PALO VERDE COMMUNITY COLLEGE DISTRICT

County of Riverside
Blythe, California

REPORT ON AUDIT
June 30, 2015

PALO VERDE COMMUNITY COLLEGE DISTRICT

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June 30, 2015

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Messner & Hadley, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the financial accompanying financial statements of the business-type activities and the fiduciary activities of Palo Verde Community College District (the "District") as of and for the year ended June 30, 2015, 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 and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. 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, 2015, and the changes in net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the management's discussion and analysis on pages 4 through 12, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 43, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 44, and the Schedule of the District's Pension Contributions on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

The Board of Trustees
Palo Verde Community College District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 21, 2015, on our consideration of Palo Verde Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 21, 2015

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, 2015.

Introduction

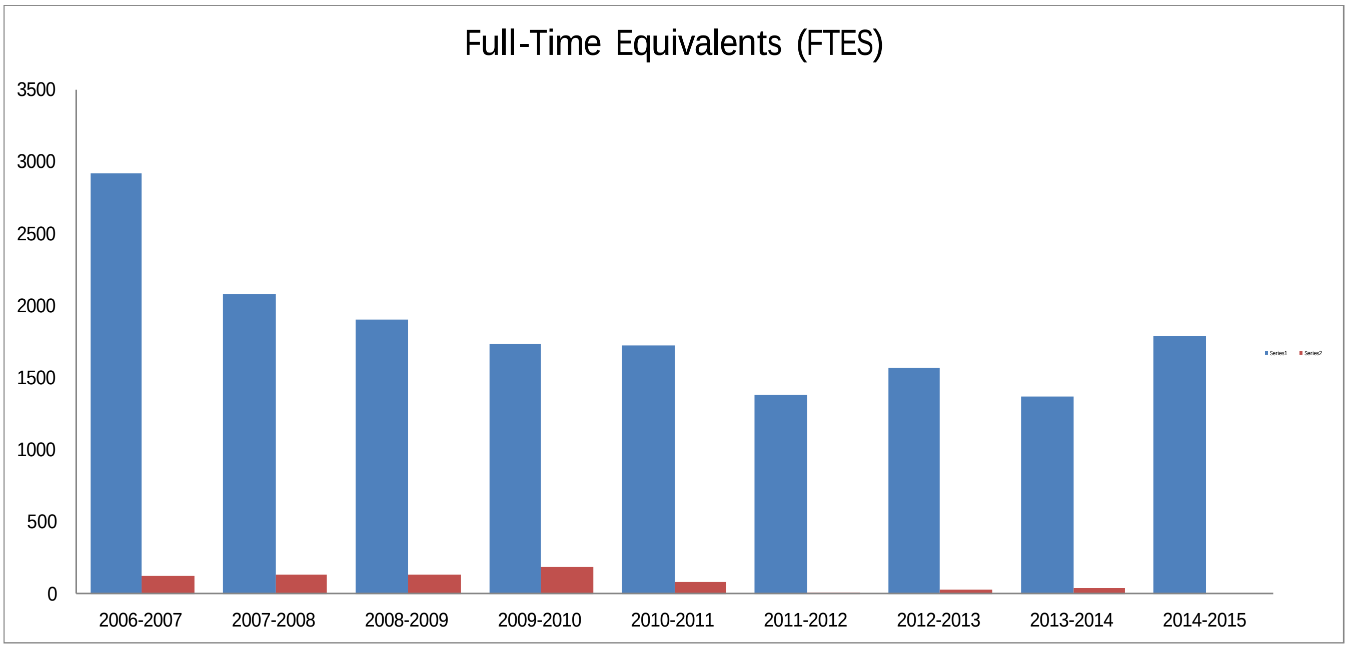
The following discussion and analysis provides an overview of the financial position and activities of the Palo Verde Community College District (the "District") for the years ended June 30, 2015 and June 30, 2014. This discussion has been prepared by management and should be read in conjunction with 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 2014-15, total full-time equivalent students increased approximately 37.02% 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, 2015 and June 30, 2014, is summarized below:

	2015	2014	Net Change
ASSETS			
Current assets	$ 13,576,881	$ 14,937,357	$ (1,360,476)
Non-current assets	65,481,185	67,304,235	(1,823,050)
Total Assets	79,058,066	82,241,592	(3,183,526)
DEFERRED OUTFLOWS	702,945	-	702,945
LIABILITIES			
Current liabilities	3,003,267	2,309,598	693,669
Non-current liabilities	39,629,093	35,404,483	4,224,610
Total Liabilities	42,632,360	37,714,081	4,918,279
DEFERRED OUTFLOWS	1,926,034	-	1,926,034
Total Net Position	$ 35,202,617	$ 44,527,511	$ (9,324,894)

• Approximately 93% and 6% of the cash and cash equivalent current assets is cash deposited with the Riverside County Treasurer's Office and a fiscal agent, respectively. The Statement of Cash flows contained within the financial statements provides greater detail regarding the sources and uses of cash and the net increase (decrease) in cash.

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

• Capital assets are the net historical value of land, buildings, and equipment less accumulated depreciation. As of June 30, 2015, the District owned capital assets of $65,167,783. The breakdown of this total net value can be found in Note 6 of the financial statements.

• Accounts payable and accrued liabilities of $1,818,063 consists of payables to vendors, accrued payroll and benefits.

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

• Unrestricted net position totaled ($5,572,530).

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.

A summary of the Statement of Revenues, Expenses, and Changes in Net Position, for the years ended June 30, 2015 and June 30, 2014, is shown below.

	2015	2014	Net Change
Revenues			
Operating revenues	$ 4,370,034	$ 4,858,350	$ (488,316)
Non-operating revenues	13,733,481	12,777,372	956,109
Other revenues	109,468	20,000	89,468
Total Revenues	18,212,983	17,655,722	557,261
Expenses			
Operating expenses	16,630,943	14,984,531	(1,646,412)
Non-operating expenses	2,702,598	1,999,771	(702,827)
Depreciation	1,863,966	1,906,130	42,164
Total Expenses	21,197,507	18,890,432	(2,307,075)
Excess (deficiency)	(2,984,524)	(1,234,710)	(1,749,814)
Net Position - Beginning	44,527,511	45,762,221	(1,234,710)
Adjust for restatement	(6,340,370)	-	(6,340,370)
Net Position - Ending	$ 35,202,617	$ 44,527,511	$ (9,324,894)

• 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 60% 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:

	2015	2014	Net Change
Salaries	$ 7,644,255	$ 6,964,335	$ (679,920)
Benefits	3,454,298	2,537,908	(916,390)
Payments to students	1,148,001	2,262,481	1,114,480
Supplies, materials, and other expenses	4,036,579	2,950,686	(1,085,893)
Utilities	347,810	269,121	(78,689)
Depreciation	1,863,966	1,906,130	42,164
Total Operating Expenses	$ 18,494,909	$ 16,890,661	$ (1,604,248)

• Compensation consists of salaries, fixed charges (District contributions to retirement systems, workers' compensation and unemployment insurance, Social Security and Medicare), and health and welfare benefits borne by the District.

• Supplies, materials, other operating expenses and services include expenditures for software, reference books, software licensing and consultants, repairs and maintenance of buildings and equipment.

• Student financial aid relates to federal and state assistance paid to students.

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

• Depreciation is capital assets net of depreciation

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. The statement also helps 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, 2015, was $12,585,805.

The Statement of Cash Flows, for the years ended June 30, 2015 and June 30, 2014, is summarized below:

	2015	2014	Net Change
Net cash provided by (used in)			
Operating activities	$ (12,585,805)	$ (10,153,556)	$ (2,432,249)
Non-capital financing activities	14,913,326	13,066,110	1,847,216
Capital financing activities	(2,691,071)	(2,746,997)	55,926
Investing activities	84,734	66,873	17,861
Net decrease in cash and cash equivalents	(278,816)	232,430	(511,246)
Cash balance, beginning of year	13,069,251	12,836,821	232,430
Cash balance, end of year	$ 12,790,435	$ 13,069,251	$ (278,816)

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.

<u>The District's Fiduciary Responsibility</u>

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:

	2015	2014	Net Change
Land and construction in progress	$ 1,010,614	$ 1,010,614	$ -
Buildings and equipment	78,717,008	78,672,203	44,805
Accumulated depreciation	(14,559,839)	(12,695,873)	(1,863,966)
Total Capital Assets	$ 65,167,783	$ 66,986,944	$ (1,819,161)

Debt

At June 30, 2015, the District had $40,886,970 in long-term debt. A comparison of long-term debt is summarized below:

	2015	2014	Net Change
Bonds payable	$ 5,148,938	$ 5,242,484	(93,546)
Certificates of participation	29,845,000	30,590,000	(745,000)
Net pension liability	5,272,342	-	5,272,342
SERP	167,742	472,675	(304,933)
OPEB	68,629	84,903	(16,274)
Compensated absences	279,184	249,354	29,830
Total Long-term Liabilities	$ 40,781,835	$ 36,639,416	$ 4,142,419

Economic Factors

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

Palo Verde College saw an increase in enrollment over the previous year despite the improvement in the State economy. This increase can be attributed to an increase in community outreach in the general public and the local prisons.

After the close of 2014-15, the Palo Verde College will be able to increase the number of FTES that apportionment is paid. The last year of restoration available to the other community colleges ends June 2015 and formulas for growth funding have been submitted for approval in the future. Palo Verde College is in position to be able to recognize growth.

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, 2015, was 11.771% which is an increase from the previous year of 0.33%.

All community colleges will be facing higher STRS rates in the future due to recently passed legislation. The rates, ending June 30, 2014, were 8.25% and had been stable at that rate for many years. Beginning July 1, 2014 the rates started to increase. In 2014-15, the rates increased to 8.88%, which is a 0.63% increase. July 1, 2015 the rate increased once more to 10.73% which is a 1.85% increase.

During the elections in November 2014, Measure P was approved by the residents within the border of Palo Verde College District. These bonds will be sold in the spring of 2016 with the majority of the proceeds being used to reduce the debt of the College. The remaining funds will be used to expand instruction in high demand areas.

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
June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents	$ 12,790,435
Accounts receivable	786,446
Total current assets	13,576,881
Non-Current assets:	
Other postemployment benefits other than	
Notes receivable	313,402
Fixed assets, net	65,167,783
Total non-current assets	65,481,185
TOTAL ASSETS	79,058,066
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions only	702,945
LIABILITIES	
Current liabilities:	
Current liabilities	1,818,063
Deferred revenue	32,462
Current portion of long-term debt	1,152,742
Total current liabilities	3,003,267
Non-Current Liabilities	39,629,093
TOTAL LIABILITIES	42,632,360
DEFERRED INLOWS OF RESOURCES	
Deferred inflows of resources - pensions only	1,926,034
NET POSITION	
Invested in capital assets	30,173,845
Restricted for:	
Capital projects	9,385,636
Debt service	556,914
Other activities	553,617
Unrestricted	(5,467,395)
TOTAL NET POSITION	$ 35,202,617

See the accompanying notes to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

OPERATING REVENUES	
Tuition and fees	$ 1,120,621
Less: Scholarship discounts and allowances	(636,088)
Net Tuition amd Fees	484,533
Grants and contracts	
Federal	1,444,647
State	2,096,314
Local	344,540
Total Operating Revenues	4,370,034
OPERATING EXPENSES	
Salaries	7,644,255
Benefits	3,454,298
Payments to students	1,148,001
Supplies, materials, and other expenses	4,036,579
Utilities	347,810
Depreciation	1,863,966
Total Operating Expenses	18,494,909
OPERATING INCOME/(LOSS)	(14,124,875)

See the accompanying notes to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses and Changes in Net Position, Continued
For the Fiscal Year Ended June 30, 2015

NON-OPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	10,624,093
Local property taxes	1,811,374
State taxes and other revenues	1,214,060
Investment income, net	83,954
Interest expense	(2,702,598)
Total non-operating revenues (expenses)	11,030,883
Income Before Other Revenues, Expenses, Gains or Losses	(3,093,992)
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	
Grants and contracts, capital	109,468
Total Other Revenues, Expenses, Gains or Losses	109,468
CHANGE IN NET POSITION	(2,984,524)
NET POSITION	
Net Position - Beginning, as previously reported	44,527,511
Adjustments for restatements	(6,340,370)
Net Position - Beginning, as restated	38,187,141
Net Position - Ending	$ 35,202,617

See the accompanying notes to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Cash Flows from Operating Activities	
Tuition and fees	$ 437,947
Federal grants and contracts	1,329,638
State grants and contracts	2,064,040
Local grants and contracts	344,540
Payments to suppliers	(3,863,784)
Payments for utilities	(347,810)
Payments to/on-behalf of employees	(11,402,375)
Payments to/on-behalf of students	(1,148,001)
Net cash provided by (used in) operating activities	(12,585,805)
Cash Flows from Non-capital Financing Activities	
State apportionments and receipts	12,041,297
Property taxes	1,811,374
State taxes and other revenues	1,060,655
Net cash provided by (used in) by non-capital financing activities	14,913,326
Cash Flows from Capital Financing Activities	
Local revenue, capital projects	109,468
Principal paid on capital debt	(930,000)
Interest paid on capital debt	(1,825,734)
Purchases of capital assets	(44,805)
Net cash provided by (used in) capital financing activities	(2,691,071)
Cash Flows from Investing Activities	
Investment income	80,845
Collection from notes receivable	3,889
Net cash provided by (used in) investing activities	84,734
NET INCREASE IN CASH AND CASH EQUIVALENTS	(278,816)
CASH AND CASH EQUIVALENTS	
Beginning of year	13,069,251
End of year	$ 12,790,435

See the accompanying notes to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows, Continued
For the Fiscal Year Ended June 30, 2015

Reconciliation of operating loss to cash used in operating activities

Operating loss	$ (14,230,010)
Depreciation and amortization	1,863,966
Pension expense	155,061
(Increase) decrease in accounts receivable	(226,331)
(Increase) decrease in prepaid expenses	47,291
Increase (decrease) in accounts payable	(42,002)
Increase (decrease) in deferred revenues	32,462
Increase (decrease) in supplemental early retirement incentive	(304,933)
Increase (decrease) in other liabilities	118,691
Net cash used in operating activities	$ (12,585,805)

See the accompanying notes to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Statement s of Fiduciary Net Position
June 30, 2015

	ASB Trust Fund	Scholarship and Loan Trust Fund
ASSETS		
Cash and cash equivalents	$ 7,634	69,162
TOTAL ASSETS	$ 7,634	$ 69,162
LIABILITIES		
Due to student groups	$ 7,634	$ 69,162
LIABILITIES AND NET POSITION	$ 7,634	$ 69,162

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, 2015

	ASB Trust Fund	Scholarship and Loan Trust Fund
ADDITIONS		
Other local revenues	$ 9,350	119,391
Total Additions	9,350	119,391
DEDUCTIONS		
Supplies and materials and other operating expenses and services	8,391	105,710
CHANGE IN NET POSITION	959	13,681
Net Position - Beginning	6,675	55,481
Net Position - Ending	$ 7,634	$ 69,162

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.

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, 2015, 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

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 one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effects of the net change in the District's proportion of the collective net pension asset or liability and differences during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension system (PERS and STRS) subsequent to the measurement date.

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 one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

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.

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

Noncurrent Liabilities

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

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 in these financial statements to reflect the amount of property taxes receivable as of June 30, 2015.

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 the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, Audits *of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On-Behalf Payments

GASB Cod. Sec N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS.

Classification of Revenues

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

Revenues are classified according to the following criteria:

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

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

Estimates

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

Interfund Activity

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

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2015, the District implemented the following new standards issued by GASB:

- GASB Statement 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*", effective for the year ending June 30, 2015.

- GASB Statement 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*", effective for the year ending June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $6,340,370. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

Future Changes in Accounting Standards

GASB has issued Statement 72, "*Fair Value Measurement and Application*". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2016 financial statements.

GASB has issued Statement 73, "*Accounting and Reporting for Pensions and Related Assets that are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *"Accounting and Financial Reporting for Pensions"*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *"Financial Reporting for Pension Plans"*, and Statement 68 for pension plans and pensions that are within their respective scopes. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans".* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments".* The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2016 financial statements.

GASB has issued Statement No. 77, "*Tax Abatement Disclosures".* This Statement requires disclosure of tax abatement information about: (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

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, 2015, consist of the following:

	District	Fiduciary
Cash in County Treasury	$ 11,952,661	$ -
Cash held with fiscal agent	785,450	-
Cash on hand and in bank	42,441	76,796
Cash in revolving fund	9,883	-
Total cash and cash equivalents	$ 12,790,435	$ 76,796

Policies and Practices

Under provision of the District's investment policy, and in accordance with Section 53601 and 53602 of the California Government Code, the District may invest in the following types of investments: The District is authorized under California Government Code to make direct investments in local agency bonds, notes or warrants with the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized obligations.

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains a significant portion of its cash in the Riverside County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool, as of June 30, 2015, as provided by the pool sponsor, was $4,258,888, with an average maturity of 1.37 years. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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.

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, 2015, consist of the following and are considered collectible in full:

	Federal	State	Other	Total
General fund	$ 115,698	$ 328,834	$ 330,654	$ 775,186
Bookstore fund	-	-	256	256
Capital outlay fund	-	-	3,954	3,954
Child development fund	6,312	363	112	6,787
Self insurance fund	-	-	263	263
	$ 122,010	$ 329,197	$ 335,239	$ 786,446

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, 2015:

Business-Type Activities	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
Historical Cost				
Building	$ 74,667,137	$ -	$ -	$ 74,667,137
Construction in progress	84,477	-	-	84,477
Equipment	2,572,797	17,036	-	2,589,833
Land	926,137	-	-	926,137
Site improvements	1,286,659	-	-	1,286,659
Vehicles	145,610	27,769	-	173,379
Total historical cost	79,682,817	44,805	-	79,727,622
Accumulated depreciation				
Building	10,058,353	1,623,325	-	11,681,678
Equipment	1,909,654	194,510	-	2,104,164
Site improvements	586,957	36,113	-	623,070
Vehicles	140,909	10,018	-	150,927
Total accumulated depreciation	12,695,873	1,863,966	-	14,559,839
CAPITAL ASSETS, NET	$ 66,986,944	$ (1,819,161)	$ -	$ 65,167,783

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable, at June 30, 2015, consisted of the following:

	Business-Type Activities	Fiduciary Funds	Total
Interest	$ 913,783	$ -	$ 913,783
Vendor payable	904,280	-	904,280
	$ 1,818,063	$ -	$ 1,818,063

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, 2015, are summarized as follows:

	Balance July 01, 2014	Additions	Deductions	Due in One Year	Long-term Balance
Business-Type Activities					
Other postemployment benefit obligation (OPEB)	$ 84,903	$ -	$ 16,274	$ -	$ 68,629
Compensated absences	249,354	29,830	-	-	279,184
Supplemental employee retirement plan (SERP)	472,675	-	304,933	167,742	-
Net pension liability	6,912,790		1,640,448	-	5,272,342
Certificates of participation	30,590,000	-	745,000	785,000	29,060,000
General obligation bonds payable	4,759,879	-	185,000	200,000	4,374,879
Accretion	482,605	91,454	-	-	574,059
	$ 43,552,206	$ 121,284	$ 2,891,655	$ 1,152,742	$ 39,629,093

Beginning balance has been restated to reflect the implementation of GASB No. 68.

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

Supplemental Employee Retirement Plan (SERP)

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

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

Certificates of Participation

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

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

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

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

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

Year Ended June 30,	Certificates of Participation Principal	Interest	Total
2016	$ 785,000	$ 1,570,900	$ 2,355,900
2017	815,000	1,538,519	2,353,519
2018	845,000	1,503,881	2,348,881
2019	880,000	1,466,913	2,346,913
2020	920,000	1,427,313	2,347,313
2021-2025	5,340,000	6,425,713	11,765,713
2026-2030	6,905,000	4,852,100	11,757,100
2031-2035	9,015,000	2,733,775	11,748,775
2036-2040	4,340,000	361,350	4,701,350
	$ 29,845,000	$ 21,880,464	$ 51,725,464

General Obligation Bonds Payable

General obligation bonds of up to $6,000,000 were approved by election in June 2005 and were to be used to finance real property improvements to the District's Needles campus. In October 2005, the District issued the first series on these available bonds amounting to $2,946,254. The District took a second drawdown in September 2006, amounting to $3,053,625. The improvements on the Needles campus were completed in the Fall of 2009. All debt repayments will be made by the County from property tax revenues.

The annual debt requirements on these bonds payable, as of June 30, 2015, are as follows:

Year Ended	Series 2005 Bonds		Series 2006 Bonds		
June 30,	Principal	Interest	Principal	Interest	Total
2016	$ 55,000	$ 125,934	$ 145,000	$ 81,150	$ 407,084
2017	26,764	163,036	155,000	75,150	419,950
2018	26,547	168,253	170,000	67,375	432,175
2019	27,942	176,858	180,000	57,750	442,550
2020	85,000	122,250	195,000	47,438	449,688
2021-2025	630,000	512,400	1,015,432	322,431	2,480,263
2026-2030	1,080,000	260,100	335,795	1,314,205	2,990,100
2031-2035	285,000	8,550	162,398	897,602	1,353,550
	$ 2,216,253	$ 1,537,381	$ 2,358,625	$ 2,863,101	$ 8,975,360

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution, for the year ended June 30, 2015, was $159,352 and contributions made by the District during the year were $175,626 which resulted in a net OPEB liability (asset) for 2015 of ($16,274). See Note 10 for additional information regarding the OPEB Obligation and the postemployment plan.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description

The plan is a single-employer OPEB defined benefit healthcare plan administered by the Palo Verde Community College District. The plan provides postemployment medical benefits to eligible retirees and their dependents.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The plan is currently funded on a projected pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess over a period not to exceed thirty years. The District has elected to amortize the unfunded liability over thirty years.

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

Annual required contribution	$ 160,629
Interest on net OPEB obligation	4,245
Adjustment to annual required contribution	(5,522)
Annual OPEB cost (expense)	159,352
Contributions made	(175,626)
Increase in net OPEB obligation	(16,274)
Net OPEB obligation (asset), beginning of year	84,903
Net OPEB obligation (asset), end of year	$ 68,629

Trend Information

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 157,516	138.76%	$ 145,830
2014	$ 158,435	138.46%	$ 84,903
2015	$ 159,352	110.21%	$ 68,629

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the April, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5% percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost increases were estimated at 4 percent annually. The UAAL is being amortized at a level dollar method. There is no actuarial value of assets because those funds have not been placed in an irrevocable trust. The District has earmarked funds held in the County Treasury for funding of the OPEB obligation but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of plan assets.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description – The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial can be found on the CalSTRS website under Publications at: **http://www.calstrs.com/member -publications.**

Funding Policy – Active plan members are required to contribute 8.25 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014-15 was 8.25% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $418,101 for the year ended June 30, 2015.

On June 24, 2015, the Governor of California signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

CalPERS

Plan Description – The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report can be found on the CalPERS website under Forms and Publications at: **https://www.calpers.ca.gov/page/forms -publications.**

Funding Policy – Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014-15 was 11.771 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $284,844 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of $5,272,342 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,926,034
District contributions subsequent to the measurement date	702,945	-
Total	$ 702,945	$ 1,926,034

$702,945 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (507,105)
2017	(507,105)
2018	(507,105)
2019	(507,105)
2020	(507,105)
Thereafter	-
	$ (2,535,524)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS	PERS
Valuation date	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	7.6%	7.5%
Investment rate of return	7.6%	7.5%
Consumer price inflation	3.0%	2.8%
Wage growth	3.75%	3.0%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2013. As a result of the 2013 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2014 actuarial valuation to more closely reflect actual experience.

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. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

STRS			PERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	1.30%	Global equity	47%	5.71%
Private equity	12%	5.40%	Global fixed income	19%	2.43%
Real estate	15%	5.60%	Private equity	12%	3.36%
Inflation sensitive	5%	50.00%	Real estate	11%	6.95%
Fixed income	20%	7.40%	Inflation sensitive	6%	5.13%
Cash/Liquidity	1%	2.30%	Infrastructure and forestland	3%	5.09%
		0.00%	Liquidity	2%	-1.05%
Total	100%		Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent for STRS and 7.5 percent for PERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6 percent and 7.5 percent for STRS and PERS, respectively, as well as what the 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 for each Plan:

STRS

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
District's proportionate share of the net pension liability	$ 4,912,387	$ 3,151,514	$ 1,683,267

PERS

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$ 3,720,400	$ 2,120,828	$ 784,207

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided pension benefits. During the measurement period, there were no changes of assumptions.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2015 is $1,150,858.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

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 on behalf of the District. These payments consist of State General Fund contributions to CalSTRS of approximately $367,420 (5.678848% of salaries subject to CalSTRS in 2012-13). Contribution s are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. 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, 2015.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Utilities	Payments to Students	Depreciation	Total
Admissions and records	$ 133,335	$ 21,264	$ -	$ -	$ -	$ 154,599
Ancillary services	-	25,668	-	-	-	25,668
Auxilliary operations	411,443	109,997	-	-	-	521,440
Community services	-	10,368	-	-	-	10,368
General institutional support services	1,521,979	441,211	-	-	-	1,963,190
Instructional activities	4,986,985	1,666,219	-	-	-	6,653,204
Instructional administration	656,603	192,281	-	-	-	848,884
Instructional support services	140,541	59,050	-	-	-	199,591
Planning, policy making, coordination, general support	573,789	173,745	-	-	-	747,534
Plant operations and maintenance	414,837	596,155	347,810	-	-	1,358,802
Student services-counseling and guidance	907,877	307,456	-	-	-	1,215,333
Students services-other	1,456,299	433,165	-	-	-	1,889,464
Transfers and student payments	-	-	-	1,148,001	-	1,148,001
Depreciation	-	-	-	-	1,863,966	1,863,966
	$ 11,203,688	$ 4,036,579	$ 347,810	$ 1,148,001	$ 1,863,966	$ 18,600,044

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

NOTE 14 – RISK MANAGEMENT

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

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

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

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

NOTE 16 – RESTATEMENT

For the fiscal year ended June 30, 2015, the District implemented GASB No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions made Subsequent to the Measurement Date*". The implementation of the Statements resulted in the reporting of an asset, deferred outflow of resources, and liability, deferred inflow of resources, related to the District's participation in California Public Employees Retirement System (PERS) and California State Teachers Retirement System (STRS). The District's net position has been restated as follows:

Beginning net position as previously reported at June 30, 2014	$ 44,527,511
Prior period adjustment - implementation of GASB 68:	
Net pension liability (measurement date)	(6,912,790)
Deferred outflows - District's contributions made during fiscal year 2014	572,420
Total prior period adjustment	(6,340,370)
Net position as restated, July 1, 2014	$ 38,187,141

NOTE 17 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 21, 2015, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2015, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

PALO VERDE COMMUNITY COLLEGE DISTRICT

Schedule of Other Postemployment Benefits (OPEB) Funding Progress
For the Fiscal Year Ended June 30, 2015

Schedule of Funding Progress

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

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

Schedule of the District's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2015*

	2015	
	PERS	**STRS**
District's proportion of the net pension liability (asset)	0.0188%	0.0090%
District's proportionate share of the net pension liability (asset)	$ 2,120,828	$ 3,151,514
District's covered-employee payroll	$ 2,504,789	$ 5,152,938
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	84.67%	61.16%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	76.52%

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

PALO VERDE COMMUNITY COLLEGE DISTRICT

Schedule of the District's Pension Contributions
For the Fiscal Year Ended June 30, 2015*

	2015	
	PERS	**STRS**
Contractually required contribution	$ 284,844	$ 418,101
Contributions in relation to the contractually required contribution	284,844	418,101
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 2,504,789	$ 5,152,938
Contributions as a percentage of covered-employee payroll	11.37%	8.11%

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

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, 2015, were as follows:

Member	Office	Term Expires
George Thomas	President	2018
Ned Hyduke	Vice-President	2016
Millie Rodriguez	Clerk	2016
Ted Arneson	Trustee	2018
Jerry Lewis	Trustee	2018
Suzanne Woods	Trustee	2016
Edmundo Gonzales	Trustee	2016
Grace Quist	Student Trustee	2015

DISTRICT ADMINISTRATION

Donald G. Wallace, Ph.D.	Superintendent/ President
Russi Egan	Vice-President of Administrative Services
Sean Hancock	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, 2015

Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster: **[1]**			
Federal Pell Grants	84.063		$ 1,116,759
Federal Pell Administrative	84.063		2,086
Federal Supplement Education Opportunity (FSEOG)	84.007		13,313
Federal Work Study Progrm (FWS)	84.033		17,929
Subtotal Student Financial Assistance Cluster			1,150,087
TRIO Cluster:			
Student Support Services Program	84.042A		201,708
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	100,353
Total U.S. Department of Education			1,452,148
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance to Needy Families (TANF)	93.558		29,383
Total U.S. Department of Health and Human Services			29,383
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Care Food Program	10.558	*	35,725
Total U.S. Department of Agriculture			35,725
Total Federal Expenditures			$ 1,517,256

[1]: Major Program

*Passthrough Identifying number not available

See the accompanying note to the supplementary information.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2015

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

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, 2015

	Reported Data
A. Summer Intersession (Summer 2014 only)	
1. Noncredit	11
2. Credit	184
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)	
1. Noncredit	-
2. Credit	19
C. Primary Terms (Exclusive of Summer Intersesion)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	411
(b) Daily Census Contact Hours	-
2. Actual Hours of Attendance	
(a) Noncredit	123
(b) Credit	395
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	778
(b) Daily Census Contact Hours	-
(c) Noncredit Independent Study/Distance Education Courses	-
Total FTES	1,921
Total Credit FTES	1,787
Total Noncredit FTES	134
Total FTES	1,921
Supplemental Information (subset of above information)	
In-Service Training Courses	456
Basic Skills Courses & Immigrant Education	
1. Noncredit	114
2. Credit	165

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, 2015

		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	$ 3,003,917		$ 3,003,917	$ 3,003,917		$ 3,003,917
Other	1300	452,070		452,070	452,070		452,070
Total Instructional Salaries		3,455,987		3,455,987	3,455,987		3,455,987
Non-Instructional Salaries							
Contract or Regular	1200				781,316		781,316
Other	1400				28,291		28,291
Total Non-Instructional Salaries					809,607		809,607
Total Academic Salaries		3,455,987		3,455,987	4,265,594		4,265,594
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100				1,993,349		1,993,349
Other	2300				29,992		29,992
Total Non-Instructional Salaries					2,023,341		2,023,341
Instructional Aides							
Regular Status	2200	12,176		12,176	12,176		12,176
Other	2400	10,920		10,920	10,920		10,920
Total Instructional Aides		23,096		23,096	23,096		23,096
Total Classified Salaries		23,096		23,096	2,046,437		2,046,437
Employee Benefits	3000	1,070,629		1,070,629	2,488,839		2,488,839
Supplies and Materials	4000				88,332		88,332
Other Operating Expenses	5000	1,437,968		1,437,968	3,103,770		3,103,770
Equipment Replacement	6420						
Total Expenditures Prior to Exclusions		5,987,680		5,987,680	11,992,972		11,992,972

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, 2015

		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 Incentives	5900	215,214		215,214	215,214		215,214
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				5,372		5,372
Non-Instructional Staff - Retirees' Benefits and Retirement Incentives	6740				277,281		277,281
Objects to Exclude							
Rents and Leases	5060				333,868		333,868
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				160,923		160,923
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						
Total Exclusions		215,214		215,214	992,658		992,658
Total for ECS 84362, 50% Law		$ 5,772,466		$ 5,772,466	$ 11,000,314		$ 11,000,314
Percent of CEE (Instructional Salary Cost / Total CEE)		52.48%		52.48%	100%		100%
50% of Current Expense of Education					$ 5,500,157		$ 5,500,157

See the accompanying note to supplementary information.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements
For the Fiscal Year Ended June 30, 2015

	General Fund	Capital Outlay Fund
FUND BALANCE		
June 30, 2015, Annual Financial & Budget Report (Form CCFS-311) Fund Balances	$ 2,133,983	$ 7,816,740
Adjustments and reclassifications increasing/ (decreasing) fund balance:		
Cash	32,461	1,568,896
Deferred revenue	(32,461)	
Net adjustments & reclassifications	-	1,568,896
Audited financial statements fund balance	$ 2,133,983	$ 9,385,636

See the accompanying note to supplementary information

PALO VERDE COMMUNITY COLLEGE DISTRICT

Reconciliation of Education Protection Account Funds (EPA)
For the Fiscal Year Ended June 30, 2015

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	**8630**				$ 2,277,813
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	0100-5900	$ 2,277,813	-	-	2,277,813
Total Expenditures for EPA		$ 2,277,813	-	-	2,277,813
Revenues Less Expenditures					$ -

See the accompanying note to supplementary information

PALO VERDE COMMUNITY COLLEGE DISTRICT

Reconciliation of Governmental Funds to the Statement of Net Position
June 30, 2015

Total Fund Balance and Retained Earnings:		
General Funds	$ 2,133,983	
Special Revenue Funds	4,960	
Capital Outlay Projects	9,385,636	
Debt Service Funds	556,914	
Proprietary Funds	289,497	
Internal Service Funds	259,160	
Fiduciary Funds	86,775	
Total Fund Balances and Retained Earnings - All District Funds		$ 12,716,925
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	79,727,622	
Accumulated depreciation is	(14,559,839)	
Net Capital Assets		65,167,783
Deferred outflows and inflows of resources relating to penions: In governmental funds, deferred outflows and inflows of resources relating to pensions 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 are reported.		
Deferred outflows of resources relating to pensions	702,945	
Deferred inlows of resources relating to pensions	(1,926,034)	(1,223,089)
Other long-term assets, such as notes receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds		313,402
Amounts held in trust on behalf of others (Trust and Agency Funds)		(76,796)
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.		(913,773)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	(5,148,938)	
Certificates of participation	(29,845,000)	
Net pension liability	(5,272,342)	
Supplemental employee retirement plan	(167,742)	
Compensated absences (vacations)	(279,184)	
Other postemployment benefits (OPEB)	(68,629)	
Total Long-Term Obligations		(40,781,835)
Total Net Position - Governmental Activities		$ 35,202,617

PURPOSE OF SCHEDULES

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

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

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

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance – FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which 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 Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements – This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

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

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

INDEPENDENT AUDITORS' REPORTS

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, 2015, 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 21, 2015.

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

Victorville, California
December 21, 2015

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 OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Palo Verde Community College District's (the "District") compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion 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, 2015.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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.

Purpose of This Report

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

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 21, 2015

Messner
& Hadley, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Palo Verde Community College District's (the "District") compliance with the state laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM) for the year ended June 30, 2015 and issued our report thereon December 21, 2015.

Management's Responsibility

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

Auditors' Responsibility

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

Unmodified Opinion on Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs notes below that were audited for the year ended June 30, 2015.

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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 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contract
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Prop 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

Purpose of This Report

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

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 21, 2015

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 Circular A-133, 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:	$300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None 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 related to the financial statements that are required to be reported under *Government Auditing Standards.*

SECTION 3 – FEDERAL AWARDS FINDINGS

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

SECTION 4 – STATE AWARDS FINDINGS

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

2014-1 FEDERAL STUDENT FINANCIAL ASSISTANCE

SPECIAL TESTS AND PROVISIONS

Finding – An institution is required to establish written policies and procedures that incorporate the provisions of 34 CFR Sections 668.51 through 668.61 for verifying applicant information. Several files were incomplete and did not contain or have reference to acceptable documentation used in the verification process.

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

Current Status – Implemented.

2014-2 FEDERAL STUDENT FINANCIAL ASSISTANCE

RETURN OF TITLE IV FUNDS

Finding – When a recipient of Title IV grant withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. The return of Title IV Funds were not returned timely.

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

Current Status – Implemented .