PALO VERDE COMMUNITY COLLEGE DISTRICT

County of Riverside
Blythe, California

REPORT ON AUDIT
June 30, 2020

PALO VERDE COMMUNITY COLLEGE DISTRICT

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June 30, 2020

Messner
& Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
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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 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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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The Board of Trustees
Palo Verde Community College District

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, 2020, 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 10, the Schedule of The District's Total OPEB Liability and Related Ratios on page 47 the Schedule of the District's Proportionate Share of the Net Pension Liability on page 48, and the Schedule of the District's Pension Contributions on page 49 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* 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 29, 2020, 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

Apple Valley, California
December 29, 2020

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, 2020.

Introduction

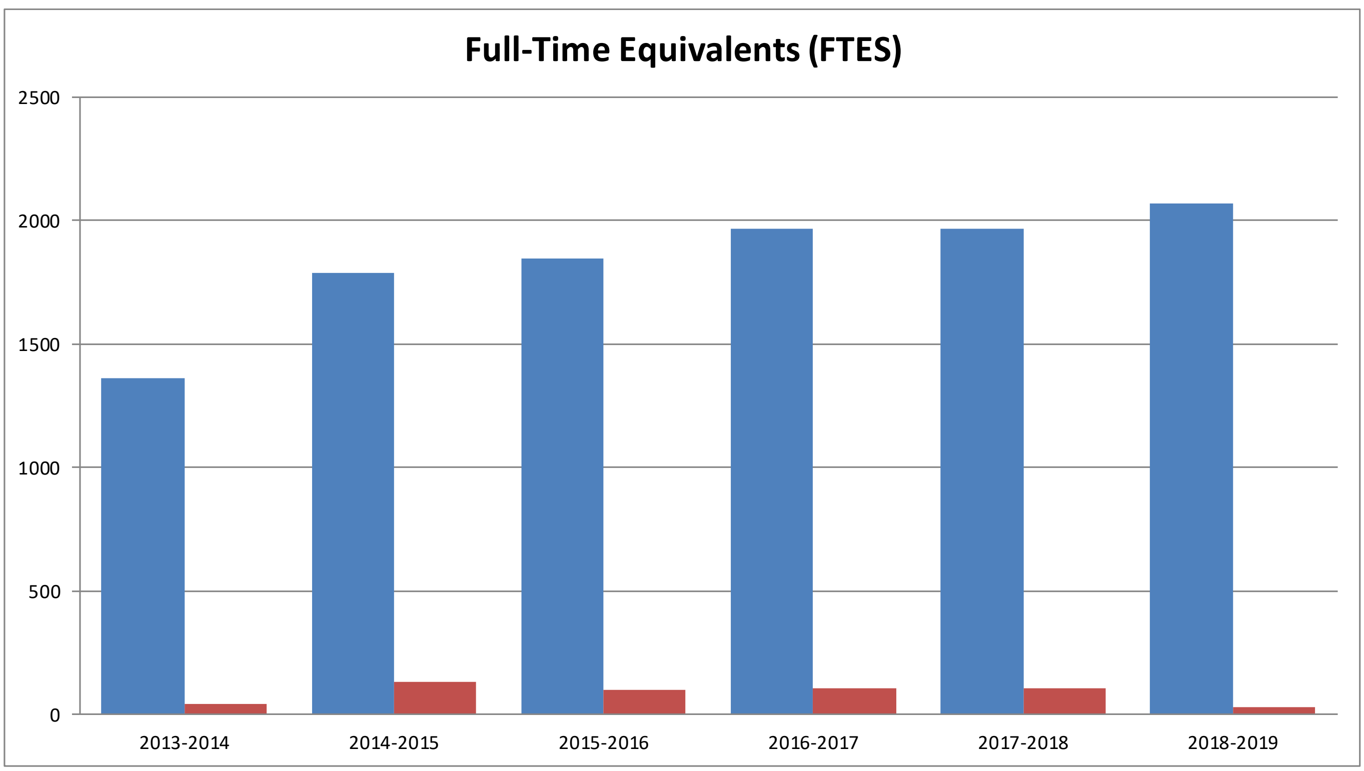
The following discussion and analysis provides an overview of the financial position and activities of the Palo Verde Community College District (the "District") for the years ended June 30, 2020 and June 30, 2019. This discussion has been prepared by management and should be read in conjunction with 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 2019-2020, total full-time equivalent students increased approximately 8.82% for both credit and non-credit courses. Credit and non-credit FTES, along with other workload measures, are the basis for the District's State apportionment.

Trend of full-time equivalent students as reported on the annual report:



Financial Highlights

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

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, 2020 and June 30, 2019, is summarized below:

	2020	2019	Net Change
ASSETS			
Current assets	$ 19,617,668	$ 18,568,239	$ 1,049,429
Non-current assets	60,082,431	59,252,782	829,649
Total Assets	79,700,099	77,821,021	1,879,078
DEFERRED OUTFLOWS	6,696,593	6,115,503	581,090
LIABILITIES			
Current liabilities	3,434,496	2,776,157	658,339
Non-current liabilities	49,012,583	46,473,546	2,539,037
Total Liabilities	52,447,079	49,249,703	3,197,376
DEFERRED INFLOWS	1,345,557	1,531,895	(186,338)
Total Net Position	$ 32,604,056	$ 33,154,926	$ (550,870)

• Approximately 99% of the cash and cash equivalent current assets is cash deposited with the Riverside County Treasurer's Office. The Statement of Cash flows contained within the financial statements provides greater detail regarding the sources and uses of cash and the net increase (decrease) in cash.

• The majority of the accounts receivable balance is from Federal and State sources for grant and entitlement programs.

• Capital assets are the net historical value of land, buildings, and equipment less accumulated depreciation. As of June 30, 2020, the District owned capital assets of $59,817,717. 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 $1,953,362.

• Noncurrent liabilities consist of compensated absences, other postemployment benefit obligation, net pension liability, General Obligation Bonds, and Certificates of Participation.

• Unrestricted net position totaled ($7,001,091).

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.

	2020	2019	Net Change
Revenues			
Operating revenues	$ 8,094,491	$ 6,181,542	$ 1,912,949
Non-operating revenues	21,465,951	19,476,729	1,989,222
Other revenues	-	702,995	(702,995)
Total Revenues	29,560,442	26,361,266	3,199,176
Expenses			
Operating expenses	24,653,732	22,407,769	(2,245,963)
Non-operating expenses	1,037,652	1,233,302	195,650
Depreciation	1,761,126	1,733,650	(27,476)
Total Expenses	27,452,510	25,374,721	(2,077,789)
Excess (deficiency)	2,107,932	986,545	1,121,387
Net Position - Beginning	33,154,926	32,168,381	986,545
Adjust for restatement	(2,658,802)	-	(2,658,802)
Net Position - Ending	$ 32,604,056	$ 33,154,926	$ (550,870)

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 66% 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.

Operating Expenses (by natural classification) – object:

	2020	2019	Net Change
Salaries	$ 11,631,622	$ 11,009,025	$ (622,597)
Benefits	5,656,301	4,832,102	(824,199)
Payments to students	1,517,834	1,034,789	(483,045)
Supplies, materials, and other expen:	5,528,164	5,129,505	(398,659)
Utilities	319,811	402,348	82,537
Depreciation	1,761,126	1,733,650	(27,476)
Total Operating Expenses	$ 26,414,858	$ 24,141,419	$ (2,273,439)

• 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.

• Utilities consist of electricity, telephone, water, heating and waste disposal.

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 users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for 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, 2020, was $15,814,557.

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

	2020	2019	Net Change
Net cash provided by (used in)			
Operating activities	$ (15,814,557)	$ (15,472,084)	$ (342,473)
Non-capital financing activities	21,148,211	18,943,924	2,204,287
Capital financing activities	(4,443,853)	(1,233,432)	(3,210,421)
Investing activities	387,138	342,277	44,861
Net decrease in cash and cash equivalen	1,276,939	2,580,685	(1,303,746)
Cash balance, beginning of year	17,517,557	14,723,347	2,794,210
Cash balance, end of year	$ 18,794,496	$ 17,304,032	$ 1,490,464

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

Capital Assets

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

	2020	2019	Net Change
Land and construction in progress	$ 3,015,714	$ 926,137	$ 2,089,577
Buildings and equipment	79,733,397	79,407,916	325,481
Accumulated depreciation	(22,931,394)	(21,355,204)	(1,576,190)
Total Capital Assets	$ 59,817,717	$ 58,978,849	$ 838,868

Debt

At June 30, 2020, the District had $47,189,527 in long-term debt. A comparison of long-term debt is summarized below:

	2020	2019	Net Change
Bonds payable	$ 16,845,630	$ 17,107,207	(261,577)
Certificates of participation	12,665,000	13,185,000	(520,000)
Loan payable - auto	-	4,350	(4,350)
Net pension liability	17,184,617	15,637,565	1,547,052
OPEB	2,768,756	969,594	1,799,162
Compensated absences	418,580	394,180	24,400
Total Long-term Liabilities	$ 49,882,583	$ 47,297,896	$ 2,584,687

Economic Factors

Palo Verde Community College once again saw an increase in enrollment over the previous year. As in past recent years, as other community colleges exceeded their capacity, Palo Verde College was able to provide educational services in those areas.

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, 2020, was 19.721%.

All community colleges will be facing higher STRS rates in the future due to recently passed legislation. The rates, ending June 30, 2015, were 8.88% and had been stable at that rate for many years. The STRS rate, for the year ending June 30, 2020, was 17.10%.

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 2019-20 budget.

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

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

PALO VERDE COMMUNITY COLLEGE DISTRICT
Statement of Net Position-Primary Government
June 30, 2020

ASSETS	
Current assets:	
Cash and cash equivalents	$18,794,491
Accounts receivable	663,810
Prepaid expenses	159,367
Total current assets	19,617,668
Non-Current assets:	
Notes receivable	264,714
Fixed assets, net	59,817,717
Total non-current assets	60,082,431
TOTAL ASSETS	79,700,099
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	636,619
Deferred outflows of resources - postemployment benefits	207,498
Deferred outflows of resources - pensions	5,852,476
Total deferred outflows	6,696,593
LIABILITIES	
Current liabilities:	
Current liabilities	1,953,362
Deferred revenue	611,134
Current portion of long-term debt	870,000
Total current liabilities	3,434,496
Non-Current Liabilities	49,012,583
TOTAL LIABILITIES	52,447,079
DEFERRED INLOWS OF RESOURCES	
Deferred inflows of resources - pensions	1,231,142
Deferred inflows of resources - postemployment benefits	114,415
Total deferred inflows	1,345,557
NET POSITION	
Invested in capital assets	30,712,625
Restricted for:	
Capital projects	5,453,230
Debt service	2,510,983
Other activities	928,309
Unrestricted	(7,001,091)
TOTAL NET POSITION	$32,604,056

See the accompanying notes to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses and Changes in Net Position-Primary Government
For the Fiscal Year Ended June 30, 2020

OPERATING REVENUES	
Tuition and fees	$ 2,388,676
Less: Scholarship discounts and allowances	(1,570,486)
Net Tuition amd Fees	818,190
Grants and contracts	
Federal	1,500,464
State	4,117,169
Local	1,658,668
Total Operating Revenues	8,094,491
OPERATING EXPENSES	
Salaries	11,631,622
Benefits	5,656,301
Payments to students	1,517,834
Supplies, materials, and other expenses	5,528,164
Utilities	319,811
Depreciation	1,761,126
Total Operating Expenses	26,414,858
OPERATING INCOME/(LOSS)	(18,320,367)
NON-OPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	17,602,388
Local property taxes	2,923,571
State taxes and other revenues	615,034
Investment income, net	324,958
Interest expense	(1,037,652)
Total non-operating revenues (expenses)	20,428,299
CHANGE IN NET POSITION	2,107,932
NET POSITION	
Net Position - Beginning	33,154,926
Restatement	(2,658,802)
Net Position - Beginning, as restated	30,496,124
Net Position - Ending	$ 32,604,056

See the accompanying notes to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows-Primary Government

For the Fiscal Year Ended June 30, 2020

Cash Flows from Operating Activities	
Tuition and fees	$ 818,190
Federal grants and contracts	1,434,568
State grants and contracts	4,827,004
Local grants and contracts	1,757,336
Payments to suppliers	(5,464,322)
Payments for utilities	(319,811)
Payments to/on-behalf of employees	(17,349,688)
Payments to/on-behalf of students	(1,517,834)
Net cash provided by (used in) operating activities	(15,814,557)
Cash Flows from Non-capital Financing Activities	
State apportionments and receipts	17,602,388
Property taxes	2,931,263
State taxes and other revenues	614,560
Net cash provided by (used in) by non-capital financing activities	21,148,211
Cash Flows from Capital Financing Activities	
Principal paid on capital debt	(824,349)
Interest paid on capital debt	(1,019,510)
Purchases of capital assets	(2,599,994)
Net cash provided by (used in) capital financing activities	(4,443,853)
Cash Flows from Investing Activities	
Investment income	377,919
Collection from notes receivable	9,219
Net cash provided by (used in) investing activities	387,138
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,276,939
CASH AND CASH EQUIVALENTS	
Beginning of year	17,517,557
End of year	$ 18,794,496

See the accompanying notes to the financial statements.

Reconciliation of operating loss to cash used in operating activities

Operating loss	$ (18,320,367)
Depreciation and amortization	1,761,126
Pension expense	941,166
Postemployment benefits expense	(1,048,191)
(Increase) decrease in accounts receivable	159,996
Increase (decrease) in accounts payable	56,179
Increase (decrease) in other liabilities	635,534
Net cash used in operating activities	$ (15,814,557)

PALO VERDE COMMUNITY COLLEGE DISTRICT
Statements of Fiduciary Net Position
June 30, 2020

	ASB Trust Fund	Scholarship and Loan Trust Fund
ASSETS		
Cash and cash equivalents	$ 3,617	75,875
TOTAL ASSETS	$ 3,617	$ 75,875
LIABILITIES		
Due to student groups	$ 3,617	$ 75,875
LIABILITIES AND NET POSITION	$ 3,617	$ 75,875

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, 2020

	ASB Trust Fund	Scholarship and Loan Trust Fund
ADDITIONS		
Other local revenues	$ 4,095	112,335
Total Additions	4,095	112,335
DEDUCTIONS		
Supplies and materials and other operating expenses and services	1,863	109,702
CHANGE IN NET POSITION	2,232	2,633
Net Position - Beginning	1,385	73,242
Net Position - Ending	$ 3,617	$ 75,875

See the accompanying notes to the financial statements.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020, 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:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report 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 so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has three items that qualify for reporting in this category.

- Deferred Charge on Refunding: A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded date or refunding debt.
- Deferred Outflows-Pensions and OPEB: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to pensions and OPEB resulted from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans. Deferred outflows are also recorded for the effects of actuarially-determined changes to the pension plan. These amounts are deferred and/or amortized as detailed in Notes 10 and 11 to the financial statements.

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 will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category.

- Deferred Inflows-Pensions and OPEB: The deferred inflows or resources related to pensions and OPEB resulted from the effects of actuarially-determined changes to the pension and OPEB plans. These amounts are deferred and amortized as detailed in Notes 10 and 11 to the financial statements.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 to reflect the amount of property taxes receivable at June 30, 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Title 2 *U.S. Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.*

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 Retirement System on behalf of all Community Colleges in California.

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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Pronouncements

During the fiscal year ended June 30, 2020, the District implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged. This statement is not expected to have a significant effect on the district financial reporting.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The District is in the process of determining the effect on the financial reporting.

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, 2020, consist of the following:

	District	Fiduciary
Cash in County Treasury	$ 18,741,457	$ -
Cash on hand and in bank	48,034	79,492
Cash in revolving fund	5,000	-
Total cash and cash equivalents	$ 18,794,491	$ 79,492

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-

Policies and Practices (continued)

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, 2020, as provided by the pool sponsor, was $18,810,461, with an average maturity of 1.12 years. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

General Authorizations

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

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

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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, 2020, consist of the following and are considered collectible in full:

	Federal	State	Other	Total
General fund	$ 123,181	$ 210,019	$ 257,918	$ 591,118
Bookstore fund	-	-	759	759
Capital outlay fund	-	-	15,157	15,157
Bond capital outlay fund			1,262	1,262
Child development fund	4,901	48,559	219	53,679
Self insurance fund	-	-	1,835	1,835
	$ 128,082	$ 258,578	$ 277,150	$ 663,810

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.

NOTE 6 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2020:

Business-Type Activities	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
Historical Cost				
Building	$ 74,667,137	$ -	$ -	$ 74,667,137
Construction in progress	-	2,089,577	-	2,089,577
Equipment	3,005,510	391,725	-	3,397,235
Land	926,137	-	-	926,137
Site improvements	1,343,653	-	-	1,343,653
Vehicles	262,680	118,692	(56,000)	325,372
Total historical cost	80,205,117	2,599,994	(56,000)	82,749,111
Accumulated depreciation				
Building	17,984,213	1,609,228	-	19,593,441
Equipment	2,307,659	67,628	-	2,375,287
Site improvements	815,579	45,496	-	861,075
Vehicles	118,817	38,774	(56,000)	101,591
Total accumulated depreciation	21,226,268	1,761,126	(56,000)	22,931,394
CAPITAL ASSETS, NET	$ 58,978,849	$ 838,868	$ -	$ 59,817,717

NOTE 7 – ACCOUNTS PAYABLE

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

	Business-Type Activities	Fiduciary Funds	Total
Interest	$ 219,839	$ -	$ 219,839
Payroll	5,059	-	5,059
Construction	775,073	-	775,073
Vendor payable	953,393	-	953,393
	$ 1,953,364	$ -	$ 1,953,364

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.

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, 2020, are summarized as follows:

	Balance July 01, 2019	Additions	Deductions	Due in One Year	Long-term Balance
Business-Type Activities					
Other postemployment benefit obligation (OPEB)	$ 969,594	$ -	$ 893,894	$ -	$ 75,700
OPEB-Cash in lieu plan	2,658,802	34,254	-	-	2,693,056
Compensated absences	394,180	24,400	-	-	418,580
Net pension liability	15,637,565	1,547,052	-	-	17,184,617
Auto loan	4,349	-	4,349	-	-
Certificates of participation	13,185,000	-	520,000	545,000	12,120,000
General obligation bonds payab	15,658,625	-	300,000	325,000	15,033,625
Premiums and discounts	429,336	-	23,800	-	405,536
Accretion	1,019,244	62,225	-	-	1,081,469
	$ 49,956,695	$ 1,667,931	$ 1,742,043	$ 870,000	$ 49,012,583

The compensated absences are paid by the fund for which the employees' salaries are paid from.

NOTE 9 – LONG-TERM OBLIGATIONS (continued)

Certificates of Participation

In September 2006, the District approved certificates of participation (COPs) 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.

In March, 2016, the District retired $15,130,000 of the outstanding certificates of participation through the issuance of 2014 Series A General Obligation Bonds and a $6,000,000 contribution from the District.

In December, 2016, the District issued $14,155,000 of 2016 Refunding Certificates of Participation. The COPS were issued to refund the remaining portion of the 2008 Certificates of Participation. The bonds require principal and interest payments through August 1, 2045. Annual interest rate for these bonds range from 2.0%-4.0%.

The annual debt requirements on these certificates, payable as of June 30, 2020, are as follows:

	Certificates of Participation		
Year Ended June 30,	Principal	Interest	Total
2021	545,000	484,188	$ 1,029,188
2022	565,000	462,388	1,027,388
2023	590,000	439,788	1,029,788
2024	615,000	416,188	1,031,188
2025	640,000	391,588	1,031,588
2026-2030	3,535,000	1,617,290	5,152,290
2031-2035	4,235,000	909,800	5,144,800
2036-2040	1,940,000	117,200	2,057,200
	$ 12,665,000	$ 4,838,430	$ 17,503,430

NOTE 9 – LONG-TERM OBLIGATIONS (continued)

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.

In March, 2016, the District issued $3,470,000 of 2016 General Obligation Refunding Bonds. The bonds were issued to refund a portion of the 2005 bonds and a portion of the 2006 bonds. The bonds required principal and interest payments through August 1, 2035. Annual interest rates for these bonds range from 2.0%-4.0%. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $58,873. This difference, reported in the accompanying financial statements as a deferred loss on refunding, is being charged to operations through the year 2035 using the straight-line method.

In March, 2016 the District issued $12,500,000 of 2014 Series A General Obligation Bonds. The bonds were issued to refund a portion of the Certificates of Participation, as well as provide for the acquisition, construction, and improvements of additional educational facilities. The bonds require principal and interest payments through August 1, 2045. Annual interest rates for these bonds range from 2.0%-4.0%.

A portion of the net proceeds, after issuance costs of $291,970, (along with a District contribution of $6,000,000) were used to purchase U.S. Government securities for the purpose of paying the debt requirements of $15,130,000 of the outstanding Certificates of Participation. As a result, a portion of the Certificates of Participation are considered to be defeased and the liability for those certificates has been removed from the government-wide statement of net assets. The advance refunding resulted in a difference between the reacquisition price and the net carrying of the old debt of $692,535. This difference, reported in the accompanying financial statements as a deferred loss on refunding, is being charged to operations through the year 2035 using the straight-line method.

The annual debt requirements on these bonds payable, as of June 30, 2020, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest	Total
2021	325,000	522,738	-	$ 847,738
2022	410,000	511,713	-	921,713
2023	455,000	498,738	-	953,738
2024	500,000	484,413	-	984,413
2025	345,432	472,938	-	818,370
2026-2030	2,265,795	3,482,620	1,263,917	7,012,332
2031-2035	2,467,398	3,028,083	1,182,458	6,677,939
2036-2040	3,025,000	1,421,634	-	4,446,634
2041-2045	4,450,000	695,800	-	5,145,800
2046-2047	1,115,000	22,300	-	1,137,300
Total	$ 15,358,625	$ 11,140,977	$ 2,446,375	$ 28,945,977

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

Plan Description

The District offers post-employment medical insurance to its eligible retirees. Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees Medical and Hospital Care Act (PEMHCA). Eligible retirees can choose from the PERSCare and PERSChoice PPOs.

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

The District pays the full cost for the employee and/or dependent coverage under the above plans for eligible retirees.

The District offers the same medical plans to its retirees as to its active employees, with the general exception that once a retiree become eligible for Medicare (that is, reaches age 65), he or she must join a Medicare Supplement PPO, with Medicare becoming the primary payor. The District does not contribute to dental and vision insurance for retirees.

Employees become eligible to receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service or upon disability before age 50. Benefits are paid for the lifetime of the retiree. Employees are eligible for full retirement benefits at age 55. Employees hired on or after January 1, 2013, and who are not defined as "classic employees" by CalPERS, are eligible for full retirement benefits at age 62.

Employees covered by benefit terms

As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan:

Active employees	57
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to; but not yet receiving benefits	-
Total	62

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (continued)

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount rate	5.00%
Healthcare trend rate	4.0%
Salary increases	2.75% per annum, in aggregate
Investment rate of return	5.00%
Pre-retirement mortality rate	
Certificated	2020 CalSTRS Mortality
Classified	2017 CalPERS Active Mortality for Misc Employees
Post-retirement mortality rate	
Certificated	2020 CalSTRS Retirement Rates
Classified	Hired Before 1/1/2013: 2017 CalPERS Retirement Rates for School Employees Hired After 12/31/2012: 2017 CalPERS Retirement Rates for Misc Employees 2% @60 adjusted to minimum retirement age of 52

Discount Rate

The discount rate used to measure the total OPEB liability was 5.0% which was based on historic 20-year real rates of return for each asset class along with assumed long-term inflation assumptions.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the OPEB plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/ (Asset)
Balance, July 1, 2019	$ 969,594	$ -	$ 969,594
Service cost	52,717	-	52,717
Interest (on the total OPEB liability)	33,306	-	33,306
Changes of assumptions	(96,494)	-	(96,494)
Differences between expected and actual experience	204,856		204,856
Investment gains and losses	-	30,338	(30,338)
Administrative expenses	-	(1,411)	1,411
Contributions-employer to trust	-	970,647	(970,647)
Contributions-employer	-	88,705	(88,705)
Expected benefit payments	(88,705)	(88,705)	-
Net changes	105,680	999,574	(893,894)
Balance, June 30, 2020	$ 1,075,274	$ 999,574	$ 75,700

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (continued)

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

The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (4.0%)	Current Rate (5.0%)	1% Increase (6.0%)
Net OPEB Liability	$ 156,451	$ 75,700	$ 1,239

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare trend rate:

	1% Decrease (3.0%)	Current Trend (4.0%)	1% Increase (5.0%)
Net OPEB Liability	$ 5,322	$ 75,700	$ 159,443

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience gains/losses	$ 191,378	$ -
Investment gains/losses	-	(24,270)
Assumption changes	-	(74,025)
Total	$ 191,378	$ (98,295)

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	13,478	(10,990)
2022	13,478	(10,990)
2023	13,478	(10,990)
2024	13,478	(10,988)
2025	13,478	(4,922)
Thereafter	123,988	(49,415)
Total	191,378	(98,295)

OPEB Expense

For the year ended June 30, 2020, the District recognized OPEB expense of $89,922.

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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expense
CalSTRS	$ 9,140,512	$ 3,469,483	$ (1,044,613)	$ 794,039
CalPERS	8,044,105	2,382,903	(186,529)	1,921,112
	$ 17,184,617	$ 5,852,386	$ (1,231,142)	$ 2,715,151

CalSTRS

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalSTRS (continued)

CalSTRS' provisions and benefits in effect at June 30, 2020, are summarized as follows:

Employer Rate Plans

Plan name	**Classic**	**PEPRA**
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as of % of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rates	10.25%	10.205%
Required employer contribution rate	18.13%	18.13%
Required state contribution rate	7.328%	7.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $1,074,507.

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

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

	Proportionate Share of Net Pension Liability
Palo Verde Community College District proportionate share of net pension liability	$9,140,512
State's proportionate share of net pension liability	$4,986,760
Total net pension liability	$14,127,272

The net pension liability was measured as of June 30, 2019. Palo Verde Community College District's proportion of the net pension liability was based on a projection of Palo Verde Community College District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalSTRS (continued)

The District's proportionate share percentage of the net pension liability was as follows:

	Proportionate Share Percentage of Net Pension Liability
Proportion at measurement date – June 30, 2018	0.009460%
Proportion at measurement date – June 30, 2019	0.010121%
Change – increase (decrease)	0.000661%

For the year ended June 30, 2020, the Palo Verde Community College District recognized pension expense of $794,039. At June 30, 2020, the Palo Verde Community College District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$21,631	($320,836)
Changes of Assumptions	1,083,716	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(567,756)
Adjustment due to Differences in Proportions	638,128	(156,021)
Differences between Actual and Required Contributions	651,501	-
Contributions after Measurement Date	1,074,507	-
Total	**$3,469,483**	**($1,044,613)**

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2020	$121,108
2021	157,005
2022	372,312
2023	446,164
2024	148,849
Thereafter	104,925
Total	**1,350,363**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalSTRS (continued)

Actuarial Assumptions

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase (1)	Varies By Age & Length of Service
Investment Rate of Return (2)	7.00%
Mortality Rate Table	CalSTRS Mortality

(1) Depending on age, service and type of employment
(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalSTRS (continued)

was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return
Global Equity	47.0%	4.8%
Fixed Income	12.0	1.3
Real Estate	13.0	3.6
Private Equity	13.0	6.3
Risk Mitigating Strategies	9.0	1.8
Inflation Sensitive	4.0	3.3
Cash/Liquidity	2.0	(0.4)

<u>Sensitivity of the Palo Verde Community College District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>

The following presents the Palo Verde Community College District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Palo Verde Community College District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
Palo Verde Community College District's proportionate share of the School Risk Pool's net pension liability	$13,610,980	$9,140,512	$5,433,644

CalPERS

<u>Plan Description</u>

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a school pool (referred to as "risk pool"), which is comprised of individual employer rate plans, including those of the Palo Verde Community College District.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalPERS (continued)

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

Employer Rate Plans in the School Risk Pool

Plan name	**Classic**	**PEPRA**
Hire Date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as of % of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rates	7.00%	7.00%
Required employer contribution rates	20.733%	20.733%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Palo Verde Community College District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Palo Verde Community College District's contributions to the risk pools in the Plan for the year ended June 30, 2020, were as follows:

	Contributions
Total School Risk Pool contributions	$839,588

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalPERS (continued)

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

As of June 30, 2020, Palo Verde Community College District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Proportionate Share of Net Pension Liability
Total net pension liability	$8,044,105

* The proportionate share of the total NPL to each of the enterprise and internal service funds is not being allocated because it is deemed to have an immaterial effect on the financial statements.

The Palo Verde Community College District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The Palo Verde Community College District's proportionate share of the net pension liability as of June 30, 2018, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2018. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The Palo Verde Community College District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Palo Verde Community College District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The Palo Verde Community College District's proportionate share of the net pension liability as of June 30, 2019, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2019, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2019, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalPERS (continued)

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2019, was calculated by applying Palo Verde Community College District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2019, to obtain the total pension liability and fiduciary net position as of June 30, 2019. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The Palo Verde Community College District's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2017, and June 30, 2018, was as follows:

	School Risk Pool
Proportion at measurement date – June 30, 2018	0.026040%
Proportion at measurement date – June 30, 2019	0.027601%
Change – increase (decrease)	0.001561%

For the year ended June 30, 2020, the Palo Verde Community College District recognized pension expense of $1,921,112. At June 30, 2020, the Palo Verde Community College District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$563,441	$-
Changes of Assumptions	323,280	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(78,315)
Adjustment due to Differences in Proportions	656,594	-
Differences between Actual and Required Contributions	-	(108,214)
Contributions after Measurement Date	839,588	-
Total	**$2,382,903**	**($186,529)**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalPERS (continued)

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2020	$834,290
2021	304,107
2022	177,514
2023	40,875
2024	0
Thereafter	0
Total	**1,356,786**

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	School Risk Pool
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase (1)	Varies By Age & Length of Service
Investment Rate of Return (2)	7.00%
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds

(1) Depending on age, service and type of employment
(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation
(3) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalPERS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2019 based on June 30, 2018 Valuations,* that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long- term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalPERS (continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 [(a)]	Real Return Years 11+[(b)]
Global Equity	50.0%	4.8%	5.98%
Fixed Income	28.0	1.0	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.3	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.0	(0.92)

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Palo Verde Community College District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Palo Verde Community College District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Palo Verde Community College District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Palo Verde Community College District's proportionate share of the School Risk Pool's net pension liability	$11,595,048	$8,044,105	$5,098,352

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.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions of approximately $792,870 and $235,402 respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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, 2020.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Utilities	Payments to Students	Depreciation	Total
Admissions and records	$ 601,218	$ 41,342				$ 642,560
Ancillary services	130,596	119,884				250,480
Auxilliary operations	50,172	272,644				322,816
Community services	184,621	652				185,273
General institutional support services	1,914,967	899,680				2,814,647
Instructional activities	7,714,640	1,979,241				9,693,881
Instructional administration	1,380,485	564,788				1,945,273
Instructional support services	412,284	356,864				769,148
Physical property and acquisitions		3,861				3,861
Planning, policy making, coordination, general support	677,254	252,671				929,925
Plant operations and maintenance	714,960	460,127	319,811			1,494,898
Student services-counseling and guidance	978,436	58,091				1,036,527
Students services-other	1,701,139	518,319				2,219,458
Transfers and student payments				1,517,834		1,517,834
Depreciation					1,761,126	1,761,126
	$ 16,460,772	$ 5,528,164	$ 319,811	$ 1,517,834	$ 1,761,126	$ 25,587,707

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 may be involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to unfinished capital projects.

	Remaining Construction Commitment	Expected Date of Completion
Capital Project		
Needles Campus Renovations	$ 297,156	2021

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), State Wide Association of Community Colleges (SWACC), 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

The District has evaluated subsequent events through December 29, 2020, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2020, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

PALO VERDE COMMUNITY COLLEGE DISTRICT
Schedule of Changes in the District's Total OPEB Liability
For the Fiscal Year Ended June 30, 2020

	Plan Year Ended June 30, 2018	Plan Year Ended June 30, 2019	Plan Year Ended June 30, 2020
Total OPEB Liability			
Service cost	47,581	48,889	52,717
Interest (on the total OPEB liability)	36,434	33,044	33,306
Changes of benefit terms	-	-	-
Changes of assumptions	-	18,974	(96,494)
Differences between expected and actual experience	-	-	204,856
Contributions-employer			-
Benefit payments, including refunds of employee contributions	(98,038)	(101,960)	(88,705)
Administrative expenses			-
Net change in Total OPEB Liability	(14,023)	(1,053)	105,680
Total OPEB Liability-beginning	984,670	970,647	969,594
Total OPEB Liability-ending	$ 970,647	$ 969,594	$ 1,075,274
OPEB Plan's Fiduciary Net Position			
Contributions-employer	$ 98,038	$ 101,960	$ 1,059,352
Net investment income	-	-	30,338
Benefit payments, including refunds of employee contributions	(98,038)	(101,960)	(88,705)
Administrative expenses	-	-	(1,411)
Net change in OPEB Plan's Fiduciary Net Position	-	-	999,574
OPEB Plan's Fiduciary Net Position-Beginning	-	-	-
OPEB Plan's Fiduciary Net Position-Ending	$ -	$ -	$ 999,574
Net OPEB Liability-Beginning	$ 984,670	$ 970,647	$ 969,594
Change in Net OPEB Liability	(14,023)	(1,053)	(893,894)
Net OPEB Liability-Ending	$ 970,647	$ 969,594	$ 75,700
OPEB Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	92.96%
Covered Employee Payroll	$ 9,071,733	$ 9,778,664	$ 10,563,958
Total OPEB Liability as a Percentage of Covered Employee Payroll	10.70%	9.92%	0.72%

*Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown

PALO VERDE COMMUNITY COLLEGE DISTRICT

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

For the Six Fiscal Years Ended June 30, 2020*

	Measurement Date June 30,											
	2014		2015		2016		2017		2018		2019	
	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS
District's proportion of the net pension liability (asset)	0.0199%	0.005400%	0.0218%	0.010200%	0.0215%	0.009920%	0.0247%	0.009488%	0.026040%	0.009460%	0.027601%	0.010121%
District's proportionate share of the net pension liability (asset)	$ 2,260,983	$ 8,023,463	$ 3,207,479	$ 6,859,372	$ 4,254,938	$ 8,023,463	$ 5,889,380	$ 8,774,599	$ 6,943,380	$ 8,694,482	$ 8,044,105	$ 9,140,512
District's covered-employee payroll	$ 2,419,879	$ 5,364,833	$ 2,608,897	$ 4,928,639	$ 3,274,568	$ 5,364,833	$ 3,486,771	$ 5,584,962	$ 3,849,620	$ 5,929,044	$ 4,279,453	$ 6,284,505
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.43%	149.56%	122.94%	139.17%	129.94%	149.56%	168.91%	157.11%	180.37%	146.64%	187.97%	145.45%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	70.04%	79.43%	74.02%	73.90%	70.04%	71.87%	69.46%	70.85%	70.99%	70.05%	72.56%

*Fiscal year 2014 was the 1st year of implementation, therefore only six years are shown

PALO VERDE COMMUNITY COLLEGE DISTRICT
Schedule of the District's Pension Contributions
For the Six Fiscal Years Ended June 30, 2020*

	2014-15		2015-16		2016-17		2017-18		2018-19		2019-2020	
	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS
Contractually required contribution	$ 284,844	$ 418,101	$ 309,076	$ 528,843	$ 454,772	$ 674,896	$ 534,150	$ 805,908	$ 692,231	$ 965,236	$ 839,588	$ 1,074,507
Contributions in relation to the contractually required contribution	284,844	418,101	309,076	528,843	454,772	674,896	534,150	805,908	692,231	965,236	839,588	1,074,507
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$2,419,879	$ 4,708,345	$ 2,608,897	$ 4,928,639	$ 3,274,568	$ 5,364,833	$ 3,486,771	$ 5,584,962	$ 3,849,620	$ 5,929,044	$ 4,279,453	$ 6,284,505
Contributions as a percentage of covered-employee payroll	11.771%	8.880%	11.847%	10.730%	13.888%	12.580%	15.319%	14.430%	17.982%	16.280%	19.619%	17.098%

*Fiscal year 2014-15 was the 1st year of implementation, therefore only six years are shown

The accompanying notes are an integral part of these financial statements.

Note 1: Purpose of Schedules

Schedules of District's Proportionate Share of the Net Pension Liability-CalSTRS-STRP and CalPERS-Schools Pool Plan

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

Schedules of District Contributions-CalSTRS-STRP and CalPERS-Schools Pool Plan

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

Schedule of Postemployment Healthcare Benefits Funding Progress

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

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, 2020, were as follows:

Member	Office	Term Expires
Brad Arneson	President	2022
Stella Camargo-Styers	Vice-President	2024
Angel Ramirez	Clerk	2022
George Thomas	Trustee	2024
Dave Renquest	Trustee	2024
Jon McNeil	Trustee	2024
Stacy R. Davis	Trustee	2024
Jarid Dean	Student Trustee	2022

DISTRICT ADMINISTRATION

Donald G. Wallace, Ph.D.	Superintendent/President
Stephanie Slagan	Vice President Administrative Services
Scott Bauer	Vice-President of Instructional and Student Services

PALO VERDE COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster: **[1]**			
Federal Pell Grants	84.063		$ 847,135
Federal Pell Administrative	84.063		1,380
Federal Supplement Education Opportunity (FSEOG)	84.007		29,551
Federal Work Study Progrm (FWS)	84.033		24,418
Subtotal Student Financial Assistance Cluster			902,484
CARES Act			
HEERF Student Portion	84.425E		104,500
HEERF Institutional Program	84.425F		127,988
			232,488
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education, Title 1-C	84.048	12-C01-038	141,253
Total U.S. Department of Education			1,276,225
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance to Needy Families (TANF)	93.558		31,631
Total U.S. Department of Health and Human Services			31,631
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Care Food Program	10.558	*	41,924
CalFresh	10.561		18,743
Total U.S. Department of Agriculture			60,667
Total Federal Expenditures			$ 1,368,523

[1]: Major Program

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, 2020

Program Name	Program Revenues: Cash Received	Program Revenues: Accounts Receivable	Program Revenues: Deferred Income	Total	Total Program Expenditures
Adult Basic Education Grant (AB86)	$ 832,637		$ 3,930	$ 828,707	$ 828,707
Access to Print	10,298	-		10,298	10,298
Child Development Center	503,169	-	86,395	416,774	416,774
Calif Work Opportunity & Responsibility to Kids	157,280	1	-	157,281	157,281
Career Technical Education	41,377	4,818	-	46,195	46,195
Classified Professional Development	-	-	-	-	-
Cooperative Agencies & Resources for	71,815	-	-	71,815	71,815
Disabled Students Programs & Services	220,450	528	-	220,978	220,978
Each Mind Matters Grant	5,000	-	-	5,000	5,000
Equal Employment Opportunity	50,000	-	-	50,000	50,000
Extended Opportunity Programs & Services	583,190	-	-	583,190	583,190
Financial Aid Technology	42,881	869	-	43,750	43,750
Guided Pathways	125,000	64,862	-	189,862	189,862
Hunger Free Campus	7,038	8,118	-	15,156	15,156
Instructional Equipment Grant	12,755	-	-	12,755	12,755
Rural Technology Grant	184,000	-	183,350	650	650
Scheduled Maintenance Grant	12,756	-	-	12,756	12,756
Student Success Completion Grant	42,735	-	2,035	40,700	40,700
Student Equity Achievement	1,117,603	2,588	-	1,120,191	1,120,191
Student Financial Aid Administration	185,028	54	-	185,082	185,082
Lottery	113,867	58,459	-	172,326	172,326
Veterans Resource Center	20,871	3,930	-	24,801	24,801
Strong Workforce Program	266,736	183,426	-	450,162	450,162
	$ 4,606,486	$ 327,653	$ 275,710	$ 4,658,429	$ 4,658,429

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, 2020

	Reported Data
A. Summer Intersession (Summer 2019 only)	
1. Noncredit	0.45
2. Credit	362.70
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)	
1. Noncredit	-
2. Credit	12.84
C. Primary Terms (Exclusive of Summer Intersesion)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	350.87
(b) Daily Census Contact Hours	12.34
2. Actual Hours of Attendance	
(a) Noncredit	19.75
(b) Credit	548.71
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	974.07
(b) Daily Census Contact Hours	-
(c) Noncredit Independent Study/Distance Education Courses	-
Total FTES	2,281.73
Total Credit FTES	2,261.53
Total Noncredit FTES	20.20
Total FTES	2,281.73
Supplemental Information (subset of above information)	
In-Service Training Courses	627.99
Basic Skills Courses & Immigrant Education	
1. Noncredit	10.17
2. Credit	11.14

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, 2020

		ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object Codes	Reported Data	Audit Adj	Revised Data	Reported Data	Audit Adj	Revised Data
Instructional Salaries							
Contract or Regular	1100	$ 3,511,599		$ 3,511,599	$ 3,511,599		$ 3,511,599
Other	1300	1,365,867		1,365,867	1,365,867		1,365,867
Total Instructional Salaries		4,877,466		4,877,466	4,877,466		4,877,466
Non-Instructional Salaries							
Contract or Regular	1200				1,125,896		1,125,896
Other	1400				40,144		40,144
Total Non-Instructional Salaries					1,166,040		1,166,040
Total Academic Salaries		4,877,466		4,877,466	6,043,506		6,043,506
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100				3,103,794		3,103,794
Other	2300				74,700		74,700
Total Non-Instructional Salaries					3,178,494		3,178,494
Instructional Aides							
Regular Status	2200	-		-	-		
Other	2400	-		-	-		-
Total Instructional Aides		-		-	-		-
Total Classified Salaries		-		-	3,178,494		3,178,494
Employee Benefits	3000	1,666,938		1,666,938	3,649,837		3,649,837
Supplies and Materials	4000				92,191		92,191
Other Operating Expenses	5000	1,623,903		1,623,903	3,540,436		3,540,436
Equipment Replacement	6420						
Total Expenditures Prior to Exclusions		8,168,307		8,168,307	16,504,464		16,504,464

See the accompanying note to supplementary information.

PALO VERDE COMMUNITY COLLEGE DISTRICT
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation, Continued
For the Fiscal Year Ended June 30, 2020

		ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object Codes	Reported Data	Audit Adj	Revised Data	Reported Data	Audit Adj	Revised Data
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement	5900	90,247		90,247	90,247		90,247
Student Health Services Above Amount	6441						
Student Transportation	6491				-		-
Non-Instructional Staff - Retirees' Benefits and Retirement	6740				51,621		51,621
Objects to Exclude							
Rents and Leases	5060				368,003		368,003
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						
Total Supplies and Materials							
Other Operating Expenses and Services	5000				319,042		319,042
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						
Total Exclusions		90,247		90,247	828,913		828,913
Total for ECS 84362, 50% Law		$ 8,078,060		$ 8,078,060	$ 15,675,551		$ 15,675,551
Percent of CEE (Instructional Salary Cost / Tota		51.53%		51.53%	100%		100%
50% of Current Expense of Education					$ 7,837,776		$ 7,837,776

See the accompanying note to supplementary information

The audit resulted in no adjustments to the fund balances on the June 30, 2020 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

PALO VERDE COMMUNITY COLLEGE DISTRICT
Reconciliation of Education Protection Account Funds (EPA)
For the Fiscal Year Ended June 30, 2020

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	**8630**				$ 1,116,859
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	0100-5900	$ 1,116,859	-	-	1,116,859
Total Expenditures for EPA		$ 1,116,859	-	-	1,116,859
Revenues Less Expenditures					$ -

See the accompanying note to supplementary information

Total Fund Balance and Retained Earnings:		
General Funds	$ 8,191,664	
Special Revenue Funds	65,380	
Capital Outlay Projects	5,453,230	
Debt Service Funds	2,510,983	
Proprietary Funds	307,768	
Internal Service Funds	555,161	
Fiduciary Funds	110,059	
Total Fund Balances and Retained Earnings - All District Funds		17,194,245
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	82,749,111	
Accumulated depreciation is	(22,931,394)	
Net Capital Assets		59,817,717
Deferred outflows and inflows of resources relating to pensions and postemployment benefits: In governmental funds, deferred outflows and inflows of resources relating to pensions and postemployment benefits are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and postemployment benefits are reported.		
Deferred outflows of resources relating to pensions	5,852,476	
Deferred outflows of resources relating to postemployment benefits	207,498	
Deferred inflows of resources relating to pensions	(1,231,142)	
Deferred inflows of resources relating to postemployment benefits	(114,415)	
		4,714,417
In governmental funds, deferred inflows and deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources.		636,619
Other long-term assets, such as notes receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds		264,714
Amounts held in trust on behalf of others (Trust and Agency Funds)		(79,492)
In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt.		158,256
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.		(219,837)

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	(16,440,094)	
Bond premiums	(405,536)	
Certificates of participation	(12,665,000)	
Net pension liability	(17,184,617)	
Compensated absences (vacations)	(418,580)	
Other postemployment benefits (OPEB)-Cash in Lieu plan	(2,693,056)	
Other postemployment benefits (OPEB)	(75,700)	
Total Long-Term Obligations		(49,882,583)
Total Net Position - Governmental Activities		$ 32,604,056

See the accompanying note to supplementary information

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 Title 2 U.S. *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements* for *Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as allowed under Uniform Guidance.

The District does not provide Federal awards to subrecipients during the year ended June 30, 2020.

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

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

Reconciliation of *Education Code* Section 84362 (50 percent Law) Calculation – ECS 84362 requires the District to expend a minimum of 50 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 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

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2020.

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.

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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

Apple Valley, California
December 29, 2020

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

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

The Board of Trustees
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 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2020. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards.

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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements and Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we 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 on Each Major Federal Program

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 each of its major Federal programs for the year ended June 30, 2020.

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The Board of Trustees
Palo Verde Community College District

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 finding identified in our audit is described in the accompanying schedule of findings and questioned costs corrective action plan. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Apple Valley, California
December 29, 2020

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
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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 2019-20 Contracted District Audit Manual (CDAM) for the year ended June 30, 2020 and issued our report thereon December 29, 2020.

Management's Responsibility

Management is responsible for the compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office 2019-20 Contracted District Audit Manual.

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, and the standards and procedures identified in the California Community Colleges Chancellor's Office 2019-20 *Contracted District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our 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 noted below that were audited for the year ended June 30, 2020.

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The Board of Trustees
Palo Verde Community College District

In connection with out 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 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded from Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Prop 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D and 51 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 29, 2020

FINDINGS AND RECOMMENDATIONS

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Code of Federal Regulations, Chapter 2, Part 200, Section .510(a)?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.007,84.032,84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

SECTION 2 – FINANCIAL STATEMENT FINDINGS

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

SECTION 3 – FEDERAL AWARDS FINDINGS AND RESPONSES

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

SECTION 4 – STATE AWARDS FINDINGS

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

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 questions costs.