



Board of Trustees
Desert Community College District
Palm Desert, California

We have audited the basic financial statements of Desert Community College District (the District) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As described in Note 2 and Note 15 to the financial statements, the District changed accounting practices related to cost of issuance by adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The application of existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Management's estimate of the cost of capital assets net of accumulated depreciation. Depreciation is the recognition of the use of the capital assets over time. Conditions may exist that result in assets having a longer or shorter useful life than is reflected within these statements. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the OPEB liability is based on the work performed by an actuary. We evaluated the key factors and assumptions used by the specialist to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Lastly, the estimate of the future costs of pension plan benefits provided to retirees is based upon employee members' final compensation, age and years of service credit, District contributions to the plans, and projected retirement pension benefit pay-outs. These factors are considered by the actuary in determining both the estimated liability, as well as deferred inflows and outflows of resources associated with the liability. Note 12 to the financial statements provide additional information about the actuarial methods and assumptions used, and the required supplementary information provides the schedule of progress toward funding this liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted in completing our audit.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2015.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention. We have issued a management letter which provides suggestions for improvements in internal control.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Warrick, Irine, Day & Co. LLP

Riverside, California
December 18, 2015



Board of Trustees
Desert Community College District
Palm Desert, California

In planning and performing our audit of the financial statements of the business-type activities of the Desert Community College District (the District) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that may exist that were not identified.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the District's internal control to be control deficiencies:

Receipting Finding - District Clearing Account/Campus Clubs/Associated Students/Library

Observation

Receipts are not being issued consistently at the time in which funds are received by the Bursar's Office. This applies to both funds that flow through from the Business Office, as well as funds that are brought directly to the Bursar's Office by Campus Clubs and the Associated Students activities. We were unable to verify the date cash and deposits were received or verify whether or not all funds received made it to the bank in a timely manner. There is no indication on the deposit packages that they have been reviewed by someone other than the individual making the deposit.

Recommendation

Receipts should be issued for all monies coming through the District that details the date of receipt, the source of the receipt, what the receipt is for, and the amount of the receipt. All deposits to the bank should be reconciled to the receipt book and reviewed by someone other than the one preparing the deposit for accuracy.

Observation

The General Fund's US Bank account is not being reconciled on a consistent basis. There was a trivial difference of \$15,142 that the District did not reconcile.

Recommendation

The District should implement a monthly procedure to ensure that the US Bank account is reconciled in a timely manner and there is evidence of a review by someone other than the preparer.

Observation

The Library is not able to show that the monies collected on a daily basis are the full amount of cash collected. There are no receipts issued and/or support that is printed out from the printer or copy machines to ensure that amounts that were collected agree to the money deposited.

Recommendation

The Library should be submitting supporting documentation with the deposits to ensure that all funds collected are being deposited and recorded on the general ledger.

We appreciate the time and assistance the staff of the District Business Office and others throughout the college campus provided during our audit. We will follow up on each of the areas noted above during the early stage of our fieldwork for the 2015-2016 fiscal year.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Warwick Fine, Day & Co. LLP

Riverside, California
December 18, 2015

DESERT COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

DESERT COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS JUNE 30, 2015

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements - Primary Government	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds	
Statement of Net Position	19
Statement of Changes in Net Position	20
Notes to Financial Statements	21

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Other Postemployment Benefits (OPEB) Funding Progress	62
Schedule of the District's Proportionate Share of the Net Pension Liability	63
Schedule of District Contributions	64

SUPPLEMENTARY INFORMATION

District Organization	66
Schedule of Expenditures of Federal Awards	67
Schedule of Expenditures of State Awards	69
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	70
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	71
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Fund Balance	74
Proposition 30 Education Protection Act (EPA) Expenditure Report	75
Reconciliation of Governmental Funds to the Statement of Net Position	76
Note to Supplementary Information	77

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	80
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	82
Report on State Compliance	84

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	87
Financial Statement Findings and Recommendations	88
Federal Awards Findings and Questioned Costs	89
State Awards Findings and Questioned Costs	90
Summary Schedule of Prior Audit Findings	91

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Desert Community College District
Palm Desert, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Desert Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 14, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 62, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 63, and the Schedule of District Contributions on page 64 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.

Other Information

Our audit was conducted for the purpose of forming an opinion 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 as required by (U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vaurick Fine, Day & Co. LLP

Riverside, California
December 18, 2015

Bonnie Stefan, Ed.D.
Chair, Board of Trustees

Mary Jane Sanchez-Fulton
Vice Chair

Aurora Wilson
Clerk

Becky Broughton
Member

Michael O'Neill
Member

Tamara Escobar
Student Trustee

Joel L. Kinnamon, Ed.D.
Superintendent/President



USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Desert Community College District (the District) as of June 30, 2015. The report consists of three basic financial statements: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Desert Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for Public College and Universities*. This statement allows for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and non-operating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes. This model prescribes that the districts need only issue consolidated statements. This reporting model does not require fund financial statements to be included with the District's annual financial report.

DESERT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

FINANCIAL HIGHLIGHTS

The following discussion and analysis provide an overview of the District's financial activities:

As of June 30, 2015, the District's total net position is \$73,684,184. Total net position of the District decreased \$8,299,606 from the previous year. The District's General Fund Unrestricted balance at the end of the fiscal year decreased to \$8,367,849. The District continues to maintain the board recommended 7.5 percent reserve for economic uncertainties.

The District's primary unrestricted funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2014-2015 fiscal year, total funded credit and non-credit FTES were 8,088 with unfunded credit FTES of 147.

Cost-of-living and growth adjustment: The State budget provided a 85 percent cost-of-living (COLA) and, although no growth funding was included, workload restoration continues as an enhancement to the apportionments.

Enrollment fee: During 2014-2015, the enrollment fees charged to students were unchanged at \$46 per unit which is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

The voters within the boundaries of the Desert Community College District overwhelmingly supported the passage of Measure B, a \$346.5 million general obligation bond issue on March 2, 2004. The term of the bonds will be from August 2004 to and including 2046. The first issuance for bond sales was for \$65 million in August 2004 and refunded in June 2005 bringing the total to \$73 million. In November 2007, the District issued General Obligation Bonds, Series 2007B, in the amount of \$57,850,000. In December 2007, the District issued the final approved principle amount of General Obligation Bonds, Series 2007C, in the amount of \$223,648,444. These bonds will be used to fund the District's Capital Improvement Plan, which includes acquisition, construction, modernization, renovation, and equipping of certain District property and facilities, and to pay certain costs of issuance of said bonds.

STATEMENT OF NET POSITION

The District's financial position, as a whole, declined during the current fiscal year ending June 30, 2015. Its total net position decreased \$8.3 million from the previous year due primarily to increases in bond repayment obligations and the implementation of an Early Retirement Plan.

The State was unable to fund growth for 2014-2015. However, voters approved Proposition 30 in 2012 to increase State sales tax, funding the District \$5.6 million. Despite the slow rebound of the economy in the Coachella Valley, property taxes for our District increased due to the liquidation of the city redevelopment agencies. Assets and liabilities were controlled through proper fiscal management.

- Cash, cash equivalents, and investments in current assets consist of cash in the County Treasury and in local banks of \$108,316,913 as of June 30, 2015, compared to \$114,198,747 as of June 30, 2014.

DESERT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

- Receivables consist mainly of State and Federal grants, interest, lottery, State apportionment, and redevelopment funds in which the District has earned funds that were not yet received as of June 30, 2015, in the amount of \$3,946,775 compared to \$5,622,769 as of June 30, 2014.
- Noncurrent restricted investments consist of unspent general obligation bond proceeds for capital improvements and expansion of the District. The fair market value of unspent general obligation bond proceeds in noncurrent restricted investments as of June 30, 2015, in the amount of \$43,694,938 compared to \$43,625,691 as of June 30, 2014.
- Capital assets, net, are the net value of land, buildings, construction, machinery, equipment, vehicles, and works of art, less accumulated depreciation. The breakdown of this total net value can be found in the notes to the financial statements. Net capital assets as of June 30, 2015, amounted to \$344,718,815 compared to \$346,340,847 for fiscal year ending June 30, 2014.
- Accounts payable and accrued liabilities consist of payables to vendors, accrued payroll, and benefits of \$9,881,870 in 2014-2015 compared to \$11,664,198 in 2013-2014. Accrued interest payable on bonds as of the end of fiscal year 2014-2015 of \$4,065,534 compared to \$4,690,354 for fiscal year ending 2013-2014.
- Unearned revenue relates to Federal, State, and local program funds received, but not yet earned, as of the end of the fiscal year 2014-2015 of \$2,983,469 compared to \$1,232,952 at the end of fiscal year 2013-2014. Most grant funds are earned when spent, up to the award amount.
- Current and noncurrent liabilities consist of compensated absences as of June 30, 2015, in the amount of \$960,683 compared to \$684,544 for 2013-2014, PARS supplemental early retirement plan of \$2,372,184 as of June 30, 2015, compared to \$2,072,244 for 2013-2014, and the net other postemployment benefit obligation of \$2,800,565 as of June 30, 2015, compared to \$2,148,786 for 2013-2014. Due to the District implementing GASB Statement No. 68 in the current fiscal year the, and restating beginning balances, the District's aggregate net pension obligation is \$35,593,784 as of June 30, 2015, as compared to \$45,031,615 for 2013-2014.
- Bonds payable of \$350,526,022 at June 30, 2015, compared to \$352,850,384 at June 30, 2014, represent general obligation bonds issued under Proposition 39/Measure B for capital improvements and expansion of the District. These bonds are discussed in greater detail in the notes to the financial statements.

DESERT COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

(Amounts in thousands)	2015	*2014 (as restated)	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and investments	\$ 108,317	\$ 114,199	\$ (5,882)	-5%
Accounts receivable	3,947	5,623	(1,676)	-30%
Other current assets	56	2	54	2700%
Total Current Assets	<u>112,320</u>	<u>119,824</u>	<u>(7,504)</u>	<u>-6%</u>
Noncurrent Assets				
Investments	43,695	43,625	70	0%
Capital assets (net)	<u>344,719</u>	<u>346,341</u>	<u>(1,622)</u>	<u>0%</u>
Total Noncurrent Assets	<u>388,414</u>	<u>389,966</u>	<u>(1,552)</u>	<u>0%</u>
Total Assets	<u>500,734</u>	<u>509,790</u>	<u>(9,056)</u>	<u>-2%</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,096	-	1,096	100%
Current year pension contribution	3,017	2,741	276	10%
Net change in proportionate share of net pension obligation	<u>70</u>	<u>-</u>	<u>70</u>	<u>100%</u>
Total Deferred Outflows of Resources	<u>4,183</u>	<u>2,741</u>	<u>1,442</u>	<u>53%</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	16,937	17,589	(652)	-4%
Current portion of long-term debt	<u>5,947</u>	<u>5,293</u>	<u>654</u>	<u>12%</u>
Total Current Liabilities	<u>22,884</u>	<u>22,882</u>	<u>2</u>	<u>0%</u>
Long-Term Debt	<u>398,443</u>	<u>407,665</u>	<u>(9,222)</u>	<u>-2%</u>
Total Liabilities	<u>421,327</u>	<u>430,547</u>	<u>(9,220)</u>	<u>-2%</u>
DEFERRED INFLOWS OF RESOURCES				
Difference between projected and actual earnings on pension plan investments	<u>9,906</u>	<u>-</u>	<u>9,906</u>	<u>100%</u>
NET POSITION				
Net investment in capital assets	60,073	64,794	(4,721)	-7%
Restricted	52,704	46,603	6,101	13%
Unrestricted	<u>(39,093)</u>	<u>(29,413)</u>	<u>(9,680)</u>	<u>33%</u>
Total Net Position	<u>\$ 73,684</u>	<u>\$ 81,984</u>	<u>\$ (8,300)</u>	<u>-10%</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the District, including fees such as health fees, parking fees, and other student fees. Regular enrollment fees remained at \$46 per unit in 2014-2015. This rate is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

DESERT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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

State apportionments, non-capital, consists of State apportionment and other apportionments which includes Basic Skills and General Purpose funding. State apportionment represents total general apportionment earned less regular enrollment fees, less property taxes.

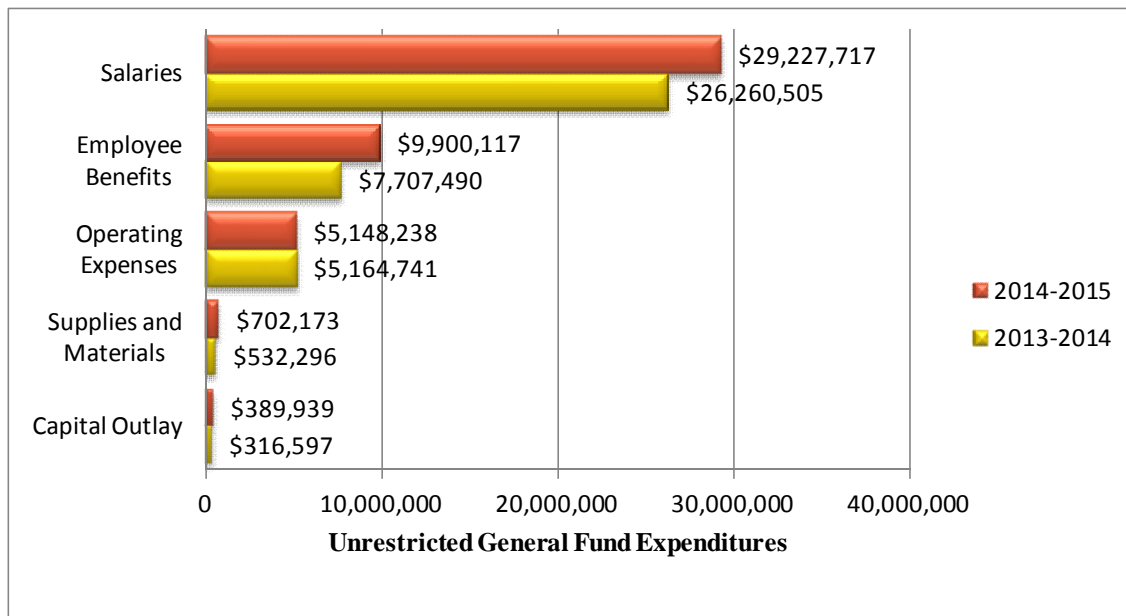
Local property taxes decreased due to a reduction in the revenues received from redevelopment asset liquidations over prior year. As noted above, decreases or increases in property tax revenue affect the District's State apportionment revenue. The housing market has shown improvement in the Coachella Valley, as well as in California. Interest rates are still relatively low, thus encouraging some home sales, but the banking industry has tightened lending qualification requirements that have a direct impact on sales.

State revenue consists primarily of State lottery revenue.

Net investment expense has increased due to the capital appreciation bond program.

Capital apportionment and property taxes consist mainly of Series bond expenditures for architectural and engineering fees, construction of buildings, and infrastructure.

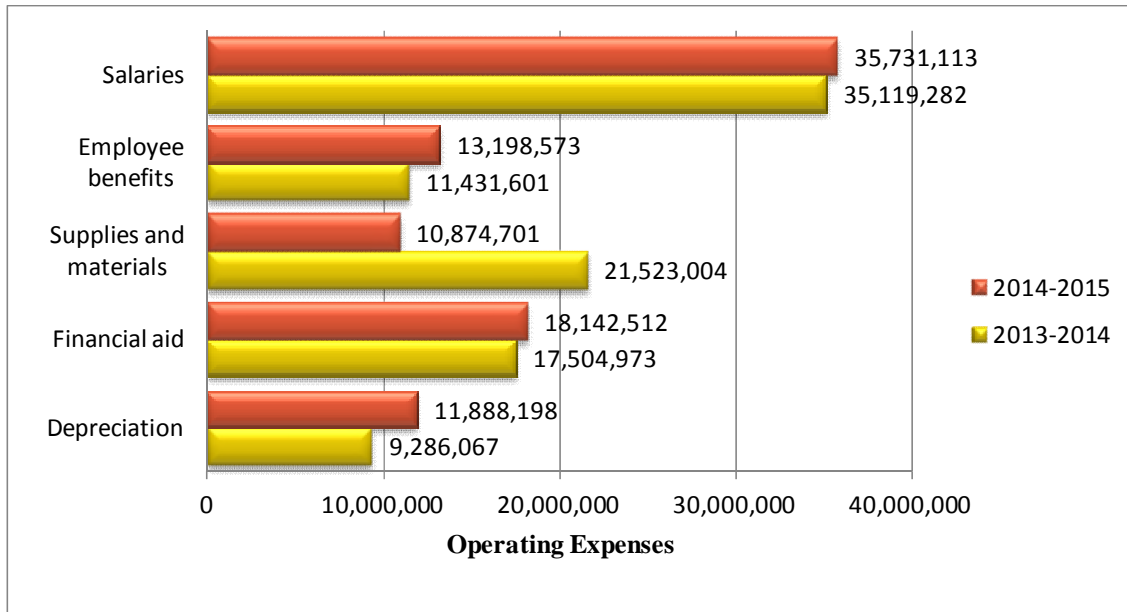
The following graph reflects the expenditures of the Unrestricted General Fund for the years ended June 30, 2015 and 2014, respectively.



DESERT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

The following graph reflects the Operating Expenses of the District for the years ended June 30, 2015 and 2014, respectively.



DESERT COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

(Amounts in thousands)	2015	2014	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	\$ 5,139	\$ 4,557	\$ 582	13%
Other operating revenue	115	116	(1)	100%
Total Operating Revenues	<u>5,254</u>	<u>4,673</u>	<u>581</u>	<u>12%</u>
Operating Expenses				
Salaries and benefits	48,930	46,551	2,379	5%
Supplies and maintenance	7,733	19,821	(12,088)	-61%
Student financial aid	18,143	17,505	638	4%
Equipment and maintenance	3,091	1,702	1,389	82%
Depreciation	11,888	9,286	2,602	28%
Total Operating Expenses	<u>89,785</u>	<u>94,865</u>	<u>(5,080)</u>	<u>-5%</u>
Loss on Operations	<u>(84,531)</u>	<u>(90,192)</u>	<u>5,661</u>	<u>-6%</u>
Nonoperating Revenues (Expenses)				
State apportionments	6,261	5,891	370	6%
Property taxes	46,945	42,727	4,218	10%
Grants and contracts	24,798	24,799	(1)	0%
State revenues	3,390	1,804	1,586	88%
Net interest expense	(13,716)	(11,554)	(2,162)	19%
Other nonoperating revenues	7,016	17,832	(10,816)	-61%
Total Nonoperating Revenue	<u>74,694</u>	<u>81,499</u>	<u>(6,805)</u>	<u>-8%</u>
Other Revenues (Expenses)				
State and local capital income	1,537	573	964	168%
Loss on disposal of capital assets	-	(795)	795	-100%
Net Change in Net Position	<u>\$ (8,300)</u>	<u>\$ (8,915)</u>	<u>\$ 615</u>	<u>-7%</u>

DESERT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

STATEMENT OF FUNCTIONAL EXPENSES

(Amounts in thousands)

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment Maintenance and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 20,139,528	\$ 7,254,816	\$ 600,111	\$ 743,634	\$ -	\$ -	\$ 28,738,089
Academic support	1,656,971	467,371	558,334	230,186	-	-	2,912,862
Student services	5,214,013	1,584,248	970,900	179,451	-	-	7,948,612
Plant operations and maintenance	1,683,804	819,676	2,579,105	865,428	-	-	5,948,013
Planning, Policymaking, and Coordination	672,590	268,269	218,020	7,300	-	-	1,166,179
Instructional support services	3,656,067	1,872,581	2,342,634	166,879	-	-	8,038,161
Community services and economic development	472,940	177,660	448,157	31,379	-	-	1,130,136
Ancillary services and auxiliary operations	2,235,200	753,952	-	241,860	-	-	3,231,012
Physical property and related acquisitions	-	-	15,923	625,400	-	-	641,323
Student aid	-	-	-	-	18,142,512	-	18,142,512
Unallocated depreciation	-	-	-	-	-	11,888,198	11,888,198
Total	\$ 35,731,113	\$ 13,198,573	\$ 7,733,184	\$ 3,091,517	\$ 18,142,512	\$ 11,888,198	\$ 89,785,097

STATEMENT OF CASH FLOWS

(Amounts in thousands)

	2015	2014	Increase (Decrease)	Percent Change
Cash Provided by (Used in)				
Operating activities	\$ (67,895)	\$ (84,162)	\$ 16,267	-19%
Noncapital financing activities	74,543	73,123	1,420	2%
Capital financing activities	(12,840)	(56,627)	43,787	-77%
Investing activities	310	23,015	(22,705)	-99%
Net Decrease in Cash	(5,882)	(44,651)	38,769	-87%
Cash, Beginning of Year	114,199	158,850	(44,651)	-28%
Cash, End of Year	\$ 108,317	\$ 114,199	\$ (5,882)	-5%

The primary cash receipts from operating activities consist of student fees. The primary cash outlays include payment of wages, supplies, student financial aid, and contracts.

The general apportionment is the primary source of non-capital financing. The two main components of general apportionment are State apportionment and property taxes. Non-operating receipts also include Federal and State grants.

The main financing activities are purchases of capital assets (land, buildings, and equipment).

Cash from investing activities is interest on investments.

DESERT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSETS

As of June 30, 2015, the District had over \$344.7 million in net capital assets. Total capital assets of approximately \$412.4 million consist of land, buildings, construction in progress, site improvements, equipment and vehicles, and works of art. These assets have accumulated depreciation of approximately \$67.7 million. Net capital asset additions of approximately \$77.1 million occurred during 2014-2015, and depreciation expense of approximately \$11.9 million was recorded for the year.

Capital additions were primarily funded by bond proceeds and redevelopment for improvement of facility infrastructure. We present more detailed information regarding our capital assets in the notes to the financial statements.

(Amounts in thousands)	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land, works of art, and construction in progress	\$ 104,984	\$ 2,100	\$ (66,838)	\$ 40,246
Buildings and improvements	286,517	72,582	-	359,099
Furniture and equipment	10,640	2,422	-	13,062
Subtotal	402,141	77,104	(66,838)	412,407
Accumulated depreciation	(55,800)	(11,888)	-	(67,688)
	<u>\$ 346,341</u>	<u>\$ 65,216</u>	<u>\$ (66,838)</u>	<u>\$ 344,719</u>

Note 5 to the financial statements provides additional information on capital assets.

DEBT ADMINISTRATION

As of June 30, 2015, the District had \$362.7 million in debt from general obligation bonds consisting of \$350.5 million of debt and \$12.2 million premium on debt allocated over the life of the bond. The general obligation bonds were issued to fund renovation of the Palm Desert campus buildings and infrastructure, along with construction of 12 new buildings and a new permanent site for the Eastern and Western Valley satellite campuses. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds.

DESERT COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

A summary of the long-term debt is as follows:

(Amounts in thousands)	Balance Beginning of Year <u>(as restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance End of Year <u></u>
General obligation bonds	\$ 363,020	\$ 52,348	\$ (52,705)	\$ 362,663
Compensated absences	685	276	-	961
PARS supplemental early retirement plan	2,072	714	(414)	2,372
Other postemployment benefits obligation	2,149	843	(192)	2,800
Aggregate net pension obligation	<u>45,032</u>	<u>-</u>	<u>(9,438)</u>	<u>35,594</u>
Total Long-Term Debt	<u>\$ 412,958</u>	<u>\$ 54,181</u>	<u>\$ (62,749)</u>	<u>\$ 404,390</u>

Note 9 to the financial statements provides additional information on long-term obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2014-2015 Desert Community College District budget was developed with input from the Budget Sub-Committee. Revenue projections included conservative projections received from the Chancellor's Office and other agencies. The Budget Sub-Committee continued to review and monitor changes throughout the year.

Proposition 30, The Schools and Local Public Safety Protection Act of 2012, passed in November 2012. This proposition temporarily raises the State sales and use tax by a quarter-cent for four years and the personal income taxes on those high income earners (\$250,000 for individuals and \$500,000 for couples) for seven years to provide continuing funding for the local school districts and community colleges. The Education Protection Account (EPA) is created in the General Fund to receive and disburse these temporary tax revenues.

Due to the prudent actions taken in 2012-2013, the District provided resources to students and staff while maintaining a 7.5 percent Unrestricted General Fund reserve together with an additional \$710,396 toward future health insurance liabilities in 2013-2014. The semi-restricted retiree health insurance fund was established in 2005-2006 with funds from the General Fund toward the unfunded liabilities. Management continues to closely monitor the liabilities related to retiree benefits. The Other Postemployment Benefit Trust Fund was established to ensure the commitments toward this liability are sufficient. This irrevocable fund, together with the semi-restricted internal service fund, have enough funding to cover the current actuarial liability as identified in the April 2014 Actuarial Report.

DESERT COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DESERT COMMUNITY COLLEGE DISTRICT

The District's economic position is closely tied to the State of California as State apportionments and property taxes represent approximately 90 percent of the total revenue within the Unrestricted General Fund. As the State's economy has been weak and intermittent in past years, restricted State resources have led to limited access to educational services demanded by potential students. On a positive note, the State economy continues to improve and should provide additional funding beginning with 2014-2015. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State Chancellor's Office.

Capital improvement expenditures continue to be possible due to the passage of General Obligation Bond Measure B. During 2014-2015, these funds will accommodate the planning and construction of projects as mentioned below:

- Continue construction and completion of the new Athletic Facilities, Visual Art, and Applied Science Buildings and renovation of the Agriculture Building.
- Continue construction of the Child Development addition and Stagecraft Building.
- Continued construction and completion of the Indio Educational Center.
- Continue planning for the limited renovation of Administration, Hilb, and Building C. Review of Liberal Arts and Center Campus design.
- Continue to explore satellite campus planning for both east and west valley.

Redevelopment funds funded the new 3.5 megawatt Solar Photovoltaic System constructed on carport structures on the west side of the campus. Construction completed in 2014 and is currently fully operational. This is expected to provide approximately two-thirds of the energy needed to power the campus.

In new construction, the Desert Community College District has focused on conservation, building 'smart' facilities with the latest energy reduction and indoor environmental quality technologies and water reduction features. The features will lead to the achievement of Leadership in Energy and Environmental Design (LEED) certificate ratings.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Fiscal Services at Desert Community College District, 43-500 Monterey Avenue, Palm Desert, California 92260.

DESERT COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2015**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,220,145
Investments	107,096,768
Accounts receivable	3,946,775
Prepaid expenses	56,513
Total Current Assets	<u>112,320,201</u>
Noncurrent Assets	
Restricted investments - noncurrent portion	43,694,938
Nondepreciable capital assets	40,245,840
Depreciable capital assets, net of depreciation	304,472,975
Total Noncurrent Assets	<u>388,413,753</u>
TOTAL ASSETS	<u>500,733,954</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,095,875
Current year pension contribution	3,016,953
Net change in proportionate share of net pension obligation	70,253
Total Deferred Outflows of Resources	<u>4,183,081</u>
LIABILITIES	
Current Liabilities	
Accounts payable	9,881,870
Interest payable	4,065,534
Due to fiduciary funds	5,268
Unearned revenue	2,983,469
Bonds payable - current portion	5,390,000
PARS supplemental early retirement plan - current portion	557,327
Total Current Liabilities	<u>22,883,468</u>
Noncurrent Liabilities	
Compensated absences payable	960,683
Bonds payable - noncurrent portion	345,136,022
Bond premium	12,137,169
Other postemployment benefits (OPEB) obligation	2,800,565
PARS supplemental early retirement plan - noncurrent portion	1,814,857
Aggregate net pension obligation	35,593,784
Total Noncurrent Liabilities	<u>398,443,080</u>
TOTAL LIABILITIES	<u>421,326,548</u>
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	9,906,303
NET POSITION	
Net investment in capital assets	60,073,763
Restricted for:	
Debt service	16,187,231
Capital projects	35,213,719
Educational programs	1,302,560
Unrestricted	(39,093,089)
TOTAL NET POSITION	<u>\$ 73,684,184</u>

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Student Tuition and Fees	\$ 12,206,940
Less: Scholarship discount and allowance	(7,067,633)
Net tuition and fees	<u>5,139,307</u>
Other Operating Revenues	<u>114,644</u>
TOTAL OPERATING REVENUES	<u>5,253,951</u>
OPERATING EXPENSES	
Salaries	35,731,113
Employee benefits	13,198,573
Supplies, materials, and other operating expenses and services	7,733,184
Student financial aid	18,142,512
Equipment, maintenance, and repairs	3,091,517
Depreciation	11,888,198
TOTAL OPERATING EXPENSES	<u>89,785,097</u>
OPERATING LOSS	<u>(84,531,146)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	6,260,904
Local property taxes, levied for general purposes	30,927,121
Taxes levied for other specific purposes	16,017,501
Federal grants	18,974,737
State grants	5,823,787
Other State revenues	3,390,469
Investment income	379,175
Interest expense on capital related debt	(14,129,929)
Investment income on capital asset-related debt, net	34,605
Transfer to fiduciary funds	(3,020,000)
Other nonoperating revenue	10,035,703
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>74,694,073</u>
LOSS BEFORE OTHER REVENUES	<u>(9,837,073)</u>
State revenues, capital	<u>1,537,467</u>
CHANGE IN NET POSITION	<u>(8,299,606)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>81,983,790</u>
NET POSITION, END OF YEAR	<u>\$ 73,684,184</u>

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 5,133,327
Payments to vendors for supplies and services	114,644
Payments to or on behalf of employees	(47,547,021)
Payments to students for scholarships and grants	(7,452,993)
Other operating receipts	<u>(18,142,512)</u>
Net Cash Flows From Operating Activities	<u>(67,894,555)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	8,237,853
Grant and contracts	25,126,992
Property taxes - nondebt related	30,927,121
State taxes and other apportionments	2,638,788
Other nonoperating	<u>7,612,278</u>
Net Cash Flows From Noncapital Financing Activities	<u>74,543,032</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(14,222,065)
State revenue, capital projects	1,537,467
Property taxes - related to capital debt	16,017,501
Principal paid on capital debt	(52,705,475)
Proceeds from capital debt	52,348,352
Interest paid on capital debt	34,605
Interest paid on capital asset-related debt	<u>(15,850,624)</u>
Net Cash Flows From Capital Financing Activities	<u>(12,840,239)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	(69,247)
Interest received from investments	<u>379,175</u>
Net Cash Flows From Investing Activities	<u>309,928</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(5,881,834)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>114,198,747</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 108,316,913</u></u>

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>\$ (84,531,146)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	11,888,198
Changes in Assets, Liabilities, Deferred Inflows and Deferred Outflows of Resources:	
Accounts receivable	(145,889)
Prepaid expenses	(54,220)
Current year pension contribution	(275,598)
Accounts payable and accrued liabilities	2,175,974
Unearned revenue	1,422,049
Difference between projected and actual earnings on pension plan investments	9,906,303
Net change in proportionate share of net pension obligation	(70,253)
Compensated absences payable	276,139
PARS supplemental early retirement plan	299,940
Other postemployment benefit (OPEB) obligation	651,779
Aggregate net pension obligation	<u>(9,437,831)</u>
Total Adjustments	<u>16,636,591</u>
Net Cash Flows From Operating Activities	<u><u>\$ (67,894,555)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,220,145
Cash in county treasury	107,096,768
Total Cash and Cash Equivalents	<u><u>\$ 108,316,913</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 1,072,443</u></u>
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The accompanying notes are an integral part of these financial statements.

DESERT COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	<u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 231,062
Investments	3,046,115
Accounts receivable	358
Due from primary government	<u>5,268</u>
Total Assets	<u><u>3,282,803</u></u>
 LIABILITIES	
Accounts payable	3,033
Unearned revenue	<u>4,074</u>
Total Liabilities	<u><u>7,107</u></u>
 NET POSITION	
Unreserved	<u><u>\$ 3,275,696</u></u>

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	<u>Trust</u>
ADDITIONS	
Local revenues	<u>\$ 163,818</u>
DEDUCTIONS	
Classified salaries	18,584
Employee benefits	4,894
Books and supplies	153,309
Capital outlay	5,114
Total Deductions	<u>181,901</u>
OTHER FINANCING SOURCES	
Transfer from primary government	<u>3,020,000</u>
Change in Net Position	3,001,917
Net Position - Beginning	<u>273,779</u>
Net Position - Ending	<u><u>\$ 3,275,696</u></u>

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

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - ORGANIZATION

Desert Community College District (the District) was established in 1958 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-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, and capital project funds, but these budgets are managed at the department level. Currently, the District is a single college with three offsite locations located in the Palm Springs Mecca, Indio, Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", 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. Management has reviewed the following potential component units and has determined the established criteria has not been met, and the financial activity has been excluded from the District's reporting entity:

College of the Desert Foundation - The Foundation is a separate not-for-profit corporation. The Board of Directors is elected by their own Board and independent of any District Board of Trustees appointments. The Board is responsible for approving its own audit and accounting and finance related activities.

College of the Desert Alumni Association - The Association is a separate not-for-profit corporation. The Board of Directors is elected by their own Board and independent of any District Board of Trustees appointments. The Board is responsible for approving its own audit and accounting and finance related activities.

Desert Community College District Auxiliary Services - The Auxiliary is a separate not-for-profit corporation. The Board of Directors is elected by their own Board and independent of any District Board of Trustees appointments. The Board is responsible for approving its own audit and accounting and finance related activities.

Desert College Financing Corp. - The Financing Corp. is a separate 501(c)(4), non-profit, public benefit corporation. The Board of Directors is governed by its own Board and independent of any District Board of Trustees appointments. The Board is responsible for its own accounting and finance related activities.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Separate financial statements for the above organizations can be obtained directly from the organizations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statements of Net Position - Primary Government
 - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statements of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statements of Fiduciary Net Position
 - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

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 represent investments required by laws to be set aside by the District for the purpose of satisfying certain requirements.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Accounts Receivable

Accounts receivable include 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 also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

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 long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years; vehicles, 5 to 10 years. Works of art are considered inexhaustible and are not depreciated.

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized charges on the refunding of general obligation bonds, current year pension contributions, and net change in proportionate share of net pension obligation.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

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

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent 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 net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component 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.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

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. The entity-wide financial statements report \$52,703,510 of restricted net position.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. 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 received.

The voters of the District passed a General Obligation Bond in March 2004 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is 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 represent the difference between stated charges for enrollment fees and the amount that is paid by students 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 Programs

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 either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or non-employer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$42,290,260. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as the information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within 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 mortgage obligations.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

Authorized Under Debt Agreements

Investment of debt proceeds are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the District's investment policy. Provisions of the General Obligation Bond, Series 2007 B, provide that moneys will be invested at the written direction of the District, after consultation with the County, in: (i) Non-AMT Bonds (as defined in the Resolutions); (ii) Qualified Non-AMT Mutual Funds (as defined in the Resolutions); or (iii) State and Local Government Securities; provided, however, that each of (i), (ii), and (iii) shall have been issued by a local agency of the State or issued by the State or an agency thereof.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

If the District fails to direct the County, the County may invest the moneys in: (1) Non-AMT Bonds of a local agency of the State or issued by the State or an agency thereof, (2) Permitted Investments (as defined below) of proceeds of the Bonds, and interest earned on such proceeds, held not more than 30 days pending reinvestment or redemption of the Bonds, and (3) other investments authorized by the Insurer and subject to an opinion of Bond Counsel to the effect that such investment would not adversely affect the tax-exempt status of the Bonds.

Other "Permitted Investments" include: (a) investments in the Riverside County Pooled Investment Fund (Cash in the County Treasury), (b) lawful investments permitted by Sections 16429.1 and 53601 of the Government Code; (c) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code, (d) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency rating the Bonds and approved by the Insurer; and (e) the Local Agency Investment Fund of the California State Treasurer.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

Primary government	\$ 152,011,851
Fiduciary funds	3,277,177
Total Deposits and Investments	<u>\$ 155,289,028</u>
Cash on hand and in banks	\$ 1,445,207
Cash in revolving	6,000
Cash in county	110,142,883
Investments	43,694,938
Total Deposits and Investments	<u>\$ 155,289,028</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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. The District manages its exposure to interest rate risk by primarily investing in the Riverside County Pooled Investment Fund and money market funds evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District also invests in municipal bonds that are subject to interest rate risk.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Riverside County Pooled Investment Fund	\$ 110,151,991	402
Money market	37,495,000	N/A
Municipal bonds	3,599,964	1095
Municipal bonds	2,599,974	1095
Total	<u>\$ 153,846,929</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. As of June 30, 2015, the District's investments were rated by Moody's Investors Service as noted below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Riverside County Pooled Investment Fund	\$ 110,151,991	Aaa-bf
Money market	37,495,000	Not required
Municipal bonds	3,599,964	A-
Municipal bonds	2,599,974	A-
Total	<u>\$ 153,846,929</u>	

Custodial Credit Risk - Deposits

This 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. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District did not have any bank balances exposed to custodial credit risk.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 531,027	\$ -
State Government		
Apportionment	119,741	-
Categorical aid	661,149	-
Lottery	668,030	-
Other State sources	8,667	-
Local Sources		
Property taxes	845,659	-
District foundation	243,834	-
Enrollment fees	454,214	-
Interest	77,924	-
Other local sources	336,530	358
Total	<u>\$ 3,946,775</u>	<u>\$ 358</u>

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 12,292,301	\$ -	\$ -	\$ 12,292,301
Construction in progress	92,167,674	2,100,430	66,838,565	27,429,539
Works of art	524,000	-	-	524,000
Total Capital Assets Not Being Depreciated	<u>104,983,975</u>	<u>2,100,430</u>	<u>66,838,565</u>	<u>40,245,840</u>
Capital Assets Being Depreciated				
Land improvements	77,015,126	17,027,434	-	94,042,560
Buildings and improvements	209,501,472	55,554,644	-	265,056,116
Furniture and equipment	10,639,876	2,422,223	-	13,062,099
Total Capital Assets Being Depreciated	<u>297,156,474</u>	<u>75,004,301</u>	<u>-</u>	<u>372,160,775</u>
Total Capital Assets	<u>402,140,449</u>	<u>77,104,731</u>	<u>66,838,565</u>	<u>412,406,615</u>
Less Accumulated Depreciation				
Land improvements	17,829,302	4,534,918	-	22,364,220
Buildings and improvements	33,123,017	6,244,964	-	39,367,981
Furniture and equipment	4,847,283	1,108,316	-	5,955,599
Total Accumulated Depreciation	<u>55,799,602</u>	<u>11,888,198</u>	<u>-</u>	<u>67,687,800</u>
Net Capital Assets	<u>\$ 346,340,847</u>	<u>\$ 65,216,533</u>	<u>\$ 66,838,565</u>	<u>\$ 344,718,815</u>

Depreciation expense for the year was \$11,888,198.

Interest expense related to capital debt for the year ended June 30, 2015, was \$18,031,446. Of this amount, \$3,901,517 was capitalized.

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Apportionment	\$ 8,158,461	\$ -
Construction	847,453	-
Accrued payroll	188,883	-
Other	687,073	3,033
Total	<u>\$ 9,881,870</u>	<u>\$ 3,033</u>

Fiduciary fund accounts payable relate to amounts owed to current vendors.

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal financial assistance	\$ 122,145	\$ -
State categorical aid	1,046,967	-
Enrollment fees	476,662	4,074
Other local	1,337,695	-
Total	<u>\$ 2,983,469</u>	<u>\$ 4,074</u>

Fiduciary fund unearned revenues consist of student fees attributable to the 2015-2016 year.

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 primary government and fiduciary funds has 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. As of June 30, 2015, the amount owed by the primary government to the fiduciary funds was \$5,268.

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. During the 2015 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$3,020,000.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year (as restated)	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds	\$ 352,850,384	\$ 45,710,638	\$ 48,035,000	\$ 350,526,022	\$ 5,390,000
Premium on debt	10,169,930	6,637,714	4,670,475	12,137,169	-
Total Bonds Payable	363,020,314	52,348,352	52,705,475	362,663,191	5,390,000
Other Liabilities					
Compensated absences	684,544	276,139	-	960,683	-
PARS supplemental early retirement plan	2,072,244	714,389	414,449	2,372,184	557,327
Other postemployment benefits obligation	2,148,786	843,043	191,264	2,800,565	-
Aggregate net pension obligation	45,031,615	-	9,437,831	35,593,784	-
Total Other Obligations	49,937,189	1,833,571	10,043,544	41,727,216	557,327
Total Long-Term Obligations	\$ 412,957,503	\$ 54,181,923	\$ 62,749,019	\$ 404,390,407	\$ 5,947,327

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property taxes.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The compensated absences payable will be paid by the fund for which the employee worked. At June 30, 2015, the balance outstanding was \$960,683.

The District has entered into two PARS Supplemental Early Retirement Plans for employees retiring as of June 30, 2014 and June 30, 2015. The District will pay the liability over five-year periods for each agreement from the unrestricted General Fund. The outstanding balance as of June 30, 2015, was \$2,372,184.

The net OPEB obligation will be paid out of the Self Insurance Fund. See Note 10 for additional information on the District's OPEB obligation.

The aggregate net pension obligation will be paid by the fund for which the employee is currently working. See Note 12 for additional information on the aggregate net pension obligation.

Bonded Debt

On March 2, 2004, \$346 million in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure B. These bonds are issued in multiple series as general obligations of the District. The following information is provided for purposes of additional analysis only.

In June 2005, the District issued 2005 General Obligation Refunding Bonds. These bonds were issued in the amount of \$55,771,886. The bonds issued included \$50,495,000 in current interest bonds and \$5,276,886 in capital appreciation bonds, with the value of the capital appreciation bonds maturing to a principal balance of \$13,010,000. A portion of the bond proceeds was deposited into the District's Bond Fund to be used for the District's project list. The rest of the proceeds were deposited into an escrow account to: (1) advance refund and defease portions of the District's outstanding bond obligations, (2) pay the debt service on the Refunded Bonds, including principal, and (3) pay all legal, financial, and contingent costs in connection with the issuance of the bonds.

In November 2007, Series 2007 B (the Series 2007 B Bonds) general obligation bonds in the amount of \$57,850,000 were sold. The proceeds from the sale of the bonds will generally be used to finance the construction, acquisition, furnishing, and equipping of District facilities.

In December 2007, Series 2007 C (the Series 2007 C Bonds) general obligation bonds in the amount of \$223,648,444 were sold. The bonds issued included \$127,830,000 in current interest bonds and \$95,818,443 in capital appreciation bonds, with the value of the capital appreciation bonds maturing to a principal balance of \$430,040,712. The proceeds from the sale of the bonds will generally be used to finance the construction, acquisition, furnishing, and equipping of District facilities.

In April 2015, the District issued 2015 General Obligation Refunding Bonds. These bonds were issued in the amount of \$38,690,000. A portion of the bond proceeds was deposited into the District's Bond Fund to be used for the District's project list. The rest of the proceeds were deposited into an escrow account to: (1) advance refund and defease portions of the District's outstanding bond obligations, (2) pay the debt service on the Refunded Bonds, including principal, and (3) pay all legal, financial, and contingent costs in connection with the issuance of the bonds.

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 1, 2014	Issued	Accreted Interest	Redeemed	Outstanding June 30, 2015
2004 A	8/2004	8/1/2014	2.00%-5.00%	\$ 65,000,000	\$ 1,065,000	\$ -	\$ -	\$ 1,065,000	\$ -
2007 B	11/2007	8/1/2032	4.50%-5.00%	57,850,000	52,620,000	-	-	-	52,620,000
2007 C	12/2007	8/1/2046	3.30%-5.50%	223,648,444	250,735,343	-	6,590,697	860,000	256,466,040
Subtotal Election of 2004					304,420,343	-	6,590,697	1,925,000	309,086,040
2005 Refunding	6/2005	8/1/2015	3.00%-5.00%	55,771,886	48,430,041	-	429,941	46,110,000	2,749,982
2015 Refunding	4/2015	8/1/2024	2.00%-5.00%	38,690,000	-	38,690,000	-	-	38,690,000
					<u>\$ 352,850,384</u>	<u>\$ 38,690,000</u>	<u>\$ 7,020,638</u>	<u>\$ 48,035,000</u>	<u>\$ 350,526,022</u>

General Obligation Bond - 2007 Series B

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2016	\$ -	\$ 2,631,000	\$ 2,631,000
2017	-	2,631,000	2,631,000
2018	-	2,631,000	2,631,000
2019	-	2,631,000	2,631,000
2020	-	2,631,000	2,631,000
2021-2025	-	13,155,000	13,155,000
2026-2030	33,685,000	9,234,875	42,919,875
2031-2033	18,935,000	1,039,625	19,974,625
Total	<u>\$ 52,620,000</u>	<u>\$ 36,584,500</u>	<u>\$ 89,204,500</u>

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

General Obligation Bond - 2007 Series C

The bonds mature through 2047 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2016	\$ 1,755,417	\$ 34,583	\$ 6,391,500	\$ 8,181,500
2017	1,943,310	121,690	6,391,500	8,456,500
2018	2,110,072	229,928	6,391,500	8,731,500
2019	2,248,361	381,639	6,391,500	9,021,500
2020	2,366,018	553,982	6,391,500	9,311,500
2021-2025	13,126,494	6,088,506	31,957,500	51,172,500
2026-2030	19,611,869	18,263,131	31,957,500	69,832,500
2031-2035	60,978,944	20,466,056	28,609,250	110,054,250
2036-2040	97,944,431	46,440,251	6,261,350	150,646,032
2041-2045	39,790,911	137,185,176	-	176,976,087
2046-2047	14,590,213	63,854,731	-	78,444,944
Total	\$ 256,466,040	\$ 293,619,673	\$ 130,743,100	\$ 680,828,813

General Obligation Bond - 2005 Refunding

The bonds mature through 2016 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2016	\$ 2,749,982	\$ 165,018	\$ 2,915,000

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

General Obligation Bond - 2015 Refunding

The bonds mature through 2025 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2016	\$ 685,000	\$ 1,265,813	\$ 1,950,813
2017	2,720,000	1,674,400	4,394,400
2018	3,020,000	1,588,300	4,608,300
2019	3,330,000	1,476,400	4,806,400
2020	3,695,000	1,335,900	5,030,900
2021-2025	25,240,000	3,406,500	28,646,500
Total	<u>\$ 38,690,000</u>	<u>\$ 10,747,313</u>	<u>\$ 49,437,313</u>

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$827,101, and contributions made by the District during the year were \$191,264. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$102,067 and \$(86,125), respectively, which resulted in an increase to the net OPEB obligation of \$651,779. As of June 30, 2015, the net OPEB obligation was \$2,800,565. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PARS Supplemental Early Retirement Plan

The District will pay the obligation as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2016	\$ 557,327
2017	557,327
2018	557,327
2019	557,327
2020	142,876
Total	<u>\$ 2,372,184</u>

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) OBLIGATION**

The District provides postemployment health care benefits to eligible retirees in accordance with negotiated contracts with various bargaining units of the District.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Plan Description

The Plan is a single-employer OPEB defined benefit health care plan administered by the District. The Plan provides postemployment medical benefits to eligible retirees and their dependents. Membership of the Plan consisted of 309 active participants and 27 retirees at June 30, 2015.

Contribution Information

The contribution requirements are established and may be amended by the District and the District's bargaining units. The Plan is currently funded on a projected pay-as-you-go basis. For fiscal year 2014-2015, the District contributed \$191,264, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	827,101
Interest on net OPEB obligation		102,067
Adjustment to annual required contribution		<u>(86,125)</u>
Annual OPEB cost (expense)		843,043
Contributions made		<u>(191,264)</u>
Increase in net OPEB obligation		651,779
Net OPEB obligation, July 1, 2014		<u>2,148,786</u>
Net OPEB obligation, June 30, 2015	\$	<u><u>2,800,565</u></u>

Trend Information

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 733,457	\$ 304,151	41%	\$ 1,571,156
2014	838,758	261,128	31%	2,148,786
2015	843,043	191,264	23%	2,800,565

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 5,785,872
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,785,872</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>23,735,378</u>
UAAL as Percentage of Covered Payroll	<u>24.38%</u>

The above noted actuarial accrued liability was based on the April 1, 2014, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the actuarial valuation dated April 1, 2014, the Entry Age Normal cost method was used. The actuarial assumptions included a five percent investment rate of return, based on the assumed long-term return on Plan assets. The inflation rate was assumed to be three percent per year. The cost trend rate used for the medical plan was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period is 24 years. There is no actuarial value of assets because those funds have not been placed in an irrevocable trust. The District has earmarked funds held in the County Treasury for funding of the OPEB obligation, but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of Plan assets.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District uses Schools Association for Excess Risk (SAFER) for excess property limits of \$250,000,000 per occurrence, with no aggregate and a \$5,000 member retained limit. Then, their excess liability has the first \$1,000,000 worth of coverage through the Statewide Association of Community Colleges (SWACC) and \$24,000,000 excess coverage of \$1,000,000 is in SAFER with a \$10,000 Member Retained Limit.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2015, the District contracted with SWACC Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2014-2015, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool, as a member of the Riverside Schools Risk Management Authority (RSRMA) JPA. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

<u>Insurance Program / JPA Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	\$ 150,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	\$ 24,000,000
Statewide Association of Community Colleges (SWACC)	Property and Liability	\$ 244,750,000

Employee Medical Benefits

The District has contracted with Self Insured Schools of California (SISC) to provide employee medical benefits through Blue Shield. The District provides health and welfare benefits to all full-time and permanent part-time employees that work more than 30 hours a week. The District's contract requires 100 percent participation in the District's medical and dental plans.

Medical - The employee has a choice of four plans with Blue Shield. The employee may elect to change plans once per year during open enrollment. Normally, such election shall be effective October 1 of each year.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Dental - The employee has a choice of Delta Dental or Anthem Dental Net insurance coverage and is provided by the District. All employees shall participate in the program.

Life Insurance - The District provides a \$50,000 group term life insurance policy by Anthem Life. All employees participate in this life insurance program.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS, and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 23,870,639	\$ 1,671,280	\$ 5,878,099	\$ 2,060,807
CalPERS	11,723,145	1,415,926	4,028,204	1,041,948
Total	<u>\$ 35,593,784</u>	<u>\$ 3,087,206</u>	<u>\$ 9,906,303</u>	<u>\$ 3,102,755</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by 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, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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.

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

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution 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, 2015, are presented above, and the District's total contributions were \$1,671,280.

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the 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 the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 23,870,639
State's proportionate share of net pension liability associated with the District	<u>14,414,123</u>
Total	<u><u>\$ 38,284,762</u></u>

The net pension liability was measured as of June 30, 2014. 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 college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0408 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,060,807. In addition, the District recognized revenue and pension expense of \$1,244,404 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,671,280	\$ -
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>5,878,099</u>
Total	<u><u>\$ 1,671,280</u></u>	<u><u>\$ 5,878,099</u></u>

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,469,525
2017	1,469,525
2018	1,469,525
2019	1,469,524
Total	<u>\$ 5,878,099</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 37,208,084
Current discount rate (7.60%)	23,870,639
1% increase (8.70%)	12,749,634

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS 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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, 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. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 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 CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	6.000%
Required employer contribution rate	11.771%	11.771%

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 actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were \$1,345,673.

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$11,723,145. The net pension liability was measured as of June 30, 2014. 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 college districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2014 and June 30, 2013, respectively, was 0.1033 percent and 0.1026 percent, resulting in a net increase in the proportionate share of 0.0007 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,041,948. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,345,673	\$ -
Net change in proportionate share of net pension obligation	70,253	-
Difference between projected and actual earnings on pension plan investments	-	4,028,204
Total	<u>\$ 1,415,926</u>	<u>\$ 4,028,204</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred outflows of resources related to the net change in proportionate share of net pension obligation will be amortized over the Expected Average Remaining Service Lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period is 3.9 years and the pension expense will be recognized as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2016	\$ 23,418
2017	23,418
2018	23,417
Total	<u>\$ 70,253</u>

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The deferred inflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,007,051
2017	1,007,051
2018	1,007,051
2019	1,007,051
Total	<u>\$ 4,028,204</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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 five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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 School Employer Pool 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.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 20,565,072
Current discount rate (7.50%)	11,723,145
1% increase (8.50%)	4,334,823

Tax Deferred Annuity/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings. An employee is required to contribute 6.20 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2015, 2014, and 2013, which amounted to \$1,072,443, \$921,588, and \$889,877, respectively, (5.679 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2015, 2014, and 2013. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the SWACC, SAFER public entity risk pools, and the Riverside County Superintendent of Schools' Self-Insurance Program for Employees (SIPE) and Riverside Schools Risk Management Authority (RSRMA) Joint Powers Authorities. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

The District has appointed one Board member to the Governing Boards of RSRMA, SIPE, and SWACC.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation 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, 2015.

Related Party Transactions

The District receives contributions directly and indirectly from the Desert Community College District Auxiliary Services (the Auxiliary), a nonprofit public benefit corporation, with the express purpose of promoting and assisting the educational programs of the District. As of June 30, 2015, the District recorded a payable in the General Fund of approximately \$14,941 for loans to the District and a receivable in the General Fund of approximately \$31,770 for payroll and supplies. The loans provided to the District are to resolve issues requiring cash liquidity, which will be reimbursed once the proper request has been made through the District.

DESERT COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The District receives contributions directly and indirectly throughout the year from College of the Desert Alumni Association, Inc. (the Association) and College of the Desert Foundation (the Foundation). The Association and the Foundation enter into various pledge commitments to the District for various purposes. As of June 30, 2015, the District recorded a receivable in the General Fund of approximately \$2,532 from the Association for supplies. As of June 30, 2015, the District recorded a receivable in the General Fund of approximately \$316,647 from the Foundation for payroll, supplies, and various pledge agreements. As of June 30, 2015, the District recorded a payable to the Foundation in the General Fund of approximately \$107,333 for payroll and supplies provided to the District.

Operating Leases

The District has entered into various capital and noncancellable operating leases for land, buildings, and equipment with lease terms in excess of one year. Also, the District entered into an operating lease agreement with Desert College Financing Corp. to lease the East Valley Campus for seven years. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2016	\$ 242,368
2017	130,323
2018	117,851
Total Minimum Lease Payments	<u>\$ 490,542</u>

DESERT COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Central Campus Redevelopment	\$ 1,923,567	Fall 2018
Parking lot repairs and improvements	665,890	Fall 2015
Mecca/Thermal Campus Phase 1	176,018	Fall 2015
West Valley Palm Springs planning	129,256	Ongoing
Athletic Facilities	67,446	Fall 2015
Campus Electronic Sign	32,989	Spring 2016
Indio Educational Center	28,813	Fall 2015
Math Science-Technology Center	23,228	Fall 2015
Monterey Entrance	22,794	Fall 2015
Communications	13,531	Fall 2015
Child Development	11,545	Fall 2015
Visual Arts Building	3,296	Fall 2015
Misc projects	771	Fall 2015
Berger Faculty Innovation Center	194,251	Fall 2015
Small Maintenance Projects	71,458	Fall 2015
Indio Retail Space	131,647	Fall 2015
Weatherproofing	307,096	Fall 2015
	<u>\$ 3,803,596</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	\$ 124,274,050
Restatement of Long-Term Obligations for implementation of GASB Statement No. 68	(45,031,615)
Restatement of Deferred Outflows of Resources for implementation of GASB Statement No. 68	2,741,355
Net Position - Beginning, as restated	<u>\$ 81,983,790</u>

REQUIRED SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
10/5/2010	\$ -	\$ 5,362,264	\$ 5,362,264	\$ -	\$ 23,732,493	23%
6/11/2012	-	5,015,091	5,015,091	-	23,459,007	21%
4/1/2014	-	5,785,872	5,785,872	-	23,735,378	24%

* Entry age normal cost method.

DESERT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

CalSTRS

District's proportion of the net pension liability	<u>0.0408%</u>
District's proportionate share of the net pension liability	\$ 23,870,639
State's proportionate share of the net pension liability associated with the District	14,414,123
Total	<u>\$ 38,284,762</u>
District's covered - employee payroll	<u>\$ 18,194,036</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

CalPERS

District's proportion of the net pension liability	<u>0.1033%</u>
District's proportionate share of the net pension liability	<u>\$ 11,723,145</u>
District's covered - employee payroll	<u>\$ 10,840,299</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

DESERT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

CalSTRS

Contractually required contribution	\$ 1,671,280
Contributions in relation to the contractually required contribution	<u>(1,671,280)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 18,820,721</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

CalPERS

Contractually required contribution	\$ 1,345,673
Contributions in relation to the contractually required contribution	<u>(1,345,673)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 11,432,104</u>
Contributions as a percentage of covered - employee payroll	<u>11.771%</u>

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

SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2015

Desert Community College District was established on July 1, 1958, and is comprised of the territory of Palm Springs Unified School District, Coachella Valley Unified School District, Desert Sands Unified School District, Desert Center Unified School District, and Morongo Valley Unified School District. The District is located in Coachella Valley in Riverside County, California, and also includes a small portion of Imperial County in the Salton Sea area. There were no changes in the boundaries of the District during the current year. The District is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

The educational facilities of the Desert Community College District operate under the name College of the Desert.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Bonnie Stefan	Chairperson	2016
Mrs. Mary Jane Sanchez-Fulton	Vice Chairperson	2016
Mrs. Aurora Wilson	Clerk	2018
Mr. Michael J. O'Neill	Member	2016
Ms. Becky Broughton	Member	2018

ADMINISTRATION

Dr. Joel L. Kinnamon	Superintendent/President
Ms. Lisa Howell	Vice President, Administrative Services
Ms. Anna Davies	Executive Vice President, Student Success and Learning

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant	84.063		\$ 15,682,272
Federal Pell Administrative Allowance	84.063		8,000
Federal Work Study	84.033		330,723
Federal Work Study Administrative Allowance	84.033		8,238
Federal Supplemental Educational Opportunity Grant	84.007		184,987
FSEOG Administrative Allowance	84.007		9,279
Total Student Financial Assistance Cluster			<u>16,223,499</u>
TRIO Cluster			
DSPS Student Support Services	84.042A		240,180
College of the Desert EVC Student Support Services	84.042A		185,426
College of the Desert Student Support Services	84.042A		294,944
Upward Bound	84.047A		306,512
Total TRIO Cluster			<u>1,027,062</u>
Title V Cooperative Grant Linking College of the Desert with California State University, San Bernardino	84.031S		213,697
Title V Student Learning, Success, and Assignment Focusing on Hispanic, Low Income, and 1st Generation Students	84.031S		591,489
Passed through from the California Community Colleges Chancellor's Office Career and Technical Education Act (Perkins Title I-C)	84.048	14-C01-013	309,335
CTE Transitions	84.048A	14-112-013	43,269
Passed through the California Department of Rehabilitation State Vocational Rehabilitation Services Program	84.126A	28893	249,915
Total U.S. Department of Education			<u>18,658,266</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education Child and Adult Care Food Program	10.558	33-2407-4A	80,755
Total U.S. Department of Agriculture			<u>80,755</u>

[1] Pass-Through Identifying Number not available.

* Research and Development grant.

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through the Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training Passed through the County of Riverside	17.282	TC-26434- 14-60-A-6	\$ 39,581
Vocational Training for Dislocated Workers and Veterans	17.278	038-202- 501-502	<u>62,793</u>
Total U.S. Department of Labor			<u>102,374</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Dwight David Eisenhower Transportation Fellowship Program	20.215		<u>30,000</u>
Total U.S. Department of Transportation			<u>30,000</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Passed through the California State University, San Bernardino			
NASA Curriculum Improvement Partnership Award for the Integration of Research in STEM*	43.008	GT10317-A2	<u>41,370</u>
Total National Aeronautics and Space Administration			<u>41,370</u>
NATIONAL SCIENCE FOUNDATION			
Scholarships for STEM Majors at College of the Desert*	47.076		<u>21,564</u>
Total National Science Foundation			<u>21,564</u>
US DEPARTMENT OF VETERAN AFFAIRS			
Vocational Rehabilitation for Disabled Veterans	64.116		<u>1,948</u>
Total U.S. Department of Veteran Affairs			<u>1,948</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Riverside County Department of Public Social Services Greater Avenues for Independence	93.558	CW-02044-06	3,677
Passed through from the California Community Colleges Chancellor's Office Temporary Assistance for Needy Families	93.558	[1]	<u>31,612</u>
Total U.S. Department of Health and Human Services			<u>35,289</u>
Total Federal Expenditures			<u>\$ 18,971,566</u>

[1] Pass-Through Identifying Number not available.

* Research and Development grant.

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Adult Education Block Grant	\$ 306,172	\$ -	\$ 306,172
Basic Skills	162,194	414,354	576,548
Board Financial Assistance Program (BFAP)	103,427	-	103,427
CalWORKS	271,462	-	271,462
Career Technical Education Initiative - SB170	65,510	-	65,510
Cooperative Agencies and Resources for Education	69,373	-	69,373
CTE Enhancement	194,762	-	194,762
Disabled Students Programs and Services	753,155	-	753,155
Equal Employment Opportunity	20,412	-	20,412
EWD - Advanced Transportation	323,367	-	323,367
EWD - Health	401,943	-	401,943
EWD - State Energy	100,000	-	100,000
Extended Opportunities, Programs, and Services (EOPS)	367,293	-	367,293
Math, Engineering, and Science Achievement (MESA)	50,500	-	50,500
Nursing Enrollment Growth	171,000	-	171,000
Proposition 39 Clean Energy Act	203,802	-	203,802
RCOE - Center Based Child Development	125,500	-	125,500
Student Financial Aid Administration	347,309	-	347,309
Student Mental Health	-	53,078	53,078
Student Success and Support Program, Credit	947,199	101,532	1,048,731
Student Success and Support Program, Equity	578,620	-	578,620
Student Success and Support Program, Non-Credit	100,091	-	100,091
Temporary Assistance to Needy Families (TANF)	31,612	-	31,612
Workforce Innovation Partnerships	111,432	-	111,432
Total			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 277,936	\$ -	\$ 82,758	\$ 195,178	\$ 195,178
576,548	-	162,194	414,354	414,354
103,427	-	-	103,427	103,427
271,462	-	-	271,462	271,462
65,510	-	-	65,510	65,510
69,373	-	-	69,373	69,373
77,905	3,703	-	81,608	81,608
753,155	-	-	753,155	753,155
20,412	-	20,009	403	403
23,367	207,105	-	230,472	230,472
1,944	284,400	-	286,344	286,344
40,000	60,000	-	100,000	100,000
367,293	-	-	367,293	367,293
30,300	20,200	-	50,500	50,500
171,000	-	-	171,000	171,000
103,268	70,897	334	173,831	173,831
48,207	14,844	-	63,051	63,051
243,882	-	-	243,882	243,882
32,182	-	22,003	10,179	10,179
1,048,731	-	261,563	787,168	787,168
578,620	-	498,106	80,514	80,514
100,091	-	-	100,091	100,091
31,612	-	-	31,612	31,612
102,620	-	-	102,620	102,620
<u>\$ 5,138,845</u>	<u>\$ 661,149</u>	<u>\$ 1,046,967</u>	<u>\$ 4,753,027</u>	<u>\$ 4,753,027</u>

DESERT COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2015**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	26	-	26
2. Credit	279	-	279
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	-	-	-
2. Credit	175	-	175
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,720	-	5,720
(b) Daily Census Contact Hours	424	-	424
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	433	-	533
(b) Credit	149	-	149
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	573	-	573
(b) Daily Census Contact Hours	62	-	62
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>7,841</u>	<u>-</u>	<u>7,941</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	545	-	545
2. Credit	885	-	885

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			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	\$ 9,406,387	\$ -	\$ 9,406,387	\$ 9,406,387	\$ -	\$ 9,406,387
Other	1300	6,212,124	-	6,212,124	6,212,124	-	6,212,124
Total Instructional Salaries		15,618,511	-	15,618,511	15,618,511	-	15,618,511
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,060,008	-	3,060,008
Other	1400	-	-	-	728,685	-	728,685
Total Noninstructional Salaries		-	-	-	3,788,693	-	3,788,693
Total Academic Salaries		15,618,511	-	15,618,511	19,407,204	-	19,407,204
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,738,785	-	7,738,785
Other	2300	-	-	-	171,010	-	171,010
Total Noninstructional Salaries		-	-	-	7,909,795	-	7,909,795
Instructional Aides							
Regular Status	2200	923,540	-	923,540	923,540	-	923,540
Other	2400	-	-	-	-	-	-
Total Instructional Aides		923,540	-	923,540	923,540	-	923,540
Total Classified Salaries		923,540	-	923,540	8,833,335	-	8,833,335
Employee Benefits	3000	4,134,058	-	4,134,058	8,503,966	-	8,503,966
Supplies and Material	4000	-	-	-	613,799	-	613,799
Other Operating Expenses	5000	-	-	-	4,566,590	-	4,566,590
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		20,676,109	-	20,676,109	41,924,894	-	41,924,894

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ 179,814	\$ -	\$ 179,814
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	275,674	-	275,674
Objects to Exclude							
Rents and Leases	5060	-	-	-	101,385	-	101,385
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2015**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,051,603	\$ -	\$ 1,051,603
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	1,051,603	-	1,051,603
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	1,608,476	-	1,608,476
Total for ECS 84362, 50 Percent Law		\$ 20,676,109	\$ -	\$ 20,676,109	\$ 40,316,418	\$ -	\$ 40,316,418
Percent of CEE (Instructional Salary Cost/Total CEE)		51.28%		51.28%	100.00%		100.00%
50% of Current Expense of Education					\$ 20,158,209		\$ 20,158,209

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 6,867,197
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 6,867,197			\$ 6,867,197
Total Expenditures for EPA		\$ 6,867,197	-	-	\$ 6,867,197
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Total Fund Balance:

General Funds	\$ 9,670,409	
Capital Project Funds	113,231,858	
Debt Service Funds	16,187,231	
Internal Service Funds	3,876,533	
Fiduciary Funds	178,501	
Total Fund Balance - All District Funds		\$ 143,144,532

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

The cost of capital assets is	412,406,615	
Accumulated depreciation is	(67,687,800)	344,718,815

The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense. 1,095,875

Contributions to pension plans made subsequent to the measurement date were recognized as expenditures on the modified accrual basis, but are not recognized on the accrual basis. 3,016,953

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (4,065,534)

The net effect in proportionate share of net pension obligation as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits. 70,253

Difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense. (9,906,303)

Long-term obligations at year end consist of:

Bonds payable	(350,526,022)	
Bond premiums	(12,137,169)	
Compensated absences	(960,683)	
PARS supplemental early retirement plan	(2,372,184)	
OPEB obligation	(2,800,565)	
Aggregate net pension obligation	(35,593,784)	(404,390,407)
Total Net Position		\$ 73,684,184

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position:		\$ 18,974,737
Federal Pell Grant	84.063	2,952
Federal Supplemental Educational Opportunity Grant	84.007	(17,751)
Federal Work Study	84.033	11,628
Total Expenditures of Federal Awards		<u>\$ 18,971,566</u>

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.

DESERT COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Fund Balance

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS



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

Board of Trustees
Desert Community College District
Palm Desert, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities and aggregate remaining fund information of Desert Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 18, 2015.

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.

Vauriek Fine Day & Co. LLP

Riverside, California
December 18, 2015



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

Board of Trustees
Desert Community College District
Palm Desert, California

Report on Compliance for Each Major Federal Program

We have audited Desert 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, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Vaurick Fine, Day & Co. LLP

Riverside, California
December 18, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Desert Community College District
Palm Desert, California

Report on State Compliance

We have audited Desert Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

Auditor's Responsibility

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

Unmodified Opinion for Each of the Programs

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

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

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

Vaurick Fine, Day & Co. LLP

Riverside, California
December 18, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DESERT COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.063, 84.033, 84.007</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 569,147</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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DESERT COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

DESERT COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

DESERT COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

DESERT COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.