on capital debt	(1,860,069)
Purchases of capital assets	(37,666)
Proceeds from sales of capital assets	<u>75,024</u>
Net cash provided by (used in) capital financing activities	(2,746,997)

## Cash Flows from Investing Activities

Investment income	64,164
Collection from notes receivable	<u>2,709</u>
Net cash provided by (used in) investing activities	<u>66,873</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 232,430

## CASH AND CASH EQUIVALENTS

<b>Beginning of year</b>	<u>12,836,821</u>
<b>End of year</b>	<u><u>\$ 13,069,251</u></u>

See the accompanying notes to the financial statements.

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows, Continued  
For the Fiscal Year Ended June 30, 2014

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### Reconciliation of operating loss to cash used in operating activities

Operating loss	\$ (12,032,311)
Depreciation and amortization	1,906,130
(Increase) decrease in accounts receivable	109,892
(Increase) decrease in prepaid expenses	202,177
Increase (decrease) in accounts payable	129,612
Increase (decrease) in supplemental early retirement incentive	(346,668)
Increase (decrease) in other liabilities	<u>(122,388)</u>
<b>Net cash used in operating activities</b>	<b><u><u>\$ (10,153,556)</u></u></b>

See the accompanying notes to the financial statements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Statements of Fiduciary Net Position  
June 30, 2014

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	<u>ASB Trust Fund</u>	<u>Scholarship and Loan Trust Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,675	\$ 55,481
<b>TOTAL ASSETS</b>	<u>\$ 6,675</u>	<u>\$ 55,481</u>
<b>LIABILITIES</b>		
Due to student groups	\$ 6,675	\$ 55,481
<b>LIABILITIES AND NET POSITION</b>	<u>\$ 6,675</u>	<u>\$ 55,481</u>

See the accompanying notes to the financial statements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Statements of Changes in Fiduciary Net Position  
For the Fiscal Year Ended June 30, 2014

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	<b>ASB Trust Fund</b>	<b>Scholarship and Loan Trust Fund</b>
<b>ADDITIONS</b>		
Other local revenues	\$ 3,790	\$ 71,071
<b>Total Additions</b>	<u>3,790</u>	<u>71,071</u>
<b>DEDUCTIONS</b>		
Supplies and materials and other operating expenses and services	<u>2,220</u>	<u>70,507</u>
<b>CHANGE IN NET POSITION</b>	<u>1,570</u>	<u>564</u>
<b>Net Position - Beginning</b>	<u>5,105</u>	<u>54,917</u>
<b>Net Position - Ending</b>	<u><u>\$ 6,675</u></u>	<u><u>\$ 55,481</u></u>

See the accompanying notes to the financial statements.

# **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements

June 30, 2014

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## **NOTE 1 – ORGANIZATION**

Palo Verde Community College District (the “District”) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. The District consists of one community college campus located in Blythe, California and one college campus located in Needles, California. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Financial Reporting Entity**

While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (“GASB”) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the “direct benefit” criterion, the “entitlement/ability to access” criterion, and the “significance” criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

### **Basis of Presentation and Accounting**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District’s financial statements provide a comprehensive entity-wide perspective of the District’s financial position and activities. Accordingly, the District’s 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 the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level.

### **Cash and Cash Equivalents**

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. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## Investments

The District records its investment in Riverside County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Position. The fair value of investments, at June 30, 2014, approximated their carrying value.

## Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are classified on the Statement of Net Position because their use is limited by enabling legislation, applicable bond covenants, and other laws of other governments. Also, resources have been set aside to satisfy certain requirements of the bonded debt issuance and to fund certain capital asset projects.

## Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any amount of State appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

## Prepaid Expenses

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

## Capital Assets and Depreciation

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, infrastructures, and land improvements, that significantly increase the value or extend the useful life of the structure are capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50
Land improvements	10
Equipment and vehicles	8
Technology equipment	3



## **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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### **Accrued Liabilities and Long-term Obligations**

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

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Position. The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of full-time load which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability 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 when the employee retires and within the constraints of the appropriate retirement systems.

### **Unearned Revenue**

Tuition and fees received prior to June 30 for classes and programs offered in the subsequent fiscal year are reported as unearned revenue. Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

### **Noncurrent Liabilities**

Noncurrent liabilities include bonds and notes payable, compensated absences, and OPEB obligations with maturities greater than one year.

### **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element – deferred outflows of resources – represents a consumption of net position that applies to a future period and, as such, will not be recognized as an outflow of resources (expense/expenditures) until then. The District does not have any item of this type.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element – deferred inflows of resources – represents an acquisition of net position that applies to a future period and, as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

# **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements

June 30, 2014

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## **Net Position**

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

*Invested in capital assets, net of related debt* – This represents the District’s total investment in capital assets, net of associated 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 position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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

When both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first and the unrestricted resources when they are needed.

## **State Apportionments**

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

## **Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when the County notifies the District of the availability of the revenues. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2014.

## **Board of Governors Grants (BOGG) and Fee Waivers**

Student tuition and fee revenues and certain other revenues are reported, net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods, and the 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. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

June 30, 2014

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## **Federal Financial Assistance Program**

The District participates in federally funded Pell Grants, SEOG grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is reported as other revenue. The amount reported as other revenue represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

## **On-Behalf Payments**

GASB Cod. Sec N50 requires that direct on-behalf payments for 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 and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS.

## **Classification of Revenues**

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Cod. Sec. C05.101, including state appropriations, local property taxes, and investment income. Nearly all of the District's expenses are from exchange transactions. Revenues and expenses are classified to the following criteria:

Revenues are classified according to the following criteria:

***Operating revenues and expenses*** – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of fee waivers and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.

***Non-operating revenues and expenses*** – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

## **Estimates**

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

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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### Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated within the primary government funds during the consolidation process in the entity-wide financial statements.

### New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2014, the District implemented the following new standards issued by GASB:

- GASB Statement 65, “*Items Previously Reported as Assets and Liabilities*”, effective for the year ending June 30, 2014.
- GASB Statement 66, “*GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*”, effective for the year ending June 30, 2014.
- GASB Statement 67, “*Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*”, effective for the year ending June 30, 2014.

GASB has issued Statement 65, “*Items Previously Reported as Assets and Liabilities*”, which amends the financial statement classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The District has implemented Statement 65 as required.

GASB has issued Statement 66, “*GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*”, which improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements: Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*”. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The District has implemented Statement 66 as required.

GASB has issued Statement 67, “*Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*”, which improves financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*” and No. 50, “*Pension Disclosures*”, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The District has implemented Statement 67 as required.

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## NOTE 3 – DEPOSITS AND INVESTMENTS

### Summary of Deposits 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 equivalents, as of June 30, 2014, consist of the following:

	<u>District</u>	<u>Fiduciary</u>
Cash in County Treasury	\$ 4,261,146	\$ -
Cash held with fiscal agent	8,791,711	-
Cash on hand and in bank	6,511	62,156
Cash in revolving fund	<u>9,883</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 13,069,251</u>	<u>\$ 62,156</u>

### Policies and Practices

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

### Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains a significant portion of its cash in the Riverside County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool, as of June 30, 2014, as provided by the pool sponsor, was \$4,258,888, with an average maturity of 1.37 years. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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### General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Government Code Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, but all public funds are invested in bonds or governmental backed (collateralized) securities at 110% on the amount of deposit.

## Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

## NOTE 4 – RECEIVABLES

Receivables, at June 30, 2014, consist of the following and are considered collectible in full:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
General fund	\$ -	\$ 1,527,837	\$ 283,991	\$ 1,811,828
Bookstore fund	-	-	247	247
Capital outlay fund	-	-	1,024	1,024
Child development fund	7,001	423	35	7,459
Self insurance fund	-	-	257	257
	<u>\$ 7,001</u>	<u>\$ 1,528,260</u>	<u>\$ 285,554</u>	<u>\$ 1,820,815</u>

## NOTE 5 – NOTE RECEIVABLE

In August 2013, the District sold property located on Spring Street in Blythe, California for \$400,000. The District received a down payment of \$80,000 and a note receivable for \$320,000. The note is payable, principal and interest at 5%, in monthly installments of \$1,871. The note matures in May, 2038.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

**NOTE 6 – CAPITAL ASSETS**

The following provides a summary of changes in capital assets for the year ended June 30, 2014:

<b>Business-Type Activities</b>	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
<b>Historical Cost</b>				
Building	\$ 75,117,137	\$ -	\$ 450,000	\$ 74,667,137
Construction in progress	84,477	-	-	84,477
Equipment	2,535,131	37,666	-	2,572,797
Land	926,137	-	-	926,137
Site improvements	1,286,659	-	-	1,286,659
Vehicles	145,610	-	-	145,610
Total historical cost	<u>80,095,151</u>	<u>37,666</u>	<u>450,000</u>	<u>79,682,817</u>
<b>Accumulated depreciation</b>				
Building	8,444,413	1,613,940	-	10,058,353
Equipment	1,674,746	234,908	-	1,909,654
Site improvements	541,459	45,498	-	586,957
Vehicles	129,125	11,784	-	140,909
Total accumulated depreciation	<u>10,789,743</u>	<u>1,906,130</u>	<u>-</u>	<u>12,695,873</u>
<b>CAPITAL ASSETS, NET</b>	<u>\$ 69,305,408</u>	<u>\$ (1,868,464)</u>	<u>\$ 450,000</u>	<u>\$ 66,986,944</u>

**NOTE 7 – ACCOUNTS PAYABLE**

Accounts payable, at June 30, 2014, consisted of the following:

	Business-Type Activities
Construction	158,654
Interest	128,423
Vendor payable	787,588
	<u>\$ 1,074,665</u>



**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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**NOTE 8 – INTERFUND TRANSACTIONS**

**Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity, within the governmental funds and fiduciary funds, have been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

In March, 2013, the Capital Outlay fund lent the General fund \$5,000,000 to supplement cash flow. At June 30, 2014, the unpaid balance due the Capital Outlay fund from the General Fund was \$855,000.

**Interfund Operating Transfers**

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

**NOTE 9 – LONG-TERM OBLIGATIONS**

Long-term obligations , for the fiscal year ended June 30, 2014, are summarized as follows:

	Balance July 01, 2013	Additions	Deductions	Due in One Year	Long-term Balance
<b>Business-Type Activities</b>					
Other postemployment benefit obligation (OPEB)	\$ 145,830	\$ -	\$ 60,927	\$ -	\$ 84,903
Compensated absences	310,815	-	61,461	-	249,354
Supplemental employee retirement plan (SERP)	819,343	-	346,668	304,933	167,742
Loan payable - building	64,286	-	64,286	-	-
Certificates of participation	31,305,000	-	715,000	745,000	29,845,000
General obligation bonds payable	4,924,879	-	165,000	185,000	4,574,879
Accretion	397,929	84,676	-	-	482,605
	<u>\$ 37,968,082</u>	<u>\$ 84,676</u>	<u>\$ 1,413,342</u>	<u>\$ 1,234,933</u>	<u>\$ 35,404,483</u>

## **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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### **Supplemental Employee Retirement Plan (SERP)**

During the year ended June 30, 2010, the District negotiated early retirement agreements for four employees. The agreement requires five annual payments of \$41,735 through July 2014. During the year ended June 30, 2011, the District negotiated early retirement agreements for eight employees. The agreement requires five annual payments of \$137,191 through July 2016.

In September 2011, the District negotiated early retirement agreements for two employees. The agreement requires five annual payments of \$27,009 through October 2015. In December 2011, the District negotiated early retirement agreements for nine employees. The agreement requires five annual payments of \$104,709 through January 2016. In June 2012, the District negotiated early retirement agreements for two employees. The agreement requires five annual payments of \$29,958 through July 2016.

### **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 agreed to pay \$64,286 annually for seven years with zero percent interest for a total of \$450,000. The loan was paid in full in fiscal 2013-14.

### **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 were 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 campuses.

The District refinanced these Certificates of Participation in July 2008 taking advantage of lower interest rates. The District entered into these Certificates of Participation for working capital for construction projects, the Fine and Performing Arts Complex and Management Information Systems, due to the delay of payments for these projects approved by the State and the possibility that costs for some projects would exceed appropriated funds.

The District's intentions for budgeting for repayment of these obligations were that upon receipt of reimbursement by the State, the monies were to be set aside in an interest bearing account. Monthly payments would be made from the interest bearing account leaving the balance to continue to earn interest; it was also the District's intention to not use the funds for backfill of general funds.

However, due to the past State budget crisis, decrease in investment income earned on the State reimbursements set aside, unanticipated construction cost overruns and other District cash flow needs from those amounts, the District's forecast on budgeting for repayment of these obligations is uncertain.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

The annual debt requirements on these certificates, payable as of June 30, 2014, are as follows:

Year Ended June 30,	Certificates of Participation		
	Principal	Interest	Total
2015	\$ 745,000	\$ 1,608,150	\$ 2,353,150
2016	785,000	1,570,900	2,355,900
2017	815,000	1,538,519	2,353,519
2018	845,000	1,503,881	2,348,881
2019	880,000	1,466,913	2,346,913
2020-2024	5,085,000	6,674,100	11,759,100
2025-2029	6,550,000	5,212,350	11,762,350
2030-2034	8,545,000	3,203,750	11,748,750
2035-2039	6,340,000	710,050	7,050,050
	<u>\$ 30,590,000</u>	<u>\$ 23,488,613</u>	<u>\$ 54,078,613</u>

**General Obligation Bonds Payable**

General obligation bonds of up to \$6,000,000 were approved by election in June 2005 and were to be used to finance real property improvements to the District's 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. 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, 2014, are as follows:

Year Ended June 30,	Series 2005 Bonds		Series 2006 Bonds		Total
	Principal	Interest	Principal	Interest	
2015	\$ 45,000	\$ 127,969	\$ 140,000	\$ 86,850	\$ 399,819
2016	55,000	125,934	145,000	81,150	407,084
2017	26,764	163,036	155,000	75,150	419,950
2018	26,547	168,253	170,000	67,375	432,175
2019	24,943	176,858	180,000	57,750	439,551
2020-2024	560,000	548,100	1,130,000	135,300	2,373,400
2025-2029	975,000	321,750	356,083	1,263,917	2,916,750
2030-2034	545,000	33,450	222,542	1,182,458	1,983,450
	<u>\$ 2,258,254</u>	<u>\$ 1,665,350</u>	<u>\$ 2,498,625</u>	<u>\$ 2,949,950</u>	<u>\$ 9,372,179</u>

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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### **Other Postemployment Benefit (OPEB) Obligation**

The District implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution, for the year ended June 30, 2014, was \$158,435 and contributions made by the District during the year were \$219,362 which resulted in a net OPEB liability (asset) for 2014 of \$60,927. See Note 10 for additional information regarding the OPEB Obligation and the postemployment plan.

### **NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS**

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.

**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.

**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.

### **Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters 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 excess over a period not to exceed thirty years. The District has elected to amortize the unfunded liability over thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$	160,629
Interest on net OPEB obligation		7,292
Adjustment to annual required contribution		(9,486)
Annual OPEB cost (expense)		158,435
Contributions made		(219,362)
Increase in net OPEB obligation		(60,927)
Net OPEB obligation (asset), beginning of year		145,830
Net OPEB obligation (asset), end of year	\$	84,903

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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### Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 127,021	20.77%	\$ 206,882
2013	\$ 157,516	138.76%	\$ 145,830
2014	\$ 158,435	138.46%	\$ 84,903

### Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve 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 contributions 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 following the notes to the financial statements, presents 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 sharing of benefit costs between the employer and plan members 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 value of assets, consistent with the long-term perspective of the calculations.

In the April, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5% percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost increases were estimated at 4 percent annually. The UAAL is being amortized at a level dollar method. 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.

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## NOTE 11 – 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 (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

### CalSTRS

**Plan Description** – The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**Funding Policy** – Active plan members are required to contribute 8% 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 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute.

**Annual Pension Cost** – The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-2014	\$ 329,390	100%
2012-2013	\$ 301,213	100%
2011-2012	\$ 315,217	100%

On June 24, 2014, the Governor of California signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

### CalPERS

**Plan Description** – The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703.

# PALO VERDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

**Funding Policy** – Active plan members are required to contribute 7.0 percent 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 CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.442 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

**Annual Pension Cost** – The District’s contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-2014	\$ 223,672	100%
2012-2013	\$ 232,560	100%
2011-2012	\$ 292,615	100%

## Social Security

As established by Federal law, all public sector employees who are not members of their employer’s existing retirement systems (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

## NOTE 12 – FUNCTIONAL EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net position for the year ended June 30, 2014.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Utilities	Payments to Students	Depreciation	Total
Admissions and records	\$ 137,285	\$ 21,011	\$ -	\$ -	\$ -	\$ 158,296
Ancillary services	-	9,576	-	-	-	9,576
Auxilliary operations	16,531	35,355	-	-	-	51,886
Community services	165,176	14,391	-	-	-	179,567
General institutional support services	1,657,406	461,064	-	-	-	2,118,470
Instructional activities	4,272,483	950,872	-	-	-	5,223,355
Instructional administration	691,984	82,154	-	-	-	774,138
Instructional support services	207,763	194,564	-	-	-	402,327
Physical property and acquisitions	31,786	557	-	-	-	32,343
Planning, policy making, coordination, general support	414,656	311,173	-	-	-	725,829
Plant operations and maintenance	363,773	622,483	269,121	-	-	1,255,377
Student services-counseling and guidance	590,951	84,198	-	-	-	675,149
Students services-other	952,449	163,288	-	-	-	1,115,737
Transfers and student payments	-	-	-	2,262,481	-	2,262,481
Depreciation	-	-	-	-	1,906,130	1,906,130
	<u>\$ 9,502,243</u>	<u>\$ 2,950,686</u>	<u>\$ 269,121</u>	<u>\$ 2,262,481</u>	<u>\$ 1,906,130</u>	<u>\$ 16,890,661</u>

## **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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### **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

#### **Grants**

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditures disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

#### **Litigation**

The District is currently involved in claims relating to employee matters and various construction claims on the Fine and Performing Arts Project, and intends to vigorously contest these claims. While the ultimate liability, if any, arising from these claims cannot be predicted with certainty, the District believes that the resolution of these matters will not likely have a material effect on the District's financial statements.

### **NOTE 14 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for its health and welfare benefits, workers' compensations benefits, and property/liability insurance. Refer to Note 15 for additional information regarding the JPAs.

### **NOTE 15 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

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

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

### **NOTE 16 - SUBSEQUENT EVENTS**

In an election held in November, 2014, voters approved Measure P, which provides the District with the ability to issue \$12,500,000 of General Obligation Bonds. The bonds were approved to upgrade classrooms, improve facilities for career technical education, and reduce campus construction debt.



**REQUIRED SUPPLEMENTARY INFORMATION**

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**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Other Postemployment Benefits (OPEB) Funding Progress  
For the Fiscal Year Ended June 30, 2014

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
February 19, 2007	\$ -	\$ 519,185	\$ 519,185	0%	\$ 8,880,000	5.85%
March 1, 2010	\$ -	\$ 926,335	\$ 926,335	0.00%	\$ 9,223,000	10.04%
April 1, 2013	\$ -	\$ 1,555,904	\$ 1,555,904	0.00%	\$ 6,899,178	22.55%

See the accompanying note to the required supplementary information.

## **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Note to Required Supplementary Information  
June 30, 2014

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### **Schedule of Postemployment Benefits (OPEB) Funding Progress**

This schedule is prepared to show information for the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

## **SUPPLEMENTARY INFORMATION**

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# **PALO VERDE COMMUNITY COLLEGE DISTRICT**

History and Organization  
June 30, 2014

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## **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.

## **BOARD OF TRUSTEES**

The District is governed by a Board of Trustees, consisting of five members, who are elected to staggered four-year terms. The members and officers of the Board of Trustees, as of June 30, 2014, were as follows:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Millie Rodriguez	President	2016
George Thomas	Vice-President	2014
Ted Arneson	Clerk of the Board	2014
Jerry Lewis	Trustee	2014
Lincoln Edmond	Trustee	2016
Edmundo Gonzales	Trustee	2016
Ned Hyduke	Trustee	2016
Alex Munoz	Student Trustee	2014

## **DISTRICT ADMINISTRATION**

Donald G. Wallace, Ph.D.	Superintendent/ President
Russi Egan	Chief Business Officer
Sean Hancock	Vice-President of Instructional and Student Services

See the accompanying note to the supplementary information.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster: [1]			
Federal Pell Grants	84.063		\$ 1,226,114
Federal Pell Administrative	84.063		1,825
Federal Supplement Education Opportunity (FSEOG)	84.007		21,103
Federal Work Study Program (FWS)	84.033		15,393
Subtotal Student Financial Assistance Cluster			<u>1,264,435</u>
TRIO Cluster:			
Student Support Services Program	84.042A		220,286
HIGHER EDUCATION ACT			
Title V, Part A Distance Education Programs and Services	84.031A		227,912
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from the California Community Colleges Chancellor's Office Career and Technical Education, Title I-C	84.048	12-C01-038	91,482
Total U.S. Department of Education			<u>1,804,115</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance to Needy Families (TANF)	93.558		24,357
Total U.S. Department of Health and Human Services			<u>24,357</u>
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Care Food Program	10.558	*	38,253
Total U.S. Department of Agriculture			<u>38,253</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 1,866,725</u></u>

[1]: Major Program

\* Pass-Through Identifying Number not available

See the accompanying note to the supplementary information.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Expenditures of State Awards  
For the Fiscal Year Ended June 30, 2014

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
Basic Skills & Initiative	\$ 90,000	\$ -	\$ 46,662	\$ 43,338	\$ 43,338
California Grants	54,454	-	3,312	51,142	51,142
California Work Opportunity & Responsibility to Kids	137,002	-	-	137,002	137,002
Cooperative Agencies & Resources for Education	38,383	-	-	38,383	38,383
Disabled Students Programs & Services	140,910	-	-	140,910	140,910
Equal Employment Opportunity	3,563	-	-	3,563	3,563
Extended Opportunity Programs & Services	323,036	100	-	323,136	323,136
Matriculation - Credit	190,325	-	-	190,325	190,325
Matriculation - Non-Credit	4,859	-	-	4,859	4,859
Strengthening Career Technical Education	49,659	-	-	49,659	49,659
Student Financial Aid Administration	122,314	-	-	122,314	122,314
	<u>\$ 1,154,505</u>	<u>\$ 100</u>	<u>\$ 49,974</u>	<u>\$ 1,104,631</u>	<u>\$ 1,104,631</u>

See the accompanying note to the supplementary information.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Workload Measure(s) for State General Apportionment Annual (Actual) Attendance  
For the Fiscal Year Ended June 30, 2014

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	<u>Reported Data</u>
A. Summer Intersession (Summer 2013 only)	
1. Noncredit	2
2. Credit	52
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)	
1. Noncredit	-
2. Credit	17
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	407
(b) Daily Census Contact Hours	1
2. Actual Hours of Attendance	
(a) Noncredit	37
(b) Credit	324
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	561
(b) Daily Census Contact Hours	-
(c) Noncredit Independent Study/Distance Education Courses	-
 Total FTES	 <u>1,401</u>
 Total Credit FTES	 1,362
Total Noncredit FTES	39
Total FTES	<u>1,401</u>
 Supplemental Information (subset of above information)	
In-Service Training Courses	376
Basic Skills Courses & Immigrant Education	
1. Noncredit	16
2. Credit	121

See the accompanying note to supplementary information.



**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation  
For the Fiscal Year Ended June 30, 2014

	Object Codes	ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustment	Revised Data	Reported Data	Audit Adjustment	Revised Data
<b>ACADEMIC SALARIES</b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 2,759,313		\$ 2,759,313	\$ 2,759,313		\$ 2,759,313
Other	1300	410,949		410,949	410,949		410,949
<b>Total Instructional Salaries</b>		<b>3,170,262</b>		<b>3,170,262</b>	<b>3,170,262</b>		<b>3,170,262</b>
<b>Non-Instructional Salaries</b>							
Contract or Regular	1200				682,791		682,791
Other	1400				14,945		14,945
<b>Total Non-Instructional Salaries</b>					<b>697,736</b>		<b>697,736</b>
<b>Total Academic Salaries</b>		<b>3,170,262</b>		<b>3,170,262</b>	<b>3,867,998</b>		<b>3,867,998</b>
<b>CLASSIFIED SALARIES</b>							
<b>Non-Instructional Salaries</b>							
Regular Status	2100				1,904,935		1,904,935
Other	2300				29,962		29,962
<b>Total Non-Instructional Salaries</b>					<b>1,934,897</b>		<b>1,934,897</b>
<b>Instructional Aides</b>							
Regular Status	2200						
Other	2400	15,768		15,768	15,768		15,768
<b>Total Instructional Aides</b>		<b>15,768</b>		<b>15,768</b>	<b>15,768</b>		<b>15,768</b>
<b>Total Classified Salaries</b>		<b>15,768</b>		<b>15,768</b>	<b>1,950,665</b>		<b>1,950,665</b>
Employee Benefits	3000	1,071,754		1,071,754	2,549,493		2,549,493
Supplies and Materials	4000				81,531		81,531
Other Operating Expenses	5000	803,792		803,792	2,368,805		2,368,805
Equipment Replacement	6420						
<b>Total Expenditures Prior to Exclusions</b>		<b>5,061,576</b>		<b>5,061,576</b>	<b>10,818,492</b>		<b>10,818,492</b>
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	263,431		263,431	263,431		263,431
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				22,782		22,782
Non-Instructional Staff - Retirees' Benefits and Retirement Incentives	6740				468,167		468,167
<b>Objects to Exclude</b>							
Rents and Leases	5060				314,043		314,043
Lottery Expenditures							
Academic Salaries	1000						
Classified Salaries	2000						
Employee Benefits	3000						
Supplies and Materials	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional, Supplies & Materials	4400						
<b>Total Supplies and Materials</b>							
Other Operating Expenses and Services	5000				234,000		234,000
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
<b>Total Equipment</b>							
<b>Total Capital Outlay</b>							
Other Outgo	7000						
<b>Total Exclusions</b>		<b>263,431</b>		<b>263,431</b>	<b>1,302,423</b>		<b>1,302,423</b>
<b>Total for ECS 84362, 50% Law</b>		<b>\$ 4,798,145</b>		<b>\$ 4,798,145</b>	<b>\$ 9,516,069</b>		<b>\$ 9,516,069</b>
Percent of CEE (Instructional Salary Cost / Total CEE)		50.42%		50.42%	100%		100%
<b>50% of Current Expense of Education</b>					<b>\$ 4,758,035</b>		<b>\$ 4,758,035</b>

See the accompanying note to supplementary information.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements  
For the Fiscal Year Ended June 30, 2014

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

See the accompanying note to supplementary information

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Reconciliation of Education Protection Account Funds (EPA)  
 For the Fiscal Year Ended June 30, 2014

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Activity Classification	Object Code	Unrestricted			
<b>EPA Proceeds:</b>	<b>8630</b>				\$ 1,771,987
Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 1,771,987	-	-	1,771,987
<b>Total Expenditures for EPA</b>		\$ 1,771,987	-	-	1,771,987
<b>Revenues Less Expenditures</b>					\$ -

See the accompanying note to supplementary information

# PALO VERDE COMMUNITY COLLEGE DISTRICT

## Reconciliation of Governmental Funds to the Statement of Net Position June 30, 2014

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**Total Fund Balance and Retained Earnings:**

General Funds	\$ 2,147,354	
Special Revenue Funds	20,271	
Capital Outlay Projects	10,825,825	
Debt Service Funds	444,606	
Proprietary Funds	288,464	
Internal Service Funds	258,085	
Fiduciary Funds	68,667	
<b>Total Fund Balances and Retained Earnings - All District Funds</b>		<b>\$ 14,053,272</b>

**Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	79,682,817	
Accumulated depreciation is	(12,695,873)	
Net Capital Assets		66,986,944

Other long-term assets, such as notes receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds 317,291

Amounts held in trust on behalf of others (Trust and Agency Funds) (62,156)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (128,424)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

Bonds payable	(5,242,484)	
Certificates of participation	(30,590,000)	
Supplemental employee retirement plan	(472,675)	
Compensated absences (vacations)	(249,354)	
Other postemployment benefits (OPEB)	(84,903)	
Total Long-Term Obligations		(36,639,416)

**Total Net Position - Governmental Activities** **\$ 44,527,511**

See the accompanying note to supplementary information

## PALO VERDE COMMUNITY COLLEGE DISTRICT

Note to Supplementary Information  
June 30, 2014

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### PURPOSE OF SCHEDULES

**History and Organization** – This schedule provides information about the District’s organization, members of the governing board, and administration members.

**Schedule of Expenditures of Federal Awards** – The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

**Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance** – FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which appointments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

**Reconciliation of Education Code Section 84362 (50 percent Law) Calculation** – ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor’s Office. This schedule provides a reconciliation of the amount reported to the State Chancellor’s Office and the impact of any audit adjustments and/or corrections noted during the audit.

**Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements** – This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District’s internal fund financial statements.

**Reconciliation of Education Protection Account Funds** – This schedule provides the District’s summary of receipts and uses of the monies received through the EPA.

**Reconciliation of Governmental Funds to the Statement of Net Position** – This schedule provides a reconciliation of the adjustments necessary to bring the District’s internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

## **INDEPENDENT AUDITORS' REPORTS**

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

The Board of Trustees  
Palo Verde Community College District  
Blythe, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities and the fiduciary activities of Palo Verde Community College District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

The Board of Trustees  
Palo Verde Community College District

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 19, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Trustees  
Palo Verde Community College District  
Blythe, California

**Report on Compliance for Each Major Federal Program**

We have audited Palo Verde Community College District's (the "District") compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, 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 District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

## **Opinion**

In our opinion, Palo Verde Community College District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Program for the year ended June 30, 2014. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2.

## **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2.

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

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Board of Trustees  
Palo Verde Community College District

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Palo Verde Community College District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 19, 2014

## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

The Board of Trustees  
Palo Verde Community College District  
Blythe, California

### **Report on State Compliance**

We have audited Palo Verde Community College District's (the "District") compliance with the state laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM) for the year ended June 30, 2014 and issued our report thereon December 19, 2014.

### **Management's Responsibility**

Management is responsible for the District's compliance with the compliance requirements referenced above.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

### **Unmodified Opinion on Each of the Programs**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs notes below that were audited for the year ended June 30, 2014.

The Board of Trustees  
Palo Verde Community College District

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contract
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Prop 39 Clean Energy Fund
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

### **Purpose of This Report**

This report is intended solely for the information and use of the District's management, the Board of Trustees, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 19, 2014

## **FINDINGS AND RECOMMENDATIONS**

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**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
June 30, 2014

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**SECTION 1 – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007,84.032,84.063</u>	<u>Student Financial Aid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs

June 30, 2014

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**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.



# PALO VERDE COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
June 30, 2014

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## SECTION 3 – FEDERAL AWARDS FINDINGS

### 2014-1 FEDERAL STUDENT FINANCIAL ASSISTANCE

#### **SPECIAL TESTS AND PROVISIONS**

**Specific Requirement** – An institution is required to establish written policies and procedures that incorporate the provisions of 34 CFR Sections 668.51 through 668.61 for verifying applicant information. The institution shall require each applicant whose application is selected by ED to verify the information specified in 34 CFR Section 668.56. Specific verification items and acceptable documentation required for verification is listed in the Federal Register. For award year 2013-2014, the Federal Register notice was published July 12, 2012.

**Condition** – Several files, in the sample of Student Files tested, were incomplete and did not contain or have reference to acceptable documentation used in the verification process.

**Effect** – The auditor was unable to verify that all required information of selected applications were in accordance with the requirements.

**Cause** – The overall Control environment of the department that influences the control consciousness of its staff was lacking leadership and expertise to put controls in place and monitor the policies and procedures in place for the verification process.

**Questioned Costs** – None

**Recommendation** – The College should employ knowledgeable department leadership to establish monitoring and supervision of the verification process to provide reasonable assurance that Federal programs comply with Federal laws, regulations, and program compliance requirements.

**District Response** – The District has employed knowledgeable department leadership that has established improved monitoring and supervision of the verification process which should provide reasonable assurance that Federal programs comply with Federal laws, regulations, and program compliance requirements.

# **PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
June 30, 2014

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## **SECTION 3 – FEDERAL AWARDS FINDINGS, Continued**

### **2014-2 FEDERAL STUDENT FINANCIAL ASSISTANCE**

#### **RETURN OF TITLE IV FUNDS**

**Specific Requirement** – When a recipient of Title IV grant withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student’s withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student as of the date of the institution’s determination that the student withdrew, the difference is to be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. Returns of Title IV Funds are required to be deposited or electronic fund transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

**Condition** – The final return to Title IV transfer to ED was initiated after the 45 day required timeframe.

**Effect** – The return of Title IV Funds were not returned timely.

**Cause** – The staff assigned to initiate the return of Title IV Funds was transferred to another department and that final step to initiate the electronic funds transfer was not caught until a later date when the accounts were reconciled.

**Questioned Costs** – None

**Recommendation** – The District should establish internal controls over the Federal programs that will reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

**District Response** – The District has established internal controls over the Federal programs that will reasonably ensure compliance with Federal laws, regulations, and programs compliance requirements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
June 30, 2014

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**SECTION 4 – STATE AWARDS FINDINGS**

The results of our tests did not disclose any findings and questioned costs related to the state awards.

**PALO VERDE COMMUNITY COLLEGE DISTRICT**

Status of Prior Year Findings and Questioned Costs  
June 30, 2014

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**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings or questioned costs.

**FEDERAL AWARDS FINDINGS**

There were no prior year findings or questioned costs.

**STATE AWARDS FINDINGS**

There were no prior year findings or questioned costs.