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PALO VERDE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2023

PALO VERDE COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate remaining fund information of Palo Verde Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palo Verde Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, 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 accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 accompanying supplementary information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

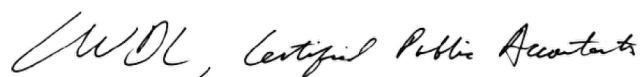
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis section and unaudited supplementary information section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that 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 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.



San Diego, California
December 22, 2023

**PALO VERDE COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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, 2023.

Introduction

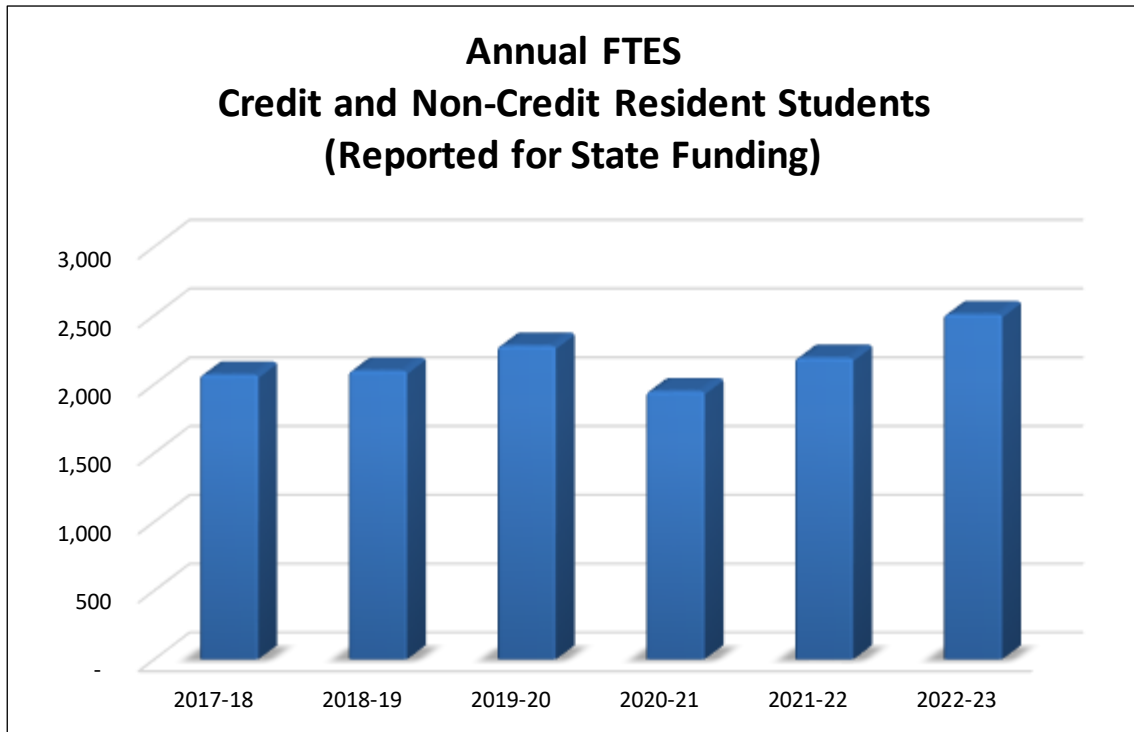
The following discussion and analysis provides an overview of the financial position and activities of the Palo Verde Community College District (the “District”) for the years ended June 30, 2023 and June 30, 2022. This discussion has been prepared by management and should be read in conjunction with 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 2022-2023, total full-time equivalent students increased approximately 14.4% for both credit and non-credit courses. Credit and non-credit FTES, along with other workload measures, are the basis for the District’s State apportionment.

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



**PALO VERDE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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, 2023 and June 30, 2022, is summarized below:

	2023	2022	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 35,697,379	\$ 27,135,319	\$ 8,562,060
Non-current assets	64,674,799	61,407,452	3,267,347
Deferred outflows of resources	7,145,405	5,803,429	1,341,976
Total Assets and Deferred Outflows of Resources	107,517,583	94,346,200	13,171,383
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	17,951,384	8,125,420	9,825,964
Non-current liabilities	49,137,910	43,128,842	6,009,068
Deferred inflows of resources	1,739,719	7,242,734	(5,503,015)
Total Liabilities and Deferred Inflows of Resources	68,829,013	58,496,996	10,332,017
NET POSITION			
Invested in capital assets, net of related debt	37,594,529	33,433,167	4,161,362
Restricted	6,210,482	10,301,087	(4,090,605)
Unrestricted	(5,116,441)	(7,885,050)	2,768,609
Total Net Position	\$ 38,688,570	\$ 35,849,204	\$ 2,839,366

**PALO VERDE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Net Position, continued

- Approximately 99% of the cash and cash equivalent current assets is cash deposited with the Riverside County Treasurer's Office. The Statement of Cash flows contained within the financial statements provides greater detail regarding the sources and uses of cash and the net increase (decrease) in cash.
- The majority of the accounts receivable balance is from Federal and State sources for grant and entitlement programs.
- Capital assets are the net historical value of land, buildings, and equipment less accumulated depreciation. As of June 30, 2023, the District owned capital assets of \$64,502,956. The breakdown of this total net value can be found in Note 6 of the financial statements.
- Accounts payable and accrued liabilities consists of payables to vendors, accrued payroll and benefits of \$6,928,785.
- Noncurrent liabilities consist of compensated absences, other postemployment benefit obligation, net pension liability, General Obligation Bonds, and Certificates of Participation.
- Unrestricted net position totaled \$(5,116,441).

Statement of Revenues, Expenses, and Changes in Net Position

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

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

**PALO VERDE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position, continued

	2023	2022	Change
REVENUES			
Tuition and fees	\$ 657,573	\$ 735,239	\$ (77,666)
Grants and contracts, noncapital	8,935,282	8,747,275	188,007
General revenues - property taxes	3,043,338	2,575,583	467,755
General revenues - state aid	25,909,805	22,498,517	3,411,288
General revenues - other	845,346	(400,017)	1,245,363
Total Revenues	39,391,344	34,156,597	5,234,747
EXPENSES			
Operating expenses	34,920,926	30,303,164	4,617,762
Financial aid disbursement to students	514,133	321,179	192,954
Interest	1,116,919	1,061,223	55,696
Total Expenses	36,551,978	31,685,566	4,866,412
Change in Net Position	\$ 2,839,366	\$ 2,471,031	\$ 368,335

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

- Non-capital grants and contracts are primarily those received from federal and state sources and used in the instructional program.
- Personnel costs are 56% of operating expenses, which includes all funds and depreciation. The balance of operating expenses is for supplies, other services, and capital outlay items below the capitalization threshold, insurance, utilities and depreciation expense.
- State apportionments, non-capital consists of State apportionment and other apportionments. State apportionment represents total general apportionment earned less regular enrollment, less property taxes.
- Local property taxes are received through the Auditor-Controller's Office for Riverside County and San Bernardino County. The amount received for property taxes is deducted from the total State general apportionment that is calculated by the State for the District.
- State taxes and other revenues consist primarily of State lottery revenue.
- Functional expenses are included in Note 12 of the financial statements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position, continued

Operating Expenses (by natural classification) – object:

	2023		2022		Change
Salaries	\$ 14,087,814	\$	12,593,918	\$	1,493,896
Employee benefits	5,623,670		6,499,064		(875,394)
Supplies, materials, and other operating expenses and services	13,314,648		9,371,023		3,943,625
Student aid	514,133		321,179		192,954
Depreciation	1,894,794		1,839,159		55,635
Total Operating Expenses	\$ 35,435,059	\$	30,624,343	\$	4,810,716

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

Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. The net cash used by the District for operating activities, for the year ending June 30, 2023, was \$16.0 million.

The Statement of Cash Flows, for the years ended June 30, 2023 and June 30, 2022, is summarized below:

	2023		2022		Change
Net cash provided (used) by:					
Operating activities	\$ (16,003,617)	\$	(12,237,931)	\$	(3,765,686)
Non-capital financing activities	28,953,143		25,074,100		3,879,043
Capital financing activities	(6,981,392)		(4,817,172)		(2,164,220)
Investing activities	858,834		(387,185)		1,246,019
Net increase (decrease) in cash and cash equivalents	\$ 6,826,968	\$	7,631,812	\$	(804,844)

**PALO VERDE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Cash Flows, continued

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

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

The District's Fiduciary Responsibility

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

Capital Assets

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

	2023	2022	Change
Capital Assets not being depreciated	\$ 6,969,727	\$ 3,711,655	\$ 3,258,072
Capital Assets being depreciated	86,034,665	84,117,108	1,917,557
Accumulated depreciation	(28,501,436)	(26,606,642)	(1,894,794)
Total Capital Assets	\$ 64,502,956	\$ 61,222,121	\$ 3,280,835

Debt

At June 30, 2023, the District had \$50,277,571 in long-term debt. A comparison of long-term debt is summarized below:

	2023	2022	Change
Net OPEB liability (asset)	\$ 1,787,060	\$ 1,591,663	\$ 195,397
OPEB - Cash in lieu plan	3,606,861	3,647,150	(40,289)
Compensated absences	605,001	446,867	158,134
Net pension liability	17,370,222	10,699,208	6,671,014
Certificates of participation	10,965,000	11,555,000	(590,000)
General obligation bonds payable	14,168,625	14,623,625	(455,000)
Premiums and discounts	331,553	356,214	(24,661)
Accretion	1,443,249	1,254,115	189,134
Total Long-Term Liabilities	\$ 50,277,571	\$ 44,173,842	\$ 6,103,729

**PALO VERDE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Economic Factors

Palo Verde College once again saw an increase in enrollment over the previous year. As in the past recent years, as other community colleges exceeded their capacity, Palo Verde College was able to provide educational Services in those areas. In fact, Palo Verde College was over CAP by 183.16 FTES as of the 2022-2023 P2.

Palo Verde College also saw a 6.56% COLA for the Student Centered Funding Formula as well as some state categorical programs. While the beginning of the fiscal year painted a healthy fiscal outlook at the state level, by the end of the fiscal year EPA Funds showed a temporary revenue deficit of 10.83% statewide, which prompted the Chancellor's office to defer EPA payments until December 2023.

The college continues to see an increase in benefits costs including CalPERS and CalSTRS. The CalPERS Employer contribution rates for 2022-2023 as 26.68% and the CalSTRS Employer Contribution rate is 19.1%. While the CalSTRS rate is expected to remain at 19.1% in the coming year, the CalPERS rate is expected to increase in the coming years.

The District changed its approach to budget development in 2011-12, which included not using the ending balance as part of the budget, dividing up accountability of the budget monitoring, and creating a more transparent approach to observing and monitoring the budget. The District continued with this practice in the development of the 2023-2024 budget.

Management will continue to keep 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.

FINANCIAL SECTION

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 32,675,557
Accounts receivable, net	2,618,622
Prepaid expenditures and other assets	403,200
Total Current Assets	<u>35,697,379</u>
Noncurrent Assets:	
Note receivable	171,843
Capital assets, net	64,502,956
Total Noncurrent Assets	<u>64,674,799</u>
TOTAL ASSETS	<u>100,372,178</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	555,592
Deferred outflows - OPEB	580,998
Deferred outflows - pensions	6,008,815
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,145,405</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 107,517,583</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 6,928,785
Unearned revenue	9,882,938
Long-term debt, current portion	1,139,661
Total Current Liabilities	<u>17,951,384</u>
Noncurrent Liabilities:	
Compensated absences	605,001
Net OPEB liability	1,787,060
Net pension liability	17,370,222
Long-term debt, noncurrent portion	29,375,627
Total Noncurrent Liabilities	<u>49,137,910</u>
TOTAL LIABILITIES	<u>67,089,294</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - OPEB	71,098
Deferred inflows - pensions	1,668,621
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,739,719</u>
 NET POSITION	
Net investment in capital assets	37,594,529
Restricted for:	
Debt service	2,173,319
Capital projects	2,993,147
Other special purposes	1,044,016
Unrestricted	<u>(5,116,441)</u>
TOTAL NET POSITION	<u>38,688,570</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 107,517,583</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES	
Tuition and fees	\$ 2,979,791
Less: Scholarship discounts and allowances	(2,322,218)
Net tuition and fees	<u>657,573</u>
Grants and contracts, noncapital:	
Federal	1,745,092
State	6,522,046
Local	<u>668,144</u>
TOTAL OPERATING REVENUES	<u>9,592,855</u>
OPERATING EXPENSES	
Salaries	14,087,814
Employee benefits	5,623,670
Supplies, materials, and other operating expenses and services	13,314,648
Student aid	514,133
Depreciation	<u>1,894,794</u>
TOTAL OPERATING EXPENSES	<u>35,435,059</u>
OPERATING (LOSS)	<u>(25,842,204)</u>
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	25,154,761
Local property taxes	3,043,338
State taxes and other revenues	755,044
Investment income - noncapital	845,346
Interest expense on capital asset-related debt	<u>(1,116,919)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>28,681,570</u>
INCREASE (DECREASE) IN NET POSITION	2,839,366
NET POSITION -- BEGINNING OF YEAR	<u>35,849,204</u>
NET POSITION -- END OF YEAR	<u>\$ 38,688,570</u>

See the accompanying notes to the financial statements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 657,573
Grants and contracts	14,978,980
Payments to or on behalf of employees	(19,558,939)
Payments to vendors for supplies and services	(11,567,098)
Payments to students	(514,133)
Net Cash Used by Operating Activities	<u>(16,003,617)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	25,154,761
Property taxes	3,043,338
State taxes and other revenues	755,044
Net Cash Provided by Non-capital Financing Activities	<u>28,953,143</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Acquisition and construction of capital assets	(5,175,629)
Principal paid on capital debt	(1,085,289)
Interest paid on capital debt	(720,474)
Net Cash Used by Capital Financing Activities	<u>(6,981,392)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	845,346
Collection from note receivable	13,488
Net Cash Provided by Investing Activities	<u>858,834</u>

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	6,826,968
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>25,848,589</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 32,675,557</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (25,842,204)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	1,894,794
Changes in Assets and Liabilities:	
Receivables, net	(1,493,225)
Prepaid items	(241,867)
Net OPEB (asset)	195,397
Deferred outflows of resources	(1,368,985)
Accounts payable and accrued liabilities	1,989,417
Deferred revenue	7,536,923
Net pension liability	6,671,014
Compensated absences	158,134
Deferred inflows of resources	(5,503,015)
Total Adjustments	<u>9,838,587</u>
Net Cash Flows From Operating Activities	<u>\$ (16,003,617)</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
 STATEMENT OF NET POSITION – FIDUCIARY FUNDS
 JUNE 30, 2023**

	Scholarship and Loan Fund
ASSETS	
Cash and cash equivalents	\$ 94,304
Total Assets	<u>94,304</u>
NET POSITION	
Held in Trust for Student Groups	94,304
Total Net Position	<u>\$ 94,304</u>

See the accompanying notes to the financial statements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Scholarship and Loan Fund
OPERATING REVENUES:	
Local revenue	\$ 160,806
Total Operating Revenues	<u>160,806</u>
OPERATING EXPENSES:	
Supplies, materials, and other outgo	160,028
Total Operating Expenses	<u>160,028</u>
Net Change in Net Position	<u>778</u>
NET POSITION:	
Beginning of Year	93,526
End of Year	<u>\$ 94,304</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - ORGANIZATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Presentation and Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective of the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

The District records its investment in Riverside County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Position. The fair value of investments, at June 30, 2023, approximated their carrying value.

Restricted Assets

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

Accounts Receivable

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

Prepaid Expenses

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

Capital Assets and Depreciation

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

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

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

PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element – deferred outflows of resources – represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has three items that qualify for reporting in this category.

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element – deferred inflows of resources – represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category.

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

Accrued Liabilities and Long-term Obligations

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

Compensated Absences

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

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Unearned Revenue

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

Noncurrent Liabilities

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

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.

PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when the County notifies the District of the availability of the revenues. A receivable has been accrued to reflect the amount of property taxes receivable at June 30, 2023.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenues and certain other revenues are reported, net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods, and the goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Program

The District participates in federally funded Pell Grants, SEOG grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is reported as other revenue. The amount reported as other revenue represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with Title 2 *U.S. Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

On-Behalf Payments

GASB Cod. Sec N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community Colleges in California.

Classification of Revenues

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

Revenues are classified according to the following criteria:

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

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenues, continued

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 Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The statement is effective for fiscal year 2022-23. The District has implemented GASB Statement No. 96 for the year ending June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

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, 2023, consist of the following:

Governmental Funds:	Governmental Funds	Fiduciary Funds
Cash in County Treasury	\$ 32,656,881	\$ -
Cash on hand and in banks	13,676	94,304
Cash in revolving	5,000	-
Total cash and cash equivalents	\$ 32,675,557	\$ 94,304

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, 2023, as provided by the pool sponsor, was \$32,656,881 with an average maturity of 1.30 years. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

General Authorizations

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

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Concentration of Credit Risk

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

NOTE 4 – RECEIVABLES

Receivables, at June 30, 2023, consist of the following and are considered collectible in full:

	State	Other	Total
General fund	\$ 1,252,174	\$ 1,188,209	\$ 2,440,383
Child development fund	11,111	-	11,111
Capital outlay fund	-	136,593	136,593
Bookstore fund	-	5,237	5,237
Self insurance fund	-	22,319	22,319
Student financial aid fund	-	2,979	2,979
	<u>\$ 1,263,285</u>	<u>\$ 1,355,337</u>	<u>\$ 2,618,622</u>

NOTE 5 – NOTE RECEIVABLE

In August 2013, the District sold property located on Spring Street in Blythe, California for \$400,000. The District received a down payment of \$80,000 and a note receivable for \$320,000. The note is payable, principal and interest at 5%, in monthly installments of \$1,871. The note matures in January, 2029 and has a principal receivable balance of \$171,843 at June 30, 2023.

PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital Assets not being Depreciated				
Land	\$ 1,055,937	\$ -	\$ -	\$ 1,055,937
Construction in progress	2,655,718	3,456,731	198,659	5,913,790
Total Capital Assets not being Depreciated	3,711,655	3,456,731	198,659	6,969,727
Capital Assets being Depreciated				
Buildings	77,870,816	198,659	-	78,069,475
Site improvements	1,343,653	1,544,056	-	2,887,709
Equipment	4,392,093	97,103	-	4,489,196
Vehicles	510,546	77,739	-	588,285
Total Capital Assets being Depreciated	84,117,108	1,917,557	-	86,034,665
Total Capital Assets	87,828,763	5,374,288	198,659	93,004,392
Less Accumulated Depreciation				
Buildings	22,868,705	1,631,390	-	24,500,095
Site improvements	952,067	48,070	-	1,000,137
Equipment	2,607,161	168,756	-	2,775,917
Vehicles	178,709	46,578	-	225,287
Total Accumulated Depreciation	26,606,642	1,894,794	-	28,501,436
Net Capital Assets	\$ 61,222,121	\$ 3,479,494	\$ 198,659	\$ 64,502,956

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable, at June 30, 2023, consisted of the following:

	Governmental Funds
Interest	\$ 204,963
Payroll	4,768
Construction	5,337,283
Vendors	1,381,771
	<u>\$ 6,928,785</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, are summarized as follows:

	Balance			Balance	Due within
	July 1, 2022	Additions	Deductions	June 30, 2023	One Year
Net OPEB liability (asset)	\$ 1,591,663	\$ 195,397	\$ -	\$ 1,787,060	\$ -
OPEB - Cash in lieu plan	3,647,150	-	40,289	3,606,861	-
Compensated absences	446,867	158,134	-	605,001	-
Net pension liability	10,699,208	6,671,014	-	17,370,222	-
Certificates of participation	11,555,000	-	590,000	10,965,000	615,000
General obligation bonds payable	14,623,625	-	455,000	14,168,625	500,000
Premiums and discounts	356,214	-	24,661	331,553	24,661
Accretion	1,254,115	189,134	-	1,443,249	-
Total Long-Term Debt	\$ 44,173,842	\$ 7,213,679	\$ 1,109,950	\$ 50,277,571	\$ 1,139,661

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

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – LONG-TERM OBLIGATIONS, continued

Certificates of Participation

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

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

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

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

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

The annual debt requirements on these certificates, payable as of June 30, 2023, are as follows:

Year Ended	Principal	Interest	Total
June 30,			
2024	\$ 615,000	\$ 416,187	\$ 1,031,187
2025	640,000	391,588	1,031,588
2026	665,000	365,988	1,030,988
2027	685,000	346,038	1,031,038
2028	705,000	325,488	1,030,488
2029-2033	3,920,000	1,225,975	5,145,975
2034-2037	3,735,000	380,800	4,115,800
	<u>\$ 10,965,000</u>	<u>\$ 3,452,064</u>	<u>\$ 14,417,064</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – LONG-TERM OBLIGATIONS, continued

General Obligation Bonds Payable

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

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

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

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

The annual debt requirements on these bonds payable, as of June 30, 2023, are as follows:

Year Ended	Principal	Interest	Accreted Interest	Total
June 30,				
2024	\$ 500,000	\$ 484,412	\$ -	\$ 984,412
2025	345,432	472,937	234,568	1,052,937
2026	379,520	465,912	240,481	1,085,913
2027	415,141	459,197	249,859	1,124,197
2028	447,016	447,931	262,983	1,157,930
2029-2033	2,551,516	1,992,431	1,458,484	6,002,431
2034-2038	2,635,000	1,620,892	-	4,255,892
2039-2043	3,790,000	1,025,000	-	4,815,000
2044-2046	3,105,000	192,700	-	3,297,700
	<u>\$ 14,168,625</u>	<u>\$ 7,161,412</u>	<u>\$ 2,446,375</u>	<u>\$ 23,776,412</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

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

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Benefit)
District Plan	\$ 1,787,060	\$ 580,998	\$ 71,098	\$ 252,110

Plan Description

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

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

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

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

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

Employees covered by benefit terms

As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan:

	Number of Participants
Inactive Employees Receiving Benefits	4
Active Employees	94
	<u>98</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

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

Total OPEB Liability

The District’s total OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.50%
Investment rate of return	4.75%
Salary Increase	2.75%
Healthcare cost trend rate	4.00%
Pre-retirement mortality rate	
Certificated	2020 CalSTRS Mortality
Classified	2017 CalPERS Active Mortality for Miscellaneous Employees
Post-retirement mortality rate	
Certificated	2020 CalSTRS Mortality
Classified	Hired Before 1/1/2013: 2017 CalPERS Retirement Rates for School Employees Hired After 12/31/2012: 2017 CalPERS Retirement for Miscellaneous Employees 2% at 60 adjusted to minimum retirement age of 52

Discount Rate

The discount rate used to measure the total OPEB liability was 4.75% which was based on historic 20-year real rates of return for each asset class along with assumed long-term inflation assumptions.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Changes in the Net OPEB Liability

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

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balance July 1, 2022	\$ 2,601,740	\$ 1,010,077	\$ 1,591,663
Changes for the year:			
Service cost	159,640	-	159,640
Interest	126,553	-	126,553
Employee contributions as Benefit Payments	-	34,575	(34,575)
Expected investment income	-	47,903	(47,903)
Investment gains/losses	-	11,496	(11,496)
Administrative expense	-	(3,178)	3,178
Expected benefit payments	(34,575)	(34,575)	-
Net change	251,618	56,221	195,397
Balance June 30, 2023	\$ 2,853,358	\$ 1,066,298	\$ 1,787,060

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

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

	Discount Rate 1% Lower (3.75%)	Current Discount Rate (4.75%)	Discount Rate 1% Higher (5.75%)
Net OPEB liability	\$ 2,040,285	\$ 1,787,060	\$ 1,556,952

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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

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

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 1,482,384	\$ 1,787,060	\$ 2,147,181

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

At June 30, 2023, the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 59,213	\$ -
Differences between expected and actual experience	492,493	-
Change in assumptions	29,292	71,098
	<u>\$ 580,998</u>	<u>\$ 71,098</u>

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2024	\$ 45,219
2025	51,289
2026	73,181
2027	33,764
2028	36,060
Thereafter	270,387
	<u>\$ 509,900</u>

OPEB Expense

For the year ended June 30, 2023, the District recognized OPEB expense of \$252,110.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers’ Retirement System (CalSTRS) and classified employees are members of the California Public Employees’ Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 6,947,752	\$ 2,117,314	\$ 1,347,339	\$ 782,183
CalPERS	10,422,470	3,891,501	321,282	1,606,998
Total	\$ 17,370,222	\$ 6,008,815	\$ 1,668,621	\$ 2,389,181

California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Benefits Provided, continued

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

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>STRP Defined Benefit Plan</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$1,290,712.

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

At June 30, 2023, Palo Verde Community College District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to Palo Verde Community College District. The amount recognized by Palo Verde Community College District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with Palo Verde Community College District were as follows:

District's proportionate share of the net pension liability	\$ 6,947,752
State's proportionate share of the net pension liability associated with the District	3,479,455
Total	<u>\$ 10,427,207</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

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

The net pension liability was measured as of June 30, 2022. Palo Verde Community College District's proportion of the net pension liability was based on a projection of Palo Verde Community College District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2022, the District's proportion was 0.010% which remains the same from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Palo Verde Community College District recognized pension expense of \$782,183. At June 30, 2023, the Palo Verde Community College District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 339,980
Differences between expected and actual experience	5,699	520,850
Changes in assumptions	344,300	-
Net changes in proportionate share of net pension liability	476,603	486,509
District contributions subsequent to the measurement date	1,290,712	-
Total	<u>\$ 2,117,314</u>	<u>\$ 1,347,339</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 136,422
2025	(458,904)
2026	(635,214)
2027	532,876
2028	(72,020)
Thereafter	(23,897)
	<u>\$ (520,737)</u>

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Actuarial Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015, through June 30, 2018
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in January 2020 in conjunction with the most recent experience study. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Public Equity	42%	4.8%
Real Estate	15%	3.6%
Private Equity	13%	6.3%
Fixed Income	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	-0.4%
	100%	

*20-year average

**PALO VERDE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 11,799,860	\$ 6,947,752	\$ 2,919,044

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRAs members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Plans’ provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	25.370%	25.370%

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS’ annual actuarial valuation process. Each employer rate plan’s actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan’s allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Palo Verde Community College District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023 are as presented above and the total District contributions were \$1,356,168.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$10,422,470. The net pension liability was measured as of June 30, 2022. 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 districts, actuarially determined. At June 30, 2022, the District’s proportion was 0.0303% which is an increase of 0.0003% from its proportion measured as of June 30, 2021. For the year ended June 30, 2023, the Palo Verde Community College District recognized pension expense of \$1,606,998. At June 30, 2023, the Palo Verde Community College District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 1,230,610	\$ -
Differences between expected and actual experience	47,104	259,324
Changes in assumptions	770,994	-
Net changes in proportionate share of net pension liability	486,625	61,958
District contributions subsequent to the measurement date	1,356,168	-
Total	\$ 3,891,501	\$ 321,282

**PALO VERDE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 687,928
2025	487,211
2026	297,255
2027	741,657
	\$ 2,214,051

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90% of scale MP 2016 published by the Society of Actuaries.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

Actuarial Assumptions, continued

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS), continued

Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 15,055,786	\$ 10,422,470	\$ 6,593,205

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 District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately \$558,169 to CalSTRS.

NOTE 12 – FUNCTIONAL EXPENSES

The table below illustrates the functional expenses by function categories for the year ended June 30, 2023:

	Salaries and Benefits	Supplies, Materials and Other Operating Expenses	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 8,334,920	\$ 1,621,608	-	-	\$ 9,956,528
Instructional Admin & Governance	1,406,630	550,524	-	-	1,957,154
Instructional Support Services	572,988	203,829	-	-	776,817
Admissions and Records	644,280	39,423	-	-	683,703
Students Counseling and Guidance	1,437,393	118,297	-	-	1,555,690
Student Services	1,991,144	633,866	-	-	2,625,010
Operation and Maintenance of Plant	938,491	1,170,799	-	-	2,109,290
Planning, Policy Making and Coordination	840,790	236,822	-	-	1,077,612
Institutional Support Services	2,142,480	890,087	-	-	3,032,567
Community Service	249,881	-	-	-	249,881
Ancillary Services and Auxiliary Operations	943,592	452,480	-	-	1,396,072
Auxiliary Operations	208,895	660,504	-	-	869,399
Physical Property and Related Acquisitions	-	6,078,409	-	-	6,078,409
Transfers, Student Aid and Other Outgo	-	658,000	514,133	-	1,172,133
Depreciation Expense	-	-	-	1,894,794	1,894,794
Total	\$ 19,711,484	\$ 13,314,648	\$ 514,133	\$ 1,894,794	\$ 35,435,059

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District may be involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Construction Commitments

As of June 30, 2023, the District had no construction commitments with respect to unfinished capital projects.

NOTE 14 – RISK MANAGEMENT

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

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

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

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

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 22, 2023, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2023, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 159,640	\$ 51,542	\$ 48,019	\$ 52,717	\$ 48,889	\$ 47,581
Interest	126,553	52,764	53,110	33,306	33,044	36,434
Changes of assumptions	-	-	21,746	(96,494)	18,974	-
Changes in benefits terms	-	1,057,645	-	-	-	-
Differences between expected and actual experience	-	393,695	-	204,856	-	-
Benefit payments	(34,575)	(77,907)	(74,148)	(88,705)	(101,960)	(98,038)
Net change in total OPEB liability	251,618	1,477,739	48,727	105,680	(1,053)	(14,023)
Total OPEB liability, beginning of year	2,601,740	1,124,001	1,075,274	969,594	970,647	984,670
Total OPEB liability, end of year (a)	\$ 2,853,358	\$ 2,601,740	\$ 1,124,001	\$ 1,075,274	\$ 969,594	\$ 970,647
Plan fiduciary net position						
Employer contributions	\$ 34,575	\$ 77,907	\$ 74,148	\$ 1,059,352	\$ 101,960	\$ 98,038
Expected investment income	47,903	54,819	49,899	-	-	-
Investment gains/losses	11,496	(197,117)	109,491	30,338	-	-
Administrative expense	(3,178)	(3,409)	(3,180)	(1,411)	-	-
Expected benefit payments	(34,575)	(77,907)	(74,148)	(88,705)	(101,960)	(98,038)
Change in plan fiduciary net position	56,221	(145,707)	156,210	999,574	-	-
Fiduciary trust net position, beginning of year	1,010,077	1,155,784	999,574	-	-	-
Fiduciary trust net position, end of year (b)	\$ 1,066,298	\$ 1,010,077	\$ 1,155,784	\$ 999,574	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 1,787,060	\$ 1,591,663	\$ (31,783)	\$ 75,700	\$ 969,594	\$ 970,647
Covered payroll	\$ 12,781,621	\$ 12,766,461	\$ 10,266,338	\$ 10,563,958	\$ 9,778,664	\$ 9,071,733
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37%	39%	103%	92.96%	0.00%	0.00%
Net OPEB liability (asset) as a percentage of covered payroll	13.98%	12.47%	-0.31%	0.72%	9.92%	10.70%

Note: In the future, as data becomes available, ten years of information will be presented.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRUBITIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 34,575	\$ 77,907	\$ 74,148	\$ 1,059,352	\$ 101,960	\$ 98,038
Contributions in relations to the actuarially determined contribution	34,575	77,907	74,148	1,059,352	101,960	98,038
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 12,781,621	\$ 12,766,461	\$ 10,266,338	\$ 10,563,958	\$ 9,778,664	\$ 9,071,733
Contribution as a percentage of covered-employee payroll	0.27%	0.61%	0.72%	3.55%	1.04%	1.08%

Note: In the future, as data becomes available, ten years of information will be presented.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalSTRS					
District's proportion of the net pension liability	0.0100%	0.0100%	0.0110%	0.0100%	0.0090%
District's proportionate share of the net pension liability	\$ 6,947,752	\$ 4,507,722	\$ 10,376,240	\$ 9,140,512	\$ 8,694,482
State's proportionate share of the net pension liability associated with the District	3,479,455	2,268,158	5,348,910	4,986,760	4,977,998
Total	\$ 10,427,207	\$ 6,775,880	\$ 15,725,150	\$ 14,127,272	\$ 16,812,401
District's covered - employee payroll	\$ 6,757,654	\$ 6,628,345	\$ 6,029,430	\$ 6,284,505	\$ 5,929,044
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	103%	68%	172%	145%	147%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalPERS					
District's proportion of the net pension liability	0.0303%	0.0300%	0.0300%	0.0280%	0.0260%
District's proportionate share of the net pension liability	\$ 10,422,470	\$ 6,191,486	\$ 9,068,514	\$ 8,044,105	\$ 6,943,380
District's covered - employee payroll	\$ 5,345,558	\$ 4,642,658	\$ 4,379,754	\$ 4,279,453	\$ 3,849,620
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	195%	133%	207%	188%	180%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

Note: In the future, as data becomes available, ten years of information will be presented.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalSTRS				
District's proportion of the net pension liability	0.0090%	0.0100%	0.0100%	0.0050%
District's proportionate share of the net pension liability	\$ 8,774,599	\$ 8,023,463	\$ 6,859,372	\$ 8,023,463
State's proportionate share of the net pension liability associated with the District	4,923,975	4,605,089	3,568,688	1,764,357
Total	\$ 16,949,133	\$ 17,635,940	\$ 14,181,192	\$ 12,978,171
District's covered - employee payroll	\$ 5,584,962	\$ 5,364,833	\$ 4,928,639	\$ 5,364,833
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	157%	150%	139%	150%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	70%
	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalPERS				
District's proportion of the net pension liability	0.0250%	0.0220%	0.0220%	0.0200%
District's proportionate share of the net pension liability	\$ 5,889,380	\$ 4,254,938	\$ 3,207,479	\$ 2,260,983
District's covered - employee payroll	\$ 3,486,771	\$ 3,274,568	\$ 2,608,897	\$ 2,419,879
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	169%	130%	123%	93%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	84%

Note: In the future, as data becomes available, ten years of information will be presented.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUCTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CaISTRS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 1,290,712	\$ 1,121,516	\$ 973,753	\$ 1,074,507	\$ 956,236
District's contributions in relation to the statutorily required contribution	1,290,712	1,121,516	973,753	1,074,507	956,236
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,757,654	\$ 6,628,345	\$ 6,029,430	\$ 6,284,505	\$ 5,929,044
District's contributions as a percentage of covered-employee payroll	19.10%	16.92%	16.15%	17.10%	16.13%

CaIPERS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 1,356,168	\$ 1,063,633	\$ 906,609	\$ 839,588	\$ 692,231
District's contributions in relation to the statutorily required contribution	1,356,168	1,063,633	906,609	839,588	692,231
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,345,558	\$ 4,642,658	\$ 4,379,754	\$ 4,279,453	\$ 3,849,620
District's contributions as a percentage of covered-employee payroll	25.37%	22.91%	20.70%	19.62%	17.98%

Note: In the future, as data becomes available, ten years of information will be presented.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CalSTRS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 805,908	\$ 674,896	\$ 528,843	\$ 418,101
District's contributions in relation to the statutorily required contribution	805,908	674,896	528,843	418,101
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,584,962	\$ 5,364,833	\$ 4,928,639	\$ 4,708,345
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 534,150	\$ 454,772	\$ 309,076	\$ 284,844
District's contributions in relation to the statutorily required contribution	534,150	454,772	309,076	284,844
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,486,771	\$ 3,274,568	\$ 2,608,897	\$ 2,419,879
District's contributions as a percentage of covered-employee payroll	15.32%	13.89%	11.85%	11.77%

Note: In the future, as data becomes available, ten years of information will be presented.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in Net OPEB Liability and Related Ratios

The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms - There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions - There are no changes in assumptions reported in the Required Supplementary Information.

Schedule of Contributions – OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, 10 years of information will be presented in the Schedule of Proportionate Share of the Net Pension Liability

Schedule of Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms - There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions - There were no changes in assumptions since the previous valuation for CalSTRS. The plans discount rate was changed from 7.15 percent to 6.90 percent since the previous valuation for CalPERS.

Schedule of Contributions – Pensions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

**PALO VERDE COMMUNITY COLLEGE DISTRICT
HISTORY AND ORGANIZATION
JUNE 30, 2023**

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, 2023, were as follows:

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Stella Camargo-Styers	President	2024
Angel Ramirez	Vice-President	2022
George Thomas	Clerk	2024
Jon McNeil	Trustee	2022
Brad Arneson	Trustee	2024
Glenda Williams	Trustee	2024
Stacey Davis	Trustee	2024
Albert Martinez	Student Trustee	2023

DISTRICT ADMINISTRATION

Robert Miller
Interim Superintendent/President

Stephanie Slagan
Vice President Administrative Services

Terri Long
Interim Vice President of Instruction and Student Services

AUXILIARY ORGANIZATIONS IN GOOD STANDING

AUXILIARY NAME	DIRECTOR'S NAME/TITLE	ESTABLISHMENT AND MASTER AGREEMENT DATE
Palo Verde College Foundation	Marcella Thomas <i>President</i>	Organized as an auxiliary organization in 1985 and has a signed master agreement dated September 8, 2015

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
<i>Direct Programs</i>			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	*	\$ 1,187,075
Federal Pell Administrative	84.063	*	1,580
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007	*	33,746
Federal Work Study Program	84.033	*	14,874
Total Student Financial Assistance Cluster			<u>1,237,275</u>
Higher Education Emergency Relief Funds			
COVID-19 HEERF Institutional Portion	84.425F	*	337,325
TRIO Cluster			
Student Support Services Program	84.042A	*	233,999
Upward Bound	84.047	*	103,723
Total TRIO Cluster			<u>337,722</u>
Child Care Access Means Parents in School (CCAMPIS)	84.335	*	64,600
Title V HSI - Higher Education Institutional Aid	84.031	*	147,841
<i>Passed Through California Department of Education</i>			
Career and Technical Education - Title I-C	84.048	18-C01-038	155,982
Total U.S. Department of Education			<u>2,280,745</u>
U.S. Department of Treasury			
<i>Passed through California Community Colleges Chancellor's Office:</i>			
COVID-19 Coronavirus Relief Fund	21.019	*	165,964
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	*	514,131
Total U.S. Department of Treasury			<u>680,095</u>
U.S. Department of Agriculture			
<i>Passed Through California Department of Education</i>			
Child Care Food Program	10.558	*	43,591
CalFresh	10.561	*	508
Total U.S. Department of Agriculture			<u>44,099</u>
U.S. Department of Health and Human Services			
<i>Passed Through California Community Colleges Chancellor's Office</i>			
Temporary Assistance for Needy Families	93.558	*	30,647
Total U.S. Department of Health and Human Services			<u>30,647</u>
Total Federal Programs			<u>\$ 3,035,586</u>

*Pass-Through number is either not available or not applicable.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Program Title	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Grantor Advances	Total Revenue	
Adult Basic Education Grant (AB86)	\$ 1,359,319	\$ -	\$ 554,430	\$ 804,889	\$ 804,889
Access to Print	10,886	-	20	10,866	10,866
Basic Needs Center	312,128	-	225,900	86,228	86,228
California Work Opportunity & Responsibility to Kids	152,702	-	-	152,702	152,702
Cultural Competence Faculty PD	50,435	-	50,435	-	-
Child Development Center	447,401	4,511	(51,164)	503,076	503,076
Cooperative Agencies & Resources for Education	127,562	-	-	127,562	127,562
Covid 19 Block Grant	1,551,776	-	1,385,812	165,964	165,964
Deaf and Hard of Hearing	8,082	-	-	8,082	8,082
Disabled Students Programs & Services	297,487	-	-	297,487	297,487
CTE Data Unlock Grant	47,703	-	47,703	-	-
EEO Best Practice	197,353	-	104,020	93,333	93,333
Equal Employment Opportunity	143,700	-	1,603	142,097	142,097
Extended Opportunity Programs & Services	948,077	-	-	948,077	948,077
Financial Aid Technology	182,848	-	182,848	-	-
Guided Pathways	159,660	-	92,105	67,555	67,555
Hunger Free Campus	338,256	-	337,692	564	564
Invention and Inclusive Innovation Initiative	-	110,000	50,053	59,947	59,947
Block Grant (Sch Mtn)	4,319,379	-	3,874,308	445,071	445,071
Instructional Equipment Grant	1,000,041	-	922,390	77,651	77,651
LGBTQ+	57,788	-	50,170	7,618	7,618
Library	2,448	-	-	2,448	2,448
Lottery	342,110	70,461	208,229	204,342	204,342
Mental Health Services	256,497	-	125,188	131,309	131,309
Management Information Systems	300,000	-	287,960	12,040	12,040
Nextup	100,694	-	98,779	1,915	1,915
Outreach Program	330,940	-	180,295	150,645	150,645
Partnership Resource Team - IEPI	225,245	-	80,075	145,170	145,170
Puente	70,000	-	54,888	15,112	15,112
Rising Scholars	148,000	-	100,132	47,868	47,868
Rural Technology Grant	109,248	-	89,312	19,936	19,936
Student Equity Achievement	1,559,854	-	379,677	1,180,177	1,180,177
Student Financial Aid Administration	271,363	-	30,085	241,278	241,278
Student Success Completion Grant	244,259	-	100,000	144,259	144,259
UMOJA	14,967	-	14,967	-	-
Undocumented Resource Liaisons	103,017	-	36,490	66,527	66,527
Veterans Resource Center	57,849	-	49,546	8,303	8,303
Zero Textbook Cost Program	200,000	-	176,834	23,166	23,166
Strong Workforce Program (Other Reimbursable)	310,951	-	26,317	284,634	284,634
Total	\$ 16,360,025	\$ 184,972	\$ 9,867,099	\$ 6,677,898	\$ 6,677,898

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit	0.25	-	0.25
2. Credit	263.90	-	263.90
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	201.03	-	201.03
(b) Daily Census Contact Hours	151.78	-	151.78
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	15.80	-	15.80
(b) Credit	708.02	-	708.02
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,169.90	-	1,169.90
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	2,510.68	-	2,510.68
Supplemental Information (subset of above information)			
E. In-service Training Courses	820.00	-	820.00
F. Basic Skills Courses and Immigrant Education			
1. Credit	2.40	-	2.40
2. Noncredit	3.03	-	3.03
Total Basic Skills FTES	5.43	-	5.43

**PALO VERDE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 5,912,446	\$ -	\$ 5,912,446	\$ 5,912,446	\$ -	\$ 5,912,446
Other	1300	-	-	-	-	-	-
Total Instructional Salaries		5,912,446	-	5,912,446	5,912,446	-	5,912,446
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	1,342,225	-	1,342,225
Other	1400	-	-	-	-	-	-
Total Non-Instructional Salaries		-	-	-	1,342,225	-	1,342,225
Total Academic Salaries		5,912,446	-	5,912,446	7,254,671	-	7,254,671
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	3,089,367	-	3,089,367
Other	2300	-	-	-	-	-	-
Total Non-Instructional Salaries		-	-	-	3,089,367	-	3,089,367
Instructional Aides							
Regular Status	2200	-	-	-	-	-	-
Other	2400	-	-	-	-	-	-
Total Instructional Aides		-	-	-	-	-	-
Total Classified Salaries		-	-	-	3,089,367	-	3,089,367
Employee Benefits	3000	1,994,197	-	1,994,197	4,283,322	-	4,283,322
Supplies and Materials	4000	-	-	-	235,641	-	235,641
Other Operating Expenses	5000	2,039,596	-	2,039,596	4,633,754	-	4,633,754
Equipment Replacement	6420	-	-	-	25,406	-	25,406
Total Expenditures Prior to Exclusions		9,946,239	-	9,946,239	19,522,161	-	19,522,161
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	72,628	-	72,628	72,628	-	72,628
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	64,261	-	64,261
Object to Exclude							
Rents and Leases	5060	-	-	-	347,155	-	347,155
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	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	516,473	-	516,473
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	25,406	-	25,406
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	25,406	-	25,406
Total Capital Outlay		-	-	-	25,406	-	25,406
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 72,628	\$ -	\$ 72,628	\$ 1,025,923	\$ -	\$ 1,025,923
Total for ECS 84362, 50% Law		\$ 9,873,611	\$ -	\$ 9,873,611	\$ 18,496,238	\$ -	\$ 18,496,238
Percent of CEE (Instructional Salary Cost/Total CEE)		53.38%	0.00%	53.38%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 9,248,119	\$ -	\$ 9,248,119

**PALO VERDE COMMUNITY COLLEGE DISTRICT
 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
 FOR THE YEAR ENDED JUNE 30, 2023**

EPA Revenue	\$ 3,826,110
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 3,826,110	\$ -	\$ -	\$ 3,826,110
Total		\$ 3,826,110	\$ -	\$ -	\$ 3,826,110

**PALO VERDE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO NET POSITION
JUNE 30, 2023**

Total Fund Equity - District Funds Included in the Reporting Entity:

General Fund		\$	12,815,615
Debt Service Funds			2,173,319
Child Development Fund			24,560
Capital Outlay Project Funds			2,993,147
Bookstore Fund			313,117
Internal Service Fund			589,308
Student Financial Aid Fund			9,621
Fiduciary Funds			107,980
Total fund balances as reported in the CCFS-311		\$	<u>19,026,667</u>

Assets recorded within the statements of net position not included in the District fund financial statements:

Nondepreciable capital assets	6,969,727	
Depreciable capital assets	86,034,665	
Accumulated depreciation	<u>(28,501,436)</u>	64,502,956

Note Receivable 171,843

Deferred outflows recorded within the statement of net position not included in the District fund financial statements:

Deferred loss on refunding	555,592	
Deferred inflows related to OPEB	580,998	
Deferred inflows related to pensions	<u>6,008,815</u>	7,145,405

Amounts held in trust on behalf of others (Trust and Agency Funds) (94,304)

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. (204,963)

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. 158,256

Liabilities recorded within the statements of net position not recorded in the District fund financial statements:

Bonds payable	(15,611,874)	
Bond premiums	(331,553)	
Certificates of participation	(10,965,000)	
Compensated absences	(605,001)	
Net OPEB liability	(1,787,060)	
Net pension liability	(17,370,222)	
OPEB - Cash in Lieu plan	<u>(3,606,861)</u>	(50,277,571)

Deferred inflows recorded within the statement of net position not included in the District fund financial statements:

Deferred inflows related to OPEB	(71,098)	
Deferred inflows related to pensions	<u>(1,668,621)</u>	(1,739,719)

Net Position Reported Within the Statement of Net Position \$ 38,688,570

**PALO VERDE COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

History and Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as allowed under Uniform Guidance.

The District does not provide Federal awards to subrecipients during the year ended June 30, 2023.

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.

Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Fund Equity to 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.

OTHER INDEPENDENT AUDITORS' REPORTS



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 the 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 financial statements of the business-type activities, fiduciary activities, and the aggregate remaining fund information of Palo Verde Community College District (the District) as of and for the year ended June 30, 2023, 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 22, 2023.

Report on 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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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 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.



San Diego, California
December 22, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Palo Verde Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2023. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Palo Verde Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Palo Verde Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Palo Verde Community College District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Palo Verde Community College District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Palo Verde Community College District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Palo Verde Community College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Palo Verde Community College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Palo Verde Community College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

CWDL, Certified Public Accountants

San Diego, California
December 22, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

Opinion on State Compliance

We have audited Palo Verde Community College District's (the District) compliance with the types of compliance requirements as identified in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual* for the year ended June 30, 2023. The applicable state compliance requirements are identified in the table below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2023.

Basis for Opinion

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 the compliance requirements described in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

- Section 411 – SCFF Data Management Control Environment
- Section 412 – SCFF Supplemental Allocation Metrics
- Section 413 – SCFF Success Allocation Metrics
- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded From Other Sources
- Section 424 – Student Centered Funding Formula Base Allocation: FTES
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 490 – Propositions 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds
- Section 492 – Student Representation Fee
- Section 494 – State Fiscal Recovery Fund
- Section 499 – COVID-19 Response Block Grant Expenditures

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 22, 2023

FINDINGS AND RECOMMENDATIONS

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION I – SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	<u>No</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.007, 84.268, 84.033 84.063	Student Financial Aid Cluster
84.425E, 84.425F, 84.425N	Cares Act - HEERF Funds

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

STATE AWARDS

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

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or recommendations identified during 2022-23.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2022-23.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION IV – STATE AWARDS FINDINGS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2022-23.

**PALO VERDE COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023**

This section identifies the audit findings and questioned related to the basic financial statements, federal awards or state awards for prior year.

There were no findings or questioned costs identified during 2021-22.