DESERT COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

DESERT COMMUNITY COLLEGE DISTRICT

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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, 2016, 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, and the 2015-2016 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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, 2016, 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.

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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 13, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 61, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 62, and the Schedule of District Contributions on page 63 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, 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.

Vavrinek Trine Day & Co LLP

Riverside, California
November 4, 2016

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, 2016. 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, 2016. 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.

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FINANCIAL HIGHLIGHTS

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

As of June 30, 2016, the District's total net position is $77,935,779. Total net position of the District increased $4,251,595 from the previous year. The District's General Fund Unrestricted balance at the end of the fiscal year increased to $15,308,857. 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 2015-2016 fiscal year, total funded credit and non-credit FTES were 9,053 with no unfunded credit FTES.

Cost-of-living and growth adjustment: The State budget provided a 1.02 percent cost-of-living (COLA) and, although no growth funding was included, workload restoration continues as an enhancement to the apportionments.

Enrollment fee: During 2015-2016, 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, increased during the current fiscal year ending June 30, 2016. The total net position increased $4,251,595 from the previous year due primarily to increases in State apportionment revenues due to increased FTES, as well as increased State and Federal grants.

The new growth formula was implemented in 2015-2016 included an unconstrained growth target of 8.68 percent. The District achieved a growth rate of 14.02 percent which included adjustments which led an increase in our base of $2.8 million. The District continues to monitor growth and utilizes conservative fiscal projections.

- Cash, cash equivalents, and investments in current assets consist of cash in the County Treasury and in local banks of $92,330,458 as of June 30, 2016, compared to $108,316,913 as of June 30, 2015.

- Receivables consist mainly of State and Federal grants, interest, lottery, and State apportionment that were not yet received as of June 30, 2016, in the amount of $4,223,647 compared to $3,946,775 as of June 30, 2015.

- 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, 2016, is $66,484,958 compared to $43,694,938 as of June 30, 2015. The increase resulted from investments that were moved from the County Treasurer to a qualified investment.

- 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, 2016, amounted to $338,139,472 compared to $344,718,815 for fiscal year ending June 30, 2015.

- Accounts payable and accrued liabilities consist of payables to vendors, accrued payroll, and benefits of $8,268,886 in 2015-2016 compared to $9,881,870 in 2014-2015. Accrued interest payable on bonds as of the end of fiscal year 2015-2016 of $3,835,239 compared to $4,065,534 for fiscal year ending 2014-2015.

- Unearned revenue relates to Federal, State, and local program funds received, but not yet earned, as of the end of the fiscal year 2015-2016 of $3,090,585 compared to $2,983,469 at the end of fiscal year 2014-2015. Most grant funds are earned when spent, up to the award amount.

- Current and noncurrent liabilities consist of compensated absences as of June 30, 2016, in the amount of $886,481 compared to $960,683 for 2014-2015, PARS supplemental early retirement plan of $1,814,857 as of June 30, 2016, compared to $2,372,184 for 2014-2015, and the net other postemployment benefit obligation of $236,797 as of June 30, 2016, compared to $2,800,565 for 2014-2015. The District's aggregate net pension obligation is $41,569,560 as of June 30, 2016, as compared to $35,593,784 for 2014-2015.

- Bonds payable of $329,879,471 at June 30, 2016, compared to $350,526,022 at June 30, 2015, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The Statement of Net Position as of June 30, 2016 and June 30, 2015, is summarized below.

(Amounts in thousands)	2016	2015	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and investments	$ 92,077	$ 108,317	$ (16,240)	-15%
Accounts receivable	4,224	3,947	277	7%
Other current assets	632	56	576	1029%
Total Current Assets	96,933	112,320	(15,387)	-14%
Noncurrent Assets				
Investments	66,485	43,695	22,790	52%
Capital assets (net)	338,139	344,719	(6,580)	-2%
Total Noncurrent Assets	404,624	388,414	16,210	4%
Total Assets	501,557	500,734	823	0%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	9,972	1,096	8,876	810%
Deferred outflows of resources related to pensions	9,146	3,087	6,059	196%
Total Deferred Outflows of Resources	19,118	4,183	14,935	357%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	15,201	16,937	(1,736)	-10%
Current portion of long-term debt	6,107	5,947	160	3%
Total Current Liabilities	21,308	22,884	(1,576)	-7%
Long-Term Debt	411,743	398,443	13,300	3%
Total Liabilities	433,051	421,327	11,724	3%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	9,688	9,906	(218)	-2%
NET POSITION				
Net investment in capital assets	39,208	60,073	(20,865)	-35%
Restricted	58,848	52,704	6,144	12%
Unrestricted	(20,120)	(39,093)	18,973	-49%
Total Net Position	$ 77,936	$ 73,684	$ 4,252	6%

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 2015-2016. This rate is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

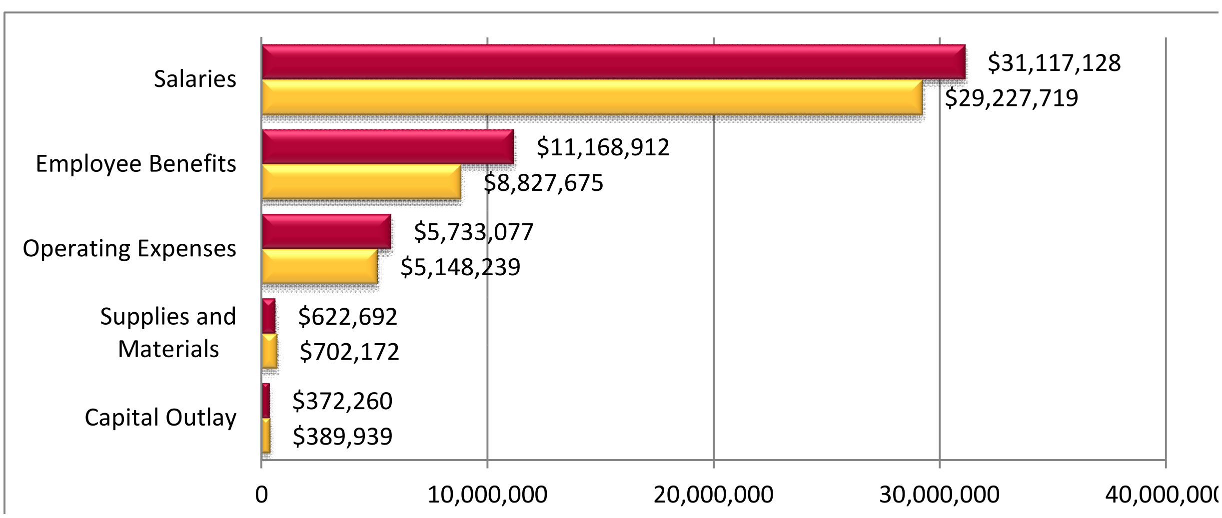
Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.

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.

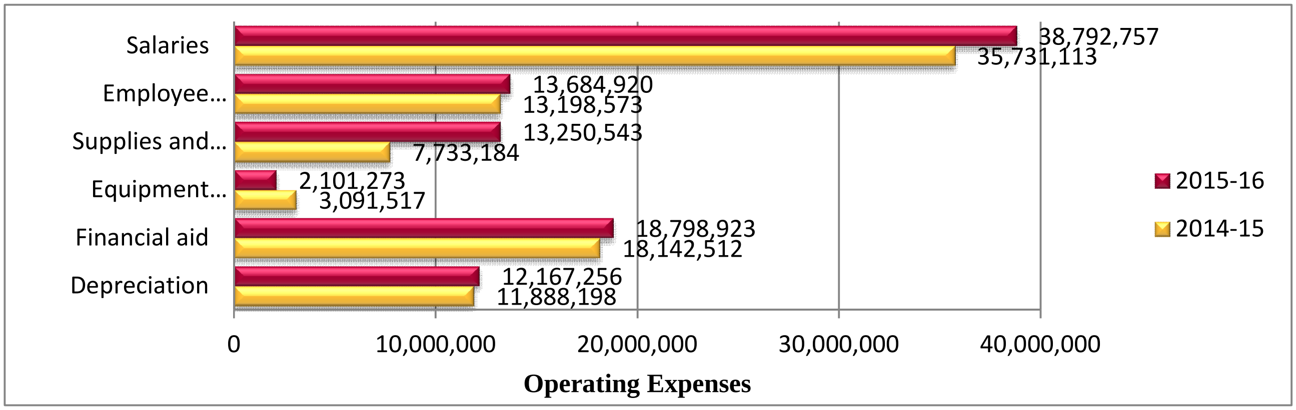
Local property taxes increased due to assessed valuations in the Coachella Valley. As noted above, decreases or increases in property tax revenue affect the District's State apportionment revenue. The housing market has shown improvement in the Coachella Valley, as well as in California. Interest rates 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 one-time mandate reimbursements, the STRS on behalf payments, and State lottery revenue.

The following graph reflects the expenditures of the Unrestricted General Fund for the years ended June 30, 2016 and 2015, respectively.



The following graph reflects the Operating Expenses of the District for the years ended June 30, 2016 and 2015, respectively.



The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016 and June 30, 2015, is summarized below.

(Amounts in thousands)	2016	2015	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	$ 5,314	$ 5,139	$ 175	3%
Other operating revenue	191	115	76	66%
Total Operating Revenues	5,505	5,254	251	5%
Operating Expenses				
Salaries and benefits	52,478	48,930	3,548	7%
Supplies and maintenance	13,250	7,733	5,517	71%
Student financial aid	18,799	18,143	656	4%
Equipment and maintenance	2,101	3,091	(990)	-32%
Depreciation	12,167	11,888	279	2%
Total Operating Expenses	98,795	89,785	9,010	10%
Loss on Operations	(93,290)	(84,531)	(8,759)	10%
Nonoperating Revenues (Expenses)				
State apportionments	10,412	6,261	4,151	66%
Property taxes	50,120	46,945	3,175	7%
Grants and contracts	26,428	24,798	1,630	7%
State revenues	8,269	3,390	4,879	144%
Net interest expense	(12,915)	(13,716)	801	-6%
Other nonoperating revenues	9,973	7,016	2,957	42%
Total Nonoperating Revenue	92,287	74,694	17,593	24%
Other Revenues				
State and local capital income	5,255	1,537	3,718	242%
Net Change in Net Position	$ 4,252	$ (8,300)	$ 12,552	-151%

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	$ 19,242,340	$ 5,921,484	$ 1,846,786	$ 1,223,083	$ -	$ -	$ 28,233,693
Academic support	5,070,011	1,819,139	951,400	269,683	-	-	8,110,233
Student services	5,164,220	1,647,336	670,657	75,239	-	-	7,557,452
Plant operations and maintenance	1,826,926	893,169	2,737,951	148,798	-	-	5,606,844
Instructional support services	4,507,312	2,408,024	3,150,671	177,283	-	-	10,243,290
Community services and economic development	356,281	143,398	580,227	14,311	-	-	1,094,217
Ancillary services and auxiliary operations	2,625,667	852,370	3,224,627	192,876	-	-	6,895,540
Physical property and related acquisitions	-	-	88,224	-	-	-	88,224
Student aid	-	-	-	-	18,798,923	-	18,798,923
Unallocated depreciation	-	-	-	-	-	12,167,256	12,167,256
Total	$ 38,792,757	$ 13,684,920	$ 13,250,543	$ 2,101,273	$ 18,798,923	$ 12,167,256	$ 98,795,672

STATEMENT OF CASH FLOWS

(Amounts in thousands)	2016	2015	Increase (Decrease)	Percent Change
Cash Provided by (Used in)				
Operating activities	$ (87,429)	$ (67,895)	$ (19,534)	29%
Noncapital financing activities	90,406	74,543	15,863	21%
Capital financing activities	3,016	(12,840)	15,856	-123%
Investing activities	(22,233)	310	(22,543)	-7272%
Net Decrease in Cash	(16,240)	(5,882)	(10,358)	176%
Cash, Beginning of Year	108,317	114,199	(5,882)	-5%
Cash, End of Year	$ 92,077	$ 108,317	$ (16,240)	-15%

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.

CAPITAL ASSETS

As of June 30, 2016, the District had over $338.1 million in net capital assets. Total capital assets of approximately $418.0 million consist of land, buildings, construction in progress, site improvements, equipment and vehicles, and works of art. These assets have accumulated depreciation of approximately $79.9 million. Net capital asset additions of approximately $5.6 million occurred during 2015-2016, and depreciation expense of approximately $12.2 million was recorded for the year.

Capital additions were primarily funded by bond proceeds and redevelopment for improvement of facility infrastructure.

(Amounts in thousands)	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land, works of art, and construction in progress	$ 40,246	$ 3,027	$ (4,320)	$ 38,953
Buildings and improvements	359,099	5,796	-	364,895
Furniture and equipment	13,062	1,084	-	14,146
Subtotal	412,407	9,907	(4,320)	417,994
Accumulated depreciation	(67,688)	(12,167)	-	(79,855)
	$ 344,719	$ (2,260)	$ (4,320)	$ 338,139

Note 6 to the financial statements provides additional information on capital assets.

DEBT ADMINISTRATION

As of June 30, 2016, the District had $373.0 million in debt from general obligation bonds consisting of $329.9 million of debt and $43.1 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.

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

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 362,663	$ 199,415	$ (189,095)	$ 372,983
Compensated absences	961	-	(74)	887
PARS supplemental early retirement plan	2,372	-	(557)	1,815
Load banking	-	360	-	360
Other postemployment benefits obligation	2,800	741	(3,305)	236
Aggregate net pension obligation	35,594	5,976	-	41,570
Total Long-Term Debt	$ 404,390	$ 206,492	$ (193,031)	$ 417,851
Amount due within one year				$ 6,107

Note 10 to the financial statements provides additional information on long-term obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2015-2016 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. The semi-restricted retiree health insurance fund was established in 2005-2006 with funds from the General Fund toward the unfunded liabilities. The District invested approximately 50 percent of the balances from the semi-restricted retiree health insurance fund in an irrevocable trust in 2015-2016. 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 June 2016 Actuarial Report.

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 83 percent of the total revenue within the Unrestricted General Fund. The State economy continues to improve and has provided additional funding. 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 2016-2017, these funds will accommodate the planning and construction of projects as mentioned below:

- Hilb Library and Building C renovations, repurposing of the former Art Building, and updating of classrooms.
- Desert Hot Springs Campus.
- Indio Expansion including portable classrooms, land acquisition, and architectural planning for a new educational building adjacent to the existing facility.
- West Valley Palm Springs land acquisition and architectural design and planning.
- Mecca-Thermal Campus expansion of additional classrooms.

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, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,093,948
Investments	90,983,467
Accounts receivable	4,223,647
Prepaid expenses	631,806
Total Current Assets	96,932,868
Noncurrent Assets	
Restricted investments - noncurrent portion	66,484,958
Nondepreciable capital assets	38,953,459
Depreciable capital assets, net of depreciation	299,186,013
Total Noncurrent Assets	404,624,430
TOTAL ASSETS	501,557,298
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	9,971,758
Deferred outflows of resources related to pensions	9,146,449
Total Deferred Outflows of Resources	19,118,207
LIABILITIES	
Current Liabilities	
Accounts payable	8,268,886
Interest payable	3,835,239
Due to fiduciary funds	6,684
Unearned revenue	3,090,585
Bonds payable - current portion	5,550,000
PARS supplemental early retirement plan - current portion	557,327
Total Current Liabilities	21,308,721
Noncurrent Liabilities	
Compensated absences payable	886,481
Load banking payable	360,034
Bonds payable - noncurrent portion	324,329,471
Bond premium	43,103,365
Other postemployment benefits (OPEB) obligation	236,797
PARS supplemental early retirement plan - noncurrent portion	1,257,530
Aggregate net pension obligation	41,569,560
Total Noncurrent Liabilities	411,743,238
TOTAL LIABILITIES	433,051,959
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	9,687,767
NET POSITION	
Net investment in capital assets	39,207,933
Restricted for:	
Debt service	16,233,533
Capital projects	41,106,223
Educational programs	1,508,140
Unrestricted	(20,120,050)
TOTAL NET POSITION	$ 77,935,779

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, 2016

OPERATING REVENUES	
Student Tuition and Fees	$ 12,747,252
Less: Scholarship discount and allowance	(7,432,968)
Net tuition and fees	5,314,284
Other Operating Revenues	191,153
TOTAL OPERATING REVENUES	5,505,437
OPERATING EXPENSES	
Salaries	38,792,757
Employee benefits	13,684,920
Supplies, materials, and other operating expenses and services	13,250,543
Student financial aid	18,798,923
Equipment, maintenance, and repairs	2,101,273
Depreciation	12,167,256
TOTAL OPERATING EXPENSES	98,795,672
OPERATING LOSS	(93,290,235)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	10,412,402
Local property taxes, levied for general purposes	34,709,618
Taxes levied for other specific purposes	15,410,039
Federal grants	18,870,743
State grants	7,557,575
Other State revenues	8,268,864
Investment income	556,760
Interest expense on capital related debt	(13,515,943)
Investment income on capital asset-related debt, net	44,173
Transfer to fiduciary funds	(20,000)
Other nonoperating revenue	9,992,883
TOTAL NONOPERATING REVENUES (EXPENSES)	92,287,114
LOSS BEFORE OTHER REVENUES	(1,003,121)
State revenues, capital	5,254,716
CHANGE IN NET POSITION	4,251,595
NET POSITION, BEGINNING OF YEAR	73,684,184
NET POSITION, END OF YEAR	$ 77,935,779

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 5,315,742
Payments to vendors for supplies and services	191,153
Payments to or on behalf of employees	(55,548,537)
Payments to students for scholarships and grants	(18,588,267)
Other operating receipts	(18,798,923)
Net Cash Flows From Operating Activities	(87,428,832)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	9,956,526
Grant and contracts	28,028,493
Property taxes - nondebt related	34,709,618
State taxes and other apportionments	7,290,770
Other nonoperating	10,421,072
Net Cash Flows From Noncapital Financing Activities	90,406,479
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(5,390,337)
State revenue, capital projects	5,254,716
Property taxes - related to capital debt	15,410,039
Principal paid on capital debt	(189,095,329)
Proceeds from capital debt	199,414,974
Interest paid on capital debt	44,173
Interest paid on capital asset-related debt	(22,622,121)
Net Cash Flows From Capital Financing Activities	3,016,115
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	(22,790,020)
Interest received from investments	556,760
Net Cash Flows From Investing Activities	(22,233,260)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,239,498)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	108,316,913
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 92,077,415

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (93,290,235)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	12,167,256
Changes in Assets, Liabilities, Deferred Inflows and Deferred Outflows of Resources:	
Accounts receivable	(2,380)
Prepaid expenses	(575,293)
Accounts payable and accrued liabilities	(1,809,144)
Unearned revenue	(781,770)
Compensated absences payable	(74,202)
Load banking	360,034
Change in deferred outflows related to pension	(6,059,243)
Change in deferred inflows related to pension	(218,536)
PARS supplemental early retirement plan	(557,327)
Other postemployment benefit (OPEB) obligation	(2,563,768)
Aggregate net pension obligation	5,975,776
Total Adjustments	5,861,403
Net Cash Flows From Operating Activities	$ (87,428,832)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,093,948
Cash in county treasury	90,983,467
Total Cash and Cash Equivalents	$ 92,077,415
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 1,263,626

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Trust Funds
ASSETS	
Cash and cash equivalents	$ 140,240
Investments	112,803
Accounts receivable	340
Due from primary government	6,684
Total Assets	260,067
LIABILITIES	
Accounts payable	5,932
Unearned revenue	4,512
Total Liabilities	10,444
NET POSITION	
Unreserved	$ 249,623

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, 2016

	Trust Funds
ADDITIONS	
Local revenues	$ 105,162
DEDUCTIONS	
Classified salaries	24,395
Employee benefits	5,750
Books and supplies	117,165
Services and operating expenditures	3,925
Total Deductions	151,235
OTHER FINANCING SOURCES (USES)	
Transfer from primary government	20,000
Other uses - OPEB trust contribution	(3,000,000)
Total Other Financing Sources (Uses)	(2,980,000)
Change in Net Position	(3,026,073)
Net Position - Beginning	3,275,696
Net Position - Ending	$ 249,623

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

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. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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.

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.

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, 2016, 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.

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 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, and for pension related items.

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 pension related items.

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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the entity-wide financial statements.

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.

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 $58,847,896 of restricted net position.

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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances 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.

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

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.

Inter-Fund Activity

Inter-fund transfers and inter-fund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

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 District has implemented the provisions of this Statement as of June 30, 2016.

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 68, and Amendments to Certain Provisions of GASB Statements 67 and 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—an amendment to GASB Statement No. 27*, 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 GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.

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

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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 GASB 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 GASB Statements 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*.

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 GASB 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. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

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.

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.

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, 2016, consist of the following:

Primary government	$ 158,562,373
Fiduciary funds	253,043
Total Deposits and Investments	$ 158,815,416
Cash on hand and in banks	$ 1,219,188
Cash in revolving	15,000
Cash in county	91,035,491
Investments	66,545,737
Total Deposits and Investments	$ 158,815,416

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 maintains an investment of $91,035,491 with the Riverside County Pooled Investment Fund with a weighted maturity of 420 days. In addition, the District also has an investment of $66,545,737 in Federated Investors Tax Free Obligations with a weighted maturity of 1,095 days.

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. The District's investments in the Riverside County Pooled Investment Fund and Federated Investors Tax Free Obligations are not required to be rated. The investment in Federated Investors Tax Free Obligations has not been rated as of June 30, 2016. The District's investment in the Riverside County Pooled Investment Fund was rated AAA by Moody’s Investors Services.

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, 2016, the District had $670,982 exposed to custodial credit risk.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

> Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
>
> Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
>
> Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Pooled Investment Fund are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Riverside County Pooled Investment Fund	$ 91,172,049	$ -	$ 91,172,049
Federated Inv Tax Free Obligations	66,484,958	66,484,958	-
Total	$ 157,657,007	$ 66,484,958	$ 91,172,049

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - 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:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 575,617	$ -
State Government		
Categorical aid	592,515	-
Lottery	941,351	-
Other State sources	70,785	-
Local Sources		
Property taxes	896,624	-
Enrollment fees	456,594	-
Interest	118,324	-
Other local sources	571,837	340
Total	$ 4,223,647	$ 340

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016, 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	27,429,539	3,027,497	4,319,878	26,137,158
Works of art	524,000	-	-	524,000
Total Capital Assets Not Being Depreciated	40,245,840	3,027,497	4,319,878	38,953,459
Capital Assets Being Depreciated				
Land improvements	94,042,560	982,168	-	95,024,728
Buildings and improvements	265,056,116	4,814,173	-	269,870,289
Furniture and equipment	13,062,099	1,083,953	-	14,146,052
Total Capital Assets Being Depreciated	372,160,775	6,880,294	-	379,041,069
Total Capital Assets	412,406,615	9,907,791	4,319,878	417,994,528
Less Accumulated Depreciation				
Land improvements	22,364,220	4,615,612	-	26,979,832
Buildings and improvements	39,367,981	6,364,397	-	45,732,378
Furniture and equipment	5,955,599	1,187,247	-	7,142,846
Total Accumulated Depreciation	67,687,800	12,167,256	-	79,855,056
Net Capital Assets	$ 344,718,815	$ (2,259,465)	$ 4,319,878	$ 338,139,472

Depreciation expense for the year was $12,167,256.

Interest expense related to capital debt for the year ended June 30, 2016, was $15,651,338. Of this amount, $2,135,395 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Apportionment	$ 5,930,472	$ -
Construction	1,045,029	-
Accrued payroll	255,289	-
Other	1,038,096	5,932
Total	$ 8,268,886	$ 5,932

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

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	$ 88,638	$ -
State categorical aid	2,057,998	-
Other State	71,370	-
Apportionment	317,356	-
Enrollment fees	480,500	-
Other local	74,723	4,512
Total	$ 3,090,585	$ 4,512

Fiduciary fund unearned revenues consist of student fees attributable to the 2016-2017 year.

NOTE 9 - INTER-FUND TRANSACTIONS

Inter-Fund Receivables and Payables (Due To/Due From)

Inter-fund receivable and payable balances arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. Inter-fund 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, 2016, the amount owed by the primary government to the fiduciary funds was $6,684.

Inter-Fund 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 2016 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $20,000.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2016 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds	$ 350,526,022	$ 165,193,449	$ 185,840,000	$ 329,879,471	$ 5,550,000
Premium on debt	12,137,169	34,221,525	3,255,329	43,103,365	-
Total Bonds Payable	362,663,191	199,414,974	189,095,329	372,982,836	5,550,000
Other Liabilities					
Compensated absences	960,683	-	74,202	886,481	-
PARS supplemental early retirement plan	2,372,184	-	557,327	1,814,857	557,327
Load banking	-	360,034	-	360,034	-
Other postemployment benefits obligation	2,800,565	741,273	3,305,041	236,797	-
Aggregate net pension obligation	35,593,784	5,975,776	-	41,569,560	-
Total Other Obligations	41,727,216	7,077,083	3,936,570	44,867,729	557,327
Total Long-Term Obligations	$ 404,390,407	$ 206,492,057	$ 193,031,899	$ 417,850,565	$ 6,107,327

Description of Debt

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

The compensated absences payable will be paid by the fund for which the employee worked. At June 30, 2016, the balance outstanding was $886,481.

The load banking payable will be paid by the fund for which the employee worked. At June 30, 2016, the balance outstanding was $360,034.

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, 2016, was $1,814,857.

The net OPEB obligation will be paid out of the Self Insurance Fund. See Note 11 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 13 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.

In February 2016, the District issued 2016 General Obligation Refunding Bonds. These bonds were issued in the amount of $158,130,000. 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.

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Issued	Accreted Interest	Redeemed	Bonds Outstanding June 30, 2016
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	256,466,040	-	6,898,431	129,620,000	133,744,471
	Subtotal Election of 2004				309,086,040	-	6,898,431	182,240,000	133,744,471
2005 Refunding	6/2005	8/1/2015	3.00%-5.00%	55,771,886	2,749,982	-	165,018	2,915,000	-
2015 Refunding	4/2015	8/1/2024	2.00%-5.00%	38,690,000	38,690,000	-	-	685,000	38,005,000
2016 Refunding	2/2016	8/1/2037	5.00%	158,130,000	-	158,130,000	-	-	158,130,000
					$ 350,526,022	$ 158,130,000	$ 7,063,449	$ 185,840,000	$ 329,879,471

General Obligation Bond - 2007 Series C

The bonds mature through 2047 as follows:

Fiscal Year	Principal (Including Accreted Interest to Date	Accreted Interest	Total
2017	$ 2,023,597	$ 41,403	$ 2,065,000
2018	2,199,202	140,798	2,340,000
2019	2,351,351	278,649	2,630,000
2020	2,479,255	440,745	2,920,000
2021	2,596,511	623,489	3,220,000
2022-2026	15,338,960	7,421,040	22,760,000
2027-2031	20,628,497	19,336,503	39,965,000
2032-2036	10,399,619	14,960,381	25,360,000
2037-2041	27,134,262	69,983,941	97,118,203
2042-2046	40,986,640	141,300,870	182,287,510
2047	7,606,577	32,193,425	39,800,002
Total	$ 133,744,471	$ 286,721,244	$ 420,465,715

General Obligation Bond - 2015 Refunding

The bonds mature through 2025 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	4,075,000	1,160,125	5,235,125
2022-2025	21,165,000	2,246,375	23,411,375
Total	$ 38,005,000	$ 9,481,500	$ 47,486,500

General Obligation Bond - 2016 Refunding

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2017	$ 765,000	$ 7,678,811	$ 8,443,811
2018	-	7,868,250	7,868,250
2019	-	7,868,250	7,868,250
2020	-	7,868,250	7,868,250
2021	-	7,868,250	7,868,250
2022-2026	4,305,000	39,233,625	43,538,625
2027-2031	29,120,000	34,896,750	64,016,750
2032-2036	72,635,000	23,542,875	96,177,875
2037-2038	51,305,000	2,618,125	53,923,125
Total	$ 158,130,000	$ 139,443,186	$ 297,573,186

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2016, was $655,850, and contributions made by the District during the year were $3,305,041. Interest on the net OPEB obligation and adjustments to the annual required contribution were $196,039 and $(110,616), respectively, which resulted in a decrease to the net OPEB obligation of $2,563,768. As of June 30, 2016, the net OPEB obligation was $236,797. See Note 11 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:

Fiscal Year	Principal
2017	$ 557,327
2018	557,327
2019	557,327
2020	142,876
Total	$ 1,814,857

Compensated Absences

At June 30, 2016, the liability for compensated absences was $886,481.

Load Banking

At June 30, 2016, the liability for load banking was $360,034.

Aggregate Net Pension Obligation

At June 30, 2016, the liability for the aggregate net pension obligation amounted to $41,569,560. See Note 13 for additional information.

NOTE 11 - 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. The District has entered into an agreement with Self-Insured Schools of California (SISC) to join the SISC GASB 45 Trust to be used for the funding and payments of the District's obligations under the employee benefit plans that provide retiree health and other postemployment benefits.

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 320 active participants and 27 retirees at June 30, 2016.

Contribution Information

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2015-2016, the District contributed $3,305,041 to the Plan of which $305,041 was used for current premiums, and $3,000,000 was contributed to an irrevocable trust.

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	$ 655,850
Interest on net OPEB obligation	196,039
Adjustment to annual required contribution	(110,616)
Annual OPEB cost (expense)	741,273
Contributions made	(3,305,041)
Decrease in net OPEB obligation	(2,563,768)
Net OPEB obligation, beginning of year	2,800,565
Net OPEB obligation, end of year	$ 236,797

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:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	$ 838,758	$ 261,128	31%	$ 2,148,786
2015	843,043	191,264	23%	2,800,565
2016	741,273	3,305,041	446%	236,797

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	$ 6,198,636
Actuarial Value of Plan Assets	2,951,765
Unfunded Actuarial Accrued Liability (UAAL)	$ 3,246,871
Funded Ratio (Actuarial Value of Plan Assets/AAL)	48%
Covered Payroll	24,251,360
UAAL as Percentage of Covered Payroll	13.39%

The above noted actuarial accrued liability was based on the June 1, 2016, 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 June 1, 2016, 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. The District has entered into an agreement with Self-Insured Schools of California (SISC) to be used for the funding and payments of the District's obligations under the employee benefit plans that provide retiree health and other postemployment benefits. The actuarial value of assets was $2,951,765 as of the actuarial valuation date.

NOTE 12 - RISK MANAGEMENT

Property and Liability 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, 2016, 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 2015-2016, 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.

Insurance Program / JPA Name	Type of Coverage	Limits
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.

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 13 - 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.

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflow of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 26,354,396	$ 4,228,746	$ 5,728,172	$ 1,928,631
CalPERS	15,215,164	4,917,703	3,959,595	1,424,002
Total	$ 41,569,560	$ 9,146,449	$ 9,687,767	$ 3,352,633

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, 2014, 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.

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, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

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, 2016, are presented above, and the District's total contributions were $2,152,267.

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

At June 30, 2016, 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	$ 26,354,396
State's proportionate share of net pension liability associated with the District	13,938,570
Total	$ 40,292,966

The net pension liability was measured as of June 30, 2015. 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. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.0391 percent and 0.0408 percent, respectively, resulting in a net decrease in the proportionate share of 0.0017 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,928,631. In addition, the District recognized pension expense and revenue of $1,079,699 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,152,267	$ -
Net change in proportionate share of net pension liability	-	1,062,994
Difference between projected and actual earnings on pension plan investments	2,076,479	4,224,791
Difference between expected and actual experience in the measurement of the total pension liability	-	440,387
Total	$ 4,228,746	$ 5,728,172

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning 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,	Deferred Outflows/(Inflows) of Resources
2017	$ (889,144)
2018	(889,144)
2019	(889,144)
2020	519,120
Total	$ (2,148,312)

The deferred inflows of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (250,564)
2018	(250,564)
2019	(250,564)
2020	(250,564)
2021	(250,564)
Thereafter	(250,561)
Total	$ (1,503,381)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	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:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 39,793,086
Current discount rate (7.60%)	26,354,396
1% increase (8.60%)	15,185,759

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.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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, 2016, are presented above, and the total District contributions were $1,502,370.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $15,215,164. The net pension liability was measured as of June 30, 2015. 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 periods of June 30, 2015 and June 30, 2014, was 0.1032 percent and 0.1033 percent, respectively, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,424,002. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,502,370	$ -
Net change in proportionate share of net pension liability	46,835	4,823
Difference between projected and actual earnings on pension plan investments	2,498,929	3,019,910
Difference between expected and actual experience in the measurement of the total pension liability	869,569	-
Changes of assumptions	-	934,862
Total	$ 4,917,703	$ 3,959,595

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 subsequent fiscal year. The deferred outflows/(inflows) 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,	Deferred Outflows/(Inflows) of Resources
2017	$ (381,904)
2018	(381,904)
2019	(381,904)
2020	624,731
Total	$ (520,981)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (760)
2018	(761)
2019	(21,760)
Total	$ (23,281)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

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.

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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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.

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:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 24,763,947
Current discount rate (7.65%)	15,215,164
1% increase (8.65%)	7,274,713

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, 2016, 2015, and 2014, which amounted to $1,263,626, $1,072,443, and $921,588, respectively, (7.12589 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, 2016, 2015, and 2014. 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.

NOTE 14 - 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 15 - 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, 2016.

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, 2016.

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, 2016, the District recorded a payable in the General Fund of approximately $516 for reimbursements to the District and a receivable in the General Fund of approximately $40,304 for payroll and supplies.

The District receives contributions directly and indirectly throughout the year from the 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, 2016, the District recorded a receivable in the General Fund of approximately $434 from the Association for supplies. As of June 30, 2016, the District recorded a receivable in the General Fund of approximately $110,412 from the Foundation for payroll and various pledge agreements. As of June 30, 2016, the District recorded a payable to the Foundation in the General Fund of approximately $2,708 for benefits reimbursements.

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
2017		$ 245,379
2018		230,495
2019		220,000
	Total Minimum Lease Payments	$ 695,874

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Central Campus Redevelopment	$ 1,874,606	Fall 2019
Mecca/Thermal Campus Phase 1	943,351	Spring 2017
Indio Campus Retail Space	871,945	Fall 2016
Indio Modulars	244,758	Winter 2016
Visual Arts Canopy	122,536	Fall 2016
Career Workforce Center	92,510	Fall 2016
Carol Meier Hall 1 and 4	77,538	Fall 2016
Small Maintenance Projects	51,790	Fall 2016
Campus Electronic Sign	32,989	N/A
Math Science Technology Center	31,487	Fall 2016
Old Art Building	28,373	Fall 2016
Music Rehearsal Room #2 Renovation	21,594	Fall 2016
Desert Hot Springs Campus Renovations	11,784	Spring 2017
South Annex 13 Remodel	11,289	Fall 2016
Miscellaneous Projects	1,920	
	$ 4,418,470	

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

REQUIRED SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

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)
6/11/2012	$ -	$ 5,015,091	$ 5,015,091	0%	$ 23,459,007	21%
4/1/2014	-	5,785,872	5,785,872	0%	23,735,378	24%
6/1/2016	2,951,765	6,198,636	3,246,871	48%	24,251,360	13%

* Entry age normal cost method.

See accompanying note to required supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0391%	0.0408%
District's proportionate share of the net pension liability	$ 26,354,396	$ 23,870,639
State's proportionate share of the net pension liability associated with the District	13,938,570	14,414,123
Total	$ 40,292,966	$ 38,284,762
District's covered - employee payroll	$ 18,820,721	$ 18,194,036
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	140.03%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.1032%	0.1033%
District's proportionate share of the net pension liability	$ 15,215,164	$ 11,723,145
District's covered - employee payroll	$ 11,432,104	$ 10,840,299
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 2,152,267	$ 1,671,280
Contributions in relation to the contractually required contribution	(2,152,267)	(1,671,280)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 20,058,406	$ 18,820,721
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 1,502,370	$ 1,345,673
Contributions in relation to the contractually required contribution	(1,502,370)	(1,345,673)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 12,681,438	$ 11,432,104
Contributions as a percentage of covered - employee payroll	11.85%	11.77%

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2016

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

MEMBER	OFFICE	TERM EXPIRES
Mrs. Mary Jane Sanchez-Fulton	Chairperson	2016
Mrs. Aurora Wilson	Vice Chairperson	2018
Ms. Becky Broughton	Clerk	2018
Dr. Fred Jandt	Member	2016
Dr. Bonnie Stefan	Member	2016

ADMINISTRATION

Dr. Joel L. Kinnamon	Superintendent/President
Ms. Lisa Howell	Vice President, Administrative Services
Dr. Pamela Ralston	Vice President, Student Learning
Dr. Annebelle Nery	Vice President, Student Success
Dr. May Anne Gularte	Vice President, Human Resources and Employee Relations

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant	84.063		$ 15,783,489
Federal Pell Administrative Allowance	84.063		43,239
Federal Work Study	84.033		257,036
Federal Work Study Administrative Allowance	84.033		8,326
Federal Supplemental Educational Opportunity Grant	84.007		270,980
FSEOG Administrative Allowance	84.007		13,450
Total Student Financial Assistance Cluster			16,376,520
TRIO Cluster			
DSPS Student Support Services	84.042A		214,057
College of the Desert EVC Student Support Services	84.042A		59,561
College of the Desert Student Support Services	84.042A		254,602
Veterans Student Support Services	84.042A		147,435
Upward Bound	84.047A		373,184
Total TRIO Cluster			1,048,839
Title V Cooperative Grant Linking College of the Desert with California State University, San Bernardino	84.031S		11,332
Title V Student Learning, Success, and Assignment Focusing on Hispanic, Low Income, and 1st Generation Students	84.031S		260,636
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education Act (Perkins Title I-C)	84.048	15-C01-013	315,099
CTE Transitions	84.048A	15-112-013	45,119
Passed through the California Department of Rehabilitation			
State Vocational Rehabilitation Services Program	84.126A	28893	220,613
Total U.S. Department of Education			18,278,158
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	33-2407-4A	81,454
Total U.S. Department of Agriculture			81,454

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through the Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training	17.282	TC-26434-14-60-A-6	$ 436,926
Passed through the County of Riverside			
Vocational Training for Dislocated Workers and Veterans	17.278	038-202-501-502	13,507
Total U.S. Department of Labor			450,433
U.S. DEPARTMENT OF TRANSPORTATION			
Dwight David Eisenhower Transportation Fellowship Program	20.215		5,000
Total U.S. Department of Transportation			5,000
US DEPARTMENT OF VETERAN AFFAIRS			
Vocational Rehabilitation for Disabled Veterans	64.116		2,784
Total U.S. Department of Veteran Affairs			2,784
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	17,338
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	32,497
Total U.S. Department of Health and Human Services			49,835
Total Federal Expenditures			$ 18,867,664

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Program	Program Entitlements Current Year	Prior Year	Total Entitlement
Adult Education Block Grant	$ 3,332	$ 82,758	$ 86,090
Basic Skills	128,703	162,194	290,897
Board Financial Assistance Program (BFAP)	152,687	-	152,687
CalWORKS	281,722	-	281,722
Cooperative Agencies and Resources for Education	115,553	-	115,553
CTE Enhancement	211,611	-	211,611
Disabled Students Programs and Services	740,235	-	740,235
Equal Employment Opportunity	5,090	20,009	25,099
EWD - Advanced Transportation	297,159	-	297,159
EWD - Health	308,675	-	308,675
Extended Opportunities, Programs, and Services (EOPS)	507,579	-	507,579
Math, Engineering, and Science Achievement (MESA)	50,500	-	50,500
Nursing Enrollment Growth	171,000	-	171,000
Proposition 39 Clean Energy Act	291,546	334	291,880
AEBG Consortium	2,406,762	-	2,406,762
Student Financial Aid Administration	248,342	-	248,342
Student Mental Halth Program	-	22,003	22,003
Student Success and Support Program, Credit	1,445,919	261,563	1,707,482
Student Success and Support Program, Equity	1,163,149	498,106	1,661,255
Student Success and Support Program, Non-Credit	166,999	-	166,999
Temporary Assistance to Needy Families (TANF)	64,993	-	64,993
Full Time Student Success	528,336	-	528,336
Total			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 86,090	$ -	$ -	$ 86,090	$ 86,090
290,897	-	124,602	166,295	166,295
152,687	-	-	152,687	152,687
281,722	-	-	281,722	281,722
115,553	-	-	115,553	115,553
211,611	-	-	211,611	211,611
741,012	-	-	741,012	741,012
25,099	-	22,714	2,385	2,385
98,405	198,754	-	297,159	297,159
51,915	256,760	-	308,675	308,675
501,579	-	-	501,579	501,579
30,300	20,200	-	50,500	50,500
157,320	13,680	-	171,000	171,000
188,759	103,121	-	291,880	291,880
2,406,762	-	1,133,863	1,272,899	1,272,899
248,342	-	-	248,342	248,342
22,003	-	11,189	10,814	10,814
1,707,482	-	548,890	1,158,592	1,158,592
1,661,255	-	50,648	1,610,607	1,610,607
166,999	-	76,656	90,343	90,343
32,496	-	-	32,496	32,496
528,336	-	89,436	438,900	438,900
$ 9,706,624	$ 592,515	$ 2,057,998	$ 8,241,141	$ 8,241,141

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2016

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	30	-	30
2. Credit	399	-	399
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	-	-	-
2. Credit	525	-	525
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,971	-	5,971
(b) Daily Census Contact Hours	436	-	436
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	588	-	588
(b) Credit	202	-	202
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	720	-	720
(b) Daily Census Contact Hours	182	-	182
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	9,053	-	9,053
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	334	-	334
2. Credit	564	-	564

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, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 10,307,164	$ -	$ 10,307,164	$ 10,307,164	$ -	$ 10,307,164
Other	1300	7,003,627	-	7,003,627	7,003,627	-	7,003,627
Total Instructional Salaries		17,310,791	-	17,310,791	17,310,791	-	17,310,791
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	2,899,431	-	2,899,431
Other	1400	-	-	-	548,739	-	548,739
Total Noninstructional Salaries		-	-	-	3,448,170	-	3,448,170
Total Academic Salaries		17,310,791	-	17,310,791	20,758,961	-	20,758,961
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,302,298	-	8,302,298
Other	2300	-	-	-	250,573	-	250,573
Total Noninstructional Salaries		-	-	-	8,552,871	-	8,552,871
Instructional Aides							
Regular Status	2200	854,863	-	854,863	854,863	-	854,863
Other	2400	-	-	-	-	-	-
Total Instructional Aides		854,863	-	854,863	854,863	-	854,863
Total Classified Salaries		854,863	-	854,863	9,407,734	-	9,407,734
Employee Benefits	3000	5,776,650	-	5,776,650	10,819,820	-	10,819,820
Supplies and Material	4000	-	-	-	505,880	-	505,880
Other Operating Expenses	5000	-	-	-	5,099,480	-	5,099,480
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		23,942,304	-	23,942,304	46,591,875	-	46,591,875

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, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 245,626	$ -	$ 245,626
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	353,082	-	353,082
Objects to Exclude							
Rents and Leases	5060	-	-	-	133,826	-	133,826
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, 2016

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,374,648	$ -	$ 1,374,648
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	1,374,648	-	1,374,648
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	2,107,182	-	2,107,182
Total for ECS 84362, 50 Percent Law		$ 23,942,304	$ -	$ 23,942,304	$ 44,484,693	$ -	$ 44,484,693
Percent of CEE (Instructional Salary Cost/Total CEE)		53.82%		53.82%	100.00%		100.00%
50% of Current Expense of Education					$ 22,242,347		$ 22,242,347

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, 2016

Summarized below is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	General Fund
FUND BALANCE	
Balance, June 30, 2016, (CCFS-311)	$ 16,671,104
Adjustments	
Decrease in:	
Deferred Revenue	123,560
Balance, June 30, 2016, Audited	$ 16,794,664

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2016

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	8630				$ 6,854,330
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 6,854,330			$ 6,854,330
Total Expenditures for EPA		$ 6,854,330	-	-	$ 6,854,330
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 16,794,664	
Special Revenue Funds	22,333	
Capital Project Funds	115,157,520	
Debt Service Funds	16,233,533	
Internal Service Funds	3,837,062	
Fiduciary Funds	6,559	
Total Fund Balance - All District Funds		**$ 152,051,671**
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	417,994,528	
Accumulated depreciation is	(79,855,056)	338,139,472
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.		9,971,758
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.		3,654,637
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.		(3,835,239)
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.		(1,020,982)
The 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.		(2,669,293)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		429,182
The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(934,862)
Long-term obligations at year end consist of:		
Bonds payable	(329,879,471)	
Bond premiums	(43,103,365)	
Compensated absences	(886,481)	
Load banking	(360,034)	
PARS supplemental early retirement plan	(1,814,857)	
OPEB obligation	(236,797)	
Aggregate net pension obligation	(41,569,560)	(417,850,565)
Total Net Position		**$ 77,935,779**

See accompanying note to supplementary information.

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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:		$ 18,870,743
Federal Pell Grant	84.063	(5,093)
Federal Pell Administrative Allowance	84.063	2,014
Total Expenditures of Federal Awards		$ 18,867,664

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

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of Desert Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2016.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 November 4, 2016.

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.

Vavrinek Trine Day & Co LLP

Riverside, California
November 4, 2016

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

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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered 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.

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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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek Trine Day & Co. LLP

Riverside, California
November 4, 2016

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 November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

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* issued in November 2015. 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.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 475 Disabled Student Programs and Services (DSPS). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion for Each of the Other 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, 2016, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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 429	Student Success and Support Program (SSSP)
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 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. The District did not offer an Intersession Extension Program. The District did not offer any To Be Arranged (TBA) Hours courses. The District did not receive any funding for Proposition 1D State Bond Funded Projects. The compliance tests within these sections were not applicable to the District.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

Vavrinek Trine Day & Co LLP

Riverside, California
November 4, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DESERT COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.033, 84007	Student Financial Assistance Cluster
84.042A, 84.047A	TRIO Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

Unmodified for all State programs except for the following State program which was qualified:

Name of State Program
Section 475 Disabled Student Programs and Services (DSPS)

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations.

2016-001 Finding

Criteria or Specific Requirement

California Code of Regulations (CCR) Title 5, *Education Code* section 56022, provides guidance and direction on the reporting and accounting requirements for DSPS.

Condition

Student Educational Contracts (SEC) must be established upon initiation of DSPS services and shall be reviewed and updated annually for every student with a disability participating in DSPS. During the testing of the program files, 14 students did not have the form properly updated. A total of 707 students were serviced through the DSPS program. From our sample size of 25, we found an error rate of 56 percent. This indicates that a total of 396 student files are at risk of being incomplete and not containing an up to date SEC.

Questioned Costs

The District's funding is not affected by this compliance finding. The students were properly determined to be eligible to receive DSPS services.

Context

By not following program guidelines and completing an internal review of student files, the special funding for the DSPS program could be jeopardized.

Effect

The District is not in compliance with the State requirements described in the *Contracted District Audit Manual*.

Cause

Student files are not being reviewed and updated on a regular basis to determine whether all necessary documentation is included within the student file.

Recommendation

The District must ensure that program personnel is aware of all requirements and implement procedures to ensure files are being reviewed annually for the students who are receiving benefits from the program.

Management's Response and Corrective Action Plan

The District concurs with the finding and will implement the following steps to prevent this condition:

- Counselors will review the AAP (Academic Adjustment Plan - formally the SEC) at each appointment after the initial intake to determine if the accommodations are appropriate and if the student understands how to use their accommodations correctly.

- Documentation will be more thorough and recorded for each appointment. Case notes will be housed in an electronic format that is accessible on the main campus and off campus sites.

- The interactive process will be completed and documented at each in person, online, or phone appointment.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.