Annual Financial Report
June 30, 2019

Desert Community College District

EideBailly

eidebailly.com

DESERT COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements - Primary Government	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds	
Statement of Net Position	20
Statement of Changes in Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Liability and Related Ratios	67
Schedule of OPEB Investment Returns	68
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program	69
Schedule of the District's Proportionate Share of the Net Pension Liability	70
Schedule of District Contributions for Pensions	71
Note to Required Supplementary Information	72

SUPPLEMENTARY INFORMATION

District Organization	74
Schedule of Expenditures of Federal Awards	75
Schedule of Expenditures of State Awards	77
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	78
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation	79
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	82
Proposition 30 Education Protection Account (EPA) Expenditure Report	83
Reconciliation of Governmental Funds to the Statement of Net Position	84
Note to Supplementary Information	86

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	89
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	91
Report on State Compliance	94

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	97
Financial Statement Findings and Recommendations	98
Federal Awards Findings and Questioned Costs	100
State Awards Findings and Questioned Costs	102
Summary Schedule of Prior Audit Findings	104

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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *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 opinions.

Opinions

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15, and other required supplementary schedules on pages 67 through 72, 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are 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 December 9, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019

DESERT COMMUNITY COLLEGE DISTRICT
43500 Monterey Avenue
Palm Desert, CA 92260
760.346.8041 | www.collegeofthedesert.edu

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, 2019. 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, 2019. 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 government-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.

FINANCIAL HIGHLIGHTS

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

As of June 30, 2019, the District's total net position is $102,566,262. Total net position of the District increased $18,886,163 from the previous year. The District's General Fund Unrestricted balance at the end of the fiscal year increased to $2,613,466. 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 the Student-Centered Funding Formula (SCFF). The new funding formula was implemented in fiscal year 2018-2019, and is made up of three primary components: Full-Time Equivalent Students (FTES), counts of low-income students, and student success outcomes as defined in statute. Under the new formula, the District's calculated apportionment revenues were $69,302,887. However, the State lacked sufficient funds to fully fund the calculated revenue. As a result, the State provided $63,013,324 from available revenues. This was a net increase of approximately $5.3 million over the 2017-2018 fiscal year. Total credit and non-credit FTES reported for the 2018-2019 fiscal year was 10,683; an increase of 543 FTES or approximately 5.4 percent.

The calculated statutory cost-of-living (COLA) was 2.71 percent.

Enrollment fee: During 2018-2019, 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.

On November 8, 2016, the voters again provided strong support in supporting the passage of Measure CC, a $577.8 million general obligation bond authorization to address future facility needs at the District. In June 2018, the District issued the first series in the amount of $50 million. 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, 2019. The total net position increased $18,886,163 from the previous year due primarily to increases in debt service collections for the general obligation bonds.

- Cash, cash equivalents, and investments in current assets consist of cash in the County Treasury and in local banks of $137,021,284 as of June 30, 2019, compared to $157,753,980 as of June 30, 2018.

- Receivables consist mainly of State and Federal grants, interest, lottery, and State apportionment that were not yet received as of June 30, 2019, in the amount of $6,881,025 compared to $5,740,539 as of June 30, 2018.

- Noncurrent restricted investments consist of unspent general obligation bond proceeds for capital improvements and expansion of the District, as well as a deposit held with the State of California on property under eminent domain proceedings. The fair market value of unspent general obligation bond proceeds in noncurrent restricted investments as of June 30, 2019, is $38,638,425 compared to $38,192,760 as of June 30, 2018. The decrease resulted from qualified expenditures made during the year.

- 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, 2019, amounted to $388,245,700 compared to $361,718,177 for fiscal year ending June 30, 2018.

- Accounts payable and accrued liabilities consist of payables to vendors, accrued payroll, and benefits of $14,791,468 as of June 30, 2019, compared to $15,069,429 as of June 30, 2018. Accrued interest payable on bonds as of the end of fiscal year June 30, 2019, of $7,006,271 compared to $6,311,188 for fiscal year ending June 30, 2018.

- Unearned revenue relates to Federal, State, and local program funds received, but not yet earned, as of the end of the fiscal year June 30, 2019, of $4,551,539 compared to $4,486,069 at the end of fiscal year June 30, 2018. Most grant funds are earned when spent, up to the award amount.

- Current and noncurrent liabilities consist of compensated absences liability as of June 30, 2019, in the amount of $1,250,389 compared to $1,215,667 as of June 30, 2018, Load banking liability in the amount of $482,628 as of June 30, 2019, as compared to $450,769 as of June 30, 2018, PARS supplemental early retirement plan of $142,877 as of June 30, 2019, compared to $700,203 as of June 30, 2018, and the aggregate net other postemployment benefit liability of $4,531,542 as of June 30, 2019, compared to $3,312,989 as of June 30, 2018. The District's aggregate net pension obligation is $74,296,003 as of June 30, 2019, as compared to $63,515,768 as of June 30, 2018.

- Bonds payable of $349,425,000 at June 30, 2019, compared to $364,935,000 at June 30, 2018, represent general obligation bonds issued under Proposition 39/Measures B and CC for capital improvements and expansion of the District. These bonds are discussed in greater detail in the notes to the financial statements.

The Statement of Net Position as of June 30, 2019 and June 30, 2018, is summarized below.

(Amounts in thousands)	2019	2018	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and investments	$ 137,021	$ 157,754	$ (20,733)	-13%
Accounts receivable	6,898	5,740	1,158	20%
Other current assets	380	1,496	(1,116)	-75%
Total Current Assets	144,299	164,990	(20,691)	-13%
Noncurrent Assets				
Investments	38,638	38,193	445	1%
Capital assets (net)	388,246	361,718	26,528	7%
Total Noncurrent Assets	426,884	399,911	26,973	7%
Total Assets	571,183	564,901	6,282	1%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	14,263	15,118	(855)	-6%
Deferred outflows of resources related to OPEB	1,575	402	1,173	100%
Deferred outflows of resources related to pensions	26,770	21,237	5,533	26%
Total Deferred Outflows of Resources	42,608	36,757	5,851	16%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	26,372	25,883	489	2%
Current portion of long-term debt	12,438	16,068	(3,630)	-23%
Total Current Liabilities	38,810	41,951	(3,141)	-7%
Long-Term Debt	468,630	472,201	(3,571)	-1%
Total Liabilities	507,440	514,152	(6,712)	-1%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to OPEB	97	-	97	100%
Deferred inflows of resources related to pensions	3,688	3,826	(138)	-4%
Total Deferred Inflows of Resources	3,785	3,826	(41)	-1%
NET POSITION				
Net investment in capital assets	66,148	43,052	23,096	54%
Restricted	72,486	74,790	(2,304)	-3%
Unrestricted deficit	(36,068)	(34,162)	(1,906)	6%
Total Net Position	$ 102,566	$ 83,680	$ 18,886	23%

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 2018-2019. This rate is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

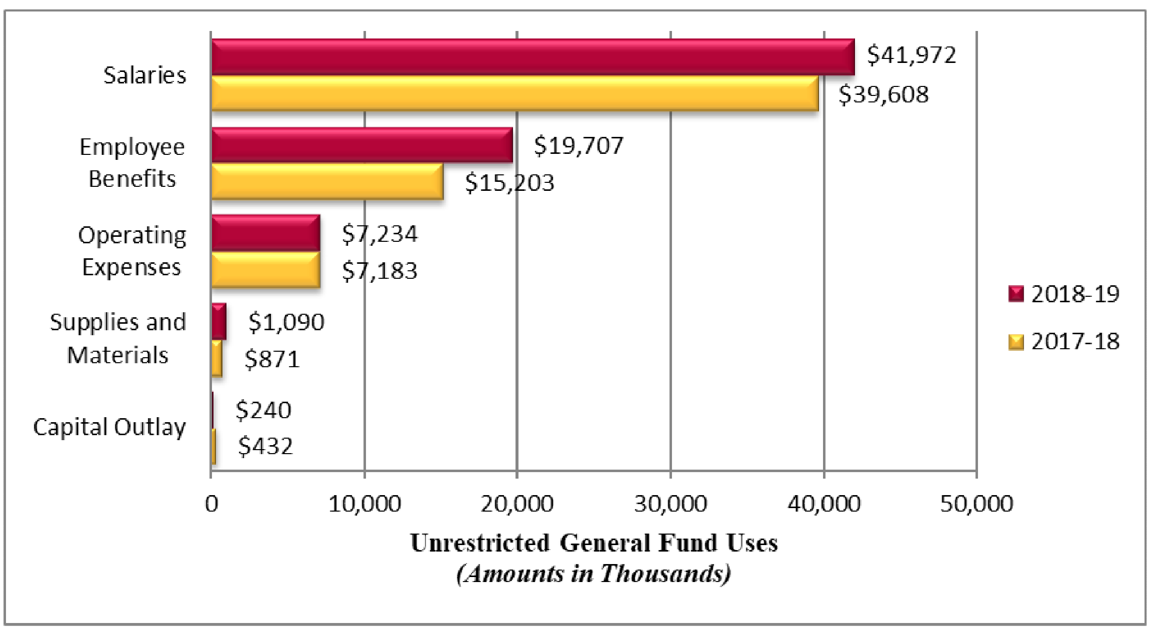
Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.

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.

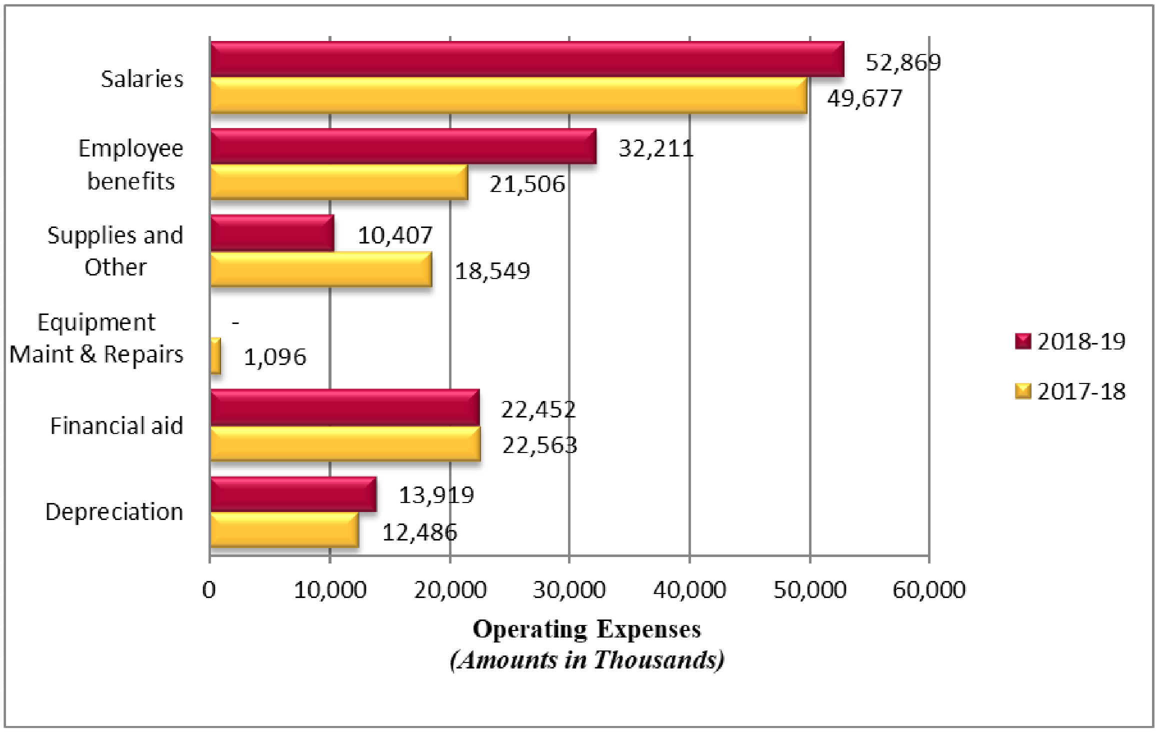
Local property taxes increased due to assessed valuations in the Coachella Valley. As noted above, decreases or increases in property tax revenue affect the District's State apportionment revenue. The housing market has shown improvement in the Coachella Valley, as well as in California. Interest rates 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 in the Unrestricted General Fund 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, 2019 and 2018, respectively.



The following graph reflects the Operating Expenses of the District for the years ended June 30, 2019 and 2018, respectively.



The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and June 30, 2018, is summarized below.

(Amounts in thousands)	2019	2018	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	$ 5,655	$ 5,270	$ 385	7%
Grants and contracts, non capital	20,038	16,298	3,740	23%
Other operating revenue	214	89	125	140%
Total Operating Revenues	25,907	21,657	4,250	20%
Operating Expenses				
Salaries and benefits	85,081	71,183	13,898	20%
Supplies and maintenance	10,407	18,549	(8,142)	-44%
Student financial aid	22,452	22,563	(111)	0%
Equipment and maintenance	-	1,096	(1,096)	-100%
Depreciation	13,919	12,486	1,433	11%
Total Operating Expenses	131,859	125,877	5,982	5%
Loss on Operations	(105,952)	(104,220)	(1,732)	2%
Nonoperating Revenues (Expenses)				
State apportionments	20,376	15,667	4,709	30%
Property taxes	75,408	70,477	4,931	7%
Financial aid grants, non capital	20,034	20,774	(740)	-4%
State revenues	7,287	4,678	2,609	56%
Net interest expense	(10,634)	(11,101)	467	-4%
Other nonoperating revenues, net	11,396	9,405	1,991	21%
Total Nonoperating Revenue (Expenses)	123,867	109,900	13,967	13%
Other Revenues				
State capital income	971	1,451	(480)	-33%
Change in Net Position	$ 18,886	$ 7,131	$ 11,755	165%

STATEMENT OF FUNCTIONAL EXPENSES

(Amounts in thousands)	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 24,840	$ 15,783	$ 1,519	$ -	$ -	$ 42,142
Academic support	7,209	6,325	841	-	-	14,375
Student services	7,165	2,795	391	-	-	10,351
Plant operations and maintenance	3,042	1,529	1,693	-	-	6,264
Instructional support services	6,777	4,192	2,475	-	-	13,444
Community services and economic development	678	307	523	-	-	1,508
Ancillary services and auxiliary operations	3,092	1,301	2,385	-	-	6,778
Physical property and related acquisitions	45	1	580	-	-	626
Student aid	-	-	-	22,452	13,919	36,371
Unallocated depreciation	-	-	-	-	-	-
Total	$ 52,848	$ 32,233	$ 10,407	$ 22,452	$ 13,919	$ 131,859

STATEMENT OF CASH FLOWS

(Amounts in thousands)	2019	2018	Increase (Decrease)	Percent Change
Cash Provided by (Used in)				
Operating activities	$ (86,811)	$ (91,539)	$ 4,728	-5%
Noncapital financing activities	100,993	93,626	7,367	8%
Capital financing activities	(36,762)	43,130	(79,892)	-185%
Investing activities	1,847	30,006	(28,159)	-94%
Net Change in Cash	(20,733)	75,223	(95,956)	-128%
Cash, Beginning of Year	157,754	82,531	75,223	91%
Cash, End of Year	$ 137,021	$ 157,754	$ (20,733)	-13%

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, 2019, the District had $388,245,700 in net capital assets. Total capital assets of $506,809,520 consist of land, buildings, construction in progress, site improvements, equipment and vehicles, and works of art. These assets have accumulated depreciation of $118,563,820. Net capital asset additions of $40,446,891 occurred during 2018-2019, and depreciation expense of $13,919,368 was recorded for the year.

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

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

(Amounts in thousands)	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land, works of art, and construction in progress	$ 76,173	$ 4,694	$ (12,510)	$ 68,357
Buildings and improvements	372,655	46,833	-	419,488
Furniture and equipment	17,535	1,430	-	18,965
Subtotal	466,363	52,957	(12,510)	506,810
Accumulated depreciation	(104,645)	(13,919)	-	(118,564)
	$ 361,718	$ 39,038	$ (12,510)	$ 388,246

DEBT ADMINISTRATION

As of June 30, 2019, the District had $400,364,780 in debt from general obligation bonds consisting of $349,425,000 of debt and $50,939,780 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 land acquisition 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.

Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below.

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 419,073	$ -	$ (18,708)	$ 400,365
Compensated absences	1,216	34		1,250
PARS supplemental early retirement plan	700	-	(557)	143
Load banking	451	32	-	483
Aggregate net OPEB liability	3,313	1,218	-	4,531
Aggregate net pension obligation	63,516	10,780	-	74,296
Total Long-Term Debt	$ 488,269	$ 12,064	$ (19,265)	$ 481,068
Amount due within one year				$ 12,438

NET PENSION LIABILITY (NPL)

At year end, the District has a net pension liability of $74,296,003 versus $63,515,768 last year, an increase of $10,780,235 or 17 percent.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2018-2019 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 2018 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 85 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 Measures B and CC. During 2019-2020, these funds will accommodate the planning and construction of projects as mentioned below:

- Completion of the Hilb Library and Building C renovations, and updating of classrooms.
- Indio Expansion including planning and development of a new educational building adjacent to the existing facility.
- Early childhood education and daycare center adjacent to the Indio center.
- West Valley Palm Springs architectural design and planning.

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, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 807,724
Investments	136,213,560
Accounts receivable	6,881,025
Due from fiduciary funds	17,000
Prepaid expenses	379,698
Total Current Assets	144,299,007
Noncurrent Assets	
Restricted investments - noncurrent portion	38,638,425
Nondepreciable capital assets	68,356,343
Depreciable capital assets, net of depreciation	319,889,357
Total Noncurrent Assets	426,884,125
TOTAL ASSETS	571,183,132
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	14,262,669
Deferred outflows of resources related to OPEB	1,575,034
Deferred outflows of resources related to pensions	26,770,487
TOTAL DEFERRED OUTFLOWS OF RESOURCES	42,608,190
LIABILITIES	
Current Liabilities	
Accounts payable	14,791,468
Interest payable	7,006,271
Due to fiduciary funds	23,027
Unearned revenue	4,551,539
Bonds payable - current portion	12,295,000
PARS supplemental early retirement plan	142,877
Total Current Liabilities	38,810,182
Noncurrent Liabilities	
Compensated absences liability	1,250,389
Load banking liability	482,628
Bonds payable - noncurrent portion	337,130,000
Bond premiums	50,939,780
Aggregate net other postemployment benefits (OPEB) liability	4,531,542
Aggregate net pension obligation	74,296,003
Total Noncurrent Liabilities	468,630,342
TOTAL LIABILITIES	507,440,524
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	96,989
Deferred inflows of resources related to pensions	3,687,547
TOTAL DEFERRED INFLOWS OF RESOURCES	3,784,536
NET POSITION	
Net investment in capital assets	66,148,569
Restricted for:	
Debt service	30,167,431
Capital projects	39,852,268
Educational programs	2,465,965
Unrestricted deficit	(36,067,971)
TOTAL NET POSITION	$ 102,566,262

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, 2019

OPERATING REVENUES	
Student Tuition and Fees	$ 13,632,617
Less: Scholarship discount and allowance	(7,978,034)
Net tuition and fees	5,654,583
Grants and Contracts, Noncapital	
Federal	3,783,241
State	15,753,706
Local	500,747
Total grants and contracts, noncapital	20,037,694
Other Operating Revenues	213,893
TOTAL OPERATING REVENUES	25,906,170
OPERATING EXPENSES	
Salaries	52,869,311
Employee benefits	32,211,285
Supplies, materials, and other operating expenses and services	10,407,369
Student financial aid	22,452,028
Depreciation	13,919,368
TOTAL OPERATING EXPENSES	131,859,361
OPERATING LOSS	(105,953,191)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	20,375,771
Local property taxes, levied for general purposes	42,193,453
Taxes levied for other specific purposes	33,215,367
Federal financial aid grants, noncapital	17,842,794
State financial aid grants, noncapital	2,191,278
Other State revenues	7,287,079
Investment income	2,626,987
Interest expense on capital related debt	(13,681,966)
Investment income on capital asset-related debt	420,993
Transfer to fiduciary funds	(20,000)
Other nonoperating revenue	11,416,896
TOTAL NONOPERATING REVENUES (EXPENSES)	123,868,652
INCOME BEFORE OTHER REVENUES	17,915,461
OTHER REVENUES	
State revenues, capital	970,702
CHANGE IN NET POSITION	18,886,163
NET POSITION, BEGINNING OF YEAR	83,680,099
NET POSITION, END OF YEAR	$ 102,566,262

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 5,152,870
Federal and State grants and contracts	20,024,841
Payments to vendors for supplies and services	(9,451,794)
Payments to or on behalf of employees	(80,298,574)
Payments to students for scholarships and grants	(22,452,028)
Other operating receipts	213,893
Net Cash Flows From Operating Activities	(86,810,792)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	20,375,771
Federal and State financial aid grants	20,243,425
Property taxes - nondebt related	42,193,453
State taxes and other apportionments	7,287,079
Other nonoperating	10,893,019
Net Cash Flows From Noncapital Financing Activities	100,992,747
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(40,529,196)
State revenue, capital projects	970,702
Property taxes - related to capital debt	33,215,367
Principal paid on capital debt	(18,708,539)
Interest paid on capital debt	(12,130,919)
Interest received on capital debt	420,993
Net Cash Flows From Capital Financing Activities	(36,761,592)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(445,665)
Interest received from investments	2,292,606
Net Cash Flows From Investing Activities	1,846,941
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,732,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	157,753,980
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 137,021,284

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (105,953,191)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	13,919,368
Changes in Assets, Liabilities, Deferred Inflows, and Deferred Outflows of Resources:	
Accounts receivable	(370,683)
Prepaid expenses	1,115,962
Accounts payable and accrued liabilities	(138,140)
Unearned revenue	(143,883)
Compensated absences liability	34,722
Load banking liability	31,859
Deferred outflows of resources related to OPEB	(1,173,319)
Deferred outflows of resources related to pension	(5,533,625)
Deferred inflows of resources related to OPEB	96,989
Deferred inflows of resources related to pension	(138,313)
PARS supplemental early retirement plan	(557,326)
Aggregate net other postemployment benefit (OPEB) liability	1,218,553
Aggregate net pension obligation	10,780,235
Total Adjustments	19,142,399
Net Cash Flows From Operating Activities	$ (86,810,792)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 807,724
Cash in county treasury	136,213,560
Total Cash and Cash Equivalents	$ 137,021,284
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 4,869,644

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

DESERT COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	$ -	$ 137,887
Investments	3,786,914	108,738
Accounts receivable	2	6,080
Due from primary government	-	23,027
Total Assets	3,786,916	275,732
LIABILITIES		
Accounts payable	-	6,323
Due to primary government	-	17,000
Total Liabilities	-	23,323
NET POSITION		
Restricted for postemployment benefits other than pensions	3,786,916	-
Unrestricted	-	252,409
Total Net Position	$ 3,786,916	$ 252,409

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

DESERT COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Local revenues	$ 733,531	$ 228,494
DEDUCTIONS		
Classified salaries	-	60,288
Employee benefits	511,932	19,310
Books and supplies	-	107,141
Services and operating expenditures	-	26,135
Total Deductions	511,932	212,874
OTHER FINANCING SOURCES		
Transfer from primary government	-	20,000
CHANGE IN NET POSITION	221,599	35,620
NET POSITION, BEGINNING OF YEAR	3,565,317	216,789
NET POSITION, END OF YEAR	$ 3,786,916	$ 252,409

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.

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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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 noncapital grants and contracts.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid 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 financial aid grants 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 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:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement 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, 2019, 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. Management has analyzed these accounts and believes all accounts are fully collectible.

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 acquisition 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 government-wide financial statements.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Charges on Refunding

Deferred charges on refunding are amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 deferred charges on refunding of debt, and for pension and OPEB 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 and OPEB 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 government-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 government-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, bond premiums, compensated absences, PARS supplemental early retirement plan, load banking liability, aggregate net OPEB liability, and the aggregate net pension obligation 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.
>
> **Restricted**: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
>
> **Unrestricted**: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $72,485,664 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, and Federal, State, and local grants and contracts, and other operating revenues.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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 General Obligation Bonds in March 2004 and November 2016 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, Federal Supplemental Educational Opportunity Grants (FSEOG) 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 for governmental activities are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. 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

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. 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.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

Primary government	$ 175,659,709
Fiduciary funds	4,033,539
Total Deposits and Investments	$ 179,693,248

Cash on hand and in banks	$ 930,611
Cash in revolving	15,000
Cash in county	136,261,432
Investments	42,486,205
Total Deposits and Investments	$ 179,693,248

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 certificate of deposits evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $136,261,432 with the Riverside County Pooled Investment Fund with a weighted maturity of 387 days. In addition, the District also has an investment of $38,638,425 in Federated Investors Tax Free Obligations. Also, the District has investments of $3,786,914 and $60,866 in Mutual Funds and Certificates of Deposits, respectively, that have maturities over three months, but less than one year at time of purchase.

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, Certificates of Deposits, and Federated Investors Tax Free Obligations are not required to be rated. The District's investment in the Riverside County Pooled Investment Fund and Federated Investors Tax Free Obligations was rated Aaa-bf and VMIG 1, respectively, by Moody's Investors Services. The District's investments in Certificates of Deposits and Mutual Funds have not been rated as of June 30, 2019.

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, 2019, the District had $559,291 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, 2019:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Uncategorized
Riverside County Pooled Investment Fund	$ 136,813,557	$ -	$ -	$ 136,813,557
Federated Inv Tax Free Obligations	38,638,425	38,638,425	-	-
Mutual Funds	3,786,914	-	3,786,914	-
Certificates of Deposits	60,866	60,866	-	-
Total	$ 179,299,762	$ 38,699,291	$ 3,786,914	$ 136,813,557

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 1,394,027	$ -
State Government		
Categorical aid	424,609	-
Lottery	505,128	-
Other State sources	112,842	-
Local Sources		
Property taxes	1,166,268	-
District Foundation	84,440	-
Enrollment fees	1,172,725	-
Interest	583,552	245
Other local sources	1,437,434	5,837
Total	$ 6,881,025	$ 6,082

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	$ 34,864,840	$ 759,643	$ -	$ 35,624,483
Construction in progress	40,783,976	3,934,747	12,510,863	32,207,860
Works of art	524,000	-	-	524,000
Total Capital Assets Not Being Depreciated	76,172,816	4,694,390	12,510,863	68,356,343
Capital Assets Being Depreciated				
Land improvements	99,435,164	26,962,525	-	126,397,689
Buildings and improvements	273,220,270	19,870,537	-	293,090,807
Furniture and equipment	17,534,379	1,430,302	-	18,964,681
Total Capital Assets Being Depreciated	390,189,813	48,263,364	-	438,453,177
Total Capital Assets	466,362,629	52,957,754	12,510,863	506,809,520
Less Accumulated Depreciation				
Land improvements	36,418,012	5,786,210	-	42,204,222
Buildings and improvements	58,598,781	6,821,840	-	65,420,621
Furniture and equipment	9,627,659	1,311,318	-	10,938,977
Total Accumulated Depreciation	104,644,452	13,919,368	-	118,563,820
Net Capital Assets	$ 361,718,177	$ 39,038,386	$ 12,510,863	$ 388,245,700

Depreciation expense for the year was $13,919,368.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
Apportionment	$ 10,806,663	$ -
Construction	2,388,634	-
Accrued payroll	381,395	-
State categorical aid	5,356	-
Other	1,209,420	6,323
Total	$ 14,791,468	$ 6,323

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	Primary Government
Federal financial assistance	$ 44,855
State categorical aid	3,209,303
Enrollment fees	1,274,379
Other local	23,002
Total	$ 4,551,539

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 funds 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, 2019, the amount owed by the primary government to the fiduciary funds was $23,027 and the amount owed by the fiduciary funds to the primary government was $17,000.

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 2019 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 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Bonds Payable					
General obligation bonds	$ 364,935,000	$ -	$ 15,510,000	$ 349,425,000	$ 12,295,000
Premium on debt	54,138,319	-	3,198,539	50,939,780	-
Total Bonds Payable	419,073,319	-	18,708,539	400,364,780	12,295,000
Other Liabilities					
Compensated absences	1,215,667	34,722	-	1,250,389	-
PARS supplemental early retirement plan	700,203	-	557,326	142,877	142,877
Load banking liability	450,769	31,859	-	482,628	-
Aggregate net OPEB liability	3,312,989	1,218,553	-	4,531,542	-
Aggregate net pension obligation	63,515,768	10,780,235	-	74,296,003	-
Total Other Obligations	69,195,396	12,065,369	557,326	80,703,439	142,877
Total Long-Term Obligations	$ 488,268,715	$ 12,065,369	$ 19,265,865	$ 481,068,219	$ 12,437,877

Description of Obligations

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

The compensated absences liability will be paid by the fund for which the employee worked. At June 30, 2019, the balance outstanding was $1,250,389.

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, 2019, was $142,877.

The load banking liability will be paid by the fund for which the employee worked. At June 30, 2019, the balance outstanding was $482,628.

The aggregate net OPEB liability will be paid out of the Self Insurance Fund. At June 30, 2019, the balance outstanding was $4,531,542. See Note 11 for additional information on the District's aggregate net OPEB liability.

The aggregate net pension obligation will be paid by the fund for which the employee is currently working. At June 30, 2019, the balance outstanding was $74,296,003 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 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. The bonds have a final maturity to occur on August 1, 2024, with interest rates from 2.00 percent to 5.00 percent. At June 30, 2019, the principal balance outstanding was $28,935,000.

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. The bonds have a final maturity to occur on August 1, 2037, with an interest rate of 5.00 percent. At June 30, 2019, the principal balance outstanding was $157,365,000.

In April 2017, the District issued the 2017 General Obligation Refunding Bonds in the amount of $125,305,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic savings of $205,984,010 based on the difference between the present value of the existing debt service requirements and the new debt service requirements. The net proceeds from the issuance were used to advance refund, on a crossover basis, the outstanding balance of the District's outstanding 2007 General Obligation Bonds, Series C, and pay the costs associated with the issuance of the bonds. The bonds have a final maturity to occur on August 1, 2039, with interest rates from 2.00 percent to 5.00 percent. At June 30, 2019, the principal balance outstanding was $125,125,000.

On November 8, 2016, $577,866,000 in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure CC. 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 2018, Series 2018 general obligation bonds in the amount of $50,000,000 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. The bonds have a final maturity to occur on August 1, 2043, with interest rates from 3.00 percent to 5.00 percent. At June 30, 2019, the principal balance outstanding was $38,000,000.

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
2015 Refunding	4/2015	8/1/2024	2.00%-5.00%	$ 38,690,000	$ 32,265,000	$ -	$ 3,330,000	$ 28,935,000
2016 Refunding	2/2016	8/1/2037	5.00%	158,130,000	157,365,000	-	-	157,365,000
2017 Refunding	4/2017	8/1/2039	2.00%-5.00%	125,305,000	125,305,000	-	180,000	125,125,000
2018 Series	6/2018	8/1/2043	3.00%-5.00%	50,000,000	50,000,000	-	12,000,000	38,000,000
					$ 364,935,000	$ -	$ 15,510,000	$ 349,425,000

General Obligation Bond - 2015 Refunding

The bonds mature through 2025 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 3,695,000	$ 1,335,900	$ 5,030,900
2021	4,075,000	1,160,125	5,235,125
2022	4,530,000	945,000	5,475,000
2023	5,015,000	706,375	5,721,375
2024	5,530,000	442,750	5,972,750
2025	6,090,000	152,250	6,242,250
Total	$ 28,935,000	$ 4,742,400	$ 33,677,400

General Obligation Bond - 2016 Refunding

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ -	$ 7,868,250	$ 7,868,250
2021	-	7,868,250	7,868,250
2022	-	7,868,250	7,868,250
2023	-	7,868,250	7,868,250
2024	-	7,868,250	7,868,250
2025-2029	20,130,000	37,452,000	57,582,000
2030-2034	42,595,000	29,272,375	71,867,375
2035-2038	94,640,000	9,962,250	104,602,250
Total	$ 157,365,000	$ 116,027,875	$ 273,392,875

General Obligation Bond - 2017 Refunding

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 600,000	$ 5,723,000	$ 6,323,000
2021	1,050,000	5,693,000	6,743,000
2022	1,485,000	5,642,300	7,127,300
2023	2,000,000	5,562,600	7,562,600
2024	2,500,000	5,450,100	7,950,100
2025-2029	27,500,000	23,970,500	51,470,500
2030-2034	41,300,000	15,310,500	56,610,500
2035-2039	23,495,000	9,268,100	32,763,100
2040	25,195,000	503,900	25,698,900
Total	$ 125,125,000	$ 77,124,000	$ 202,249,000

General Obligation Bond – 2018 Series

The bonds mature through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 8,000,000	$ 1,645,000	$ 9,645,000
2021	1,500,000	1,455,000	2,955,000
2022	-	1,425,000	1,425,000
2023	-	1,425,000	1,425,000
2024	-	1,425,000	1,425,000
2025-2029	1,255,000	7,023,375	8,278,375
2030-2034	4,135,000	6,350,375	10,485,375
2035-2039	8,110,000	4,852,250	12,962,250
2040-2044	15,000,000	2,010,250	17,010,250
Total	$ 38,000,000	$ 27,611,250	$ 65,611,250

PARS Supplemental Early Retirement Plan

The District will pay the obligation as follows:

Fiscal Year	Principal
2020	$ 142,877

NOTE 11 - AGGREGATE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For the fiscal year ended June 30, 2019, the District reported an aggregate net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 4,225,282	$ 1,575,034	$ 96,989	$ 164,037
Medicare Premium Payment (MPP) Program	306,260	-	-	3,382
Total	$ 4,531,542	$ 1,575,034	$ 96,989	$ 167,419

The details of each plan are as follows:

District Plan

Plan Administration

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

Management of the plan is vested in the District management. Management of the trustee assets is vested with Self-Insured Schools of California (SISC).

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	24
Active employees	330
	354

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Self Insured Schools of California (SISC), a Joint Powers Agency (the JPA), as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed $511,932 to the Plan of which all were used for current premiums

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
Equity Investments	80%
Fixed Income	20%

Rate of Return

For the year ended June 30, 2019, the annual money-weighed rate of return on investments, net of investment expense, was 6.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $4,225,282 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	$ 7,790,599
Plan fiduciary net position	(3,565,317)
District's net OPEB liability	$ 4,225,282
Plan fiduciary net position as a percentage of the total OPEB liability	45.76%

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	4.70 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity Investments	7.5%
Fixed Income	5.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.70 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	$ 6,302,940	$ 3,292,829	$ 3,010,111
Service cost	512,430	-	512,430
Interest	297,247	-	297,247
Contributions - employer	-	469,494	(469,494)
Net investment income	-	275,919	(275,919)
Changes of assumptions or other inputs	1,147,476	-	1,147,476
Benefit payments	(469,494)	(469,494)	-
Administrative expense	-	(3,431)	3,431
Net change in total OPEB liability	1,487,659	272,488	1,215,171
Balance at June 30, 2018	$ 7,790,599	$ 3,565,317	$ 4,225,282

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

The following presents the net OPEB liability of the District calculated using the current discount rate, as well as what the District's net OPEB 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 OPEB Liability
1% decrease (3.7%)	$ 4,821,906
Current discount rate (4.7%)	4,225,282
1% increase (5.7%)	3,784,938

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Health Care Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	$ 3,690,789
Current discount rate (4.0%)	4,225,282
1% increase (5.0%)	4,804,317

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

For the year ended June 30, 2019, the District recognized OPEB expense of $164,037. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 511,932	$ -
Changes of assumptions	1,063,102	-
Net difference between projected and actual earnings on OPEB plan investments	-	96,989
Total	$ 1,575,034	$ 96,989

The deferred outflows/(inflows) of resources related to the changes of assumptions will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 84,374
2021	84,374
2022	84,374
2023	84,374
2024	84,374
Thereafter	641,232
	$ 1,063,102

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ (24,248)
2021	(24,248)
2022	(24,248)
2023	(24,245)
	$ (96,989)

There were no changes in the benefit terms since the previous valuation.

The plan rate of investment return assumption was changed from 7.0 percent to 4.7 percent since the valuation date.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $306,260 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.0800 percent and 0.0720, respectively, resulting in a net increase in the proportionate share of 0.0080 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $3,382.

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability
1% decrease (2.87%)	$ 338,739
Current discount rate (3.87%)	306,260
1% increase (4.87%)	276,934

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that is one percent lower or higher than the current rate:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 279,278
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	306,260
1% increase (4.7% Part A and 5.1% Part B)	335,278

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, 2019, 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 2018-2019, 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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense 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		$ 40,969,672	$ 15,242,158	$ 3,687,547	$ 5,566,996
CalPERS		33,326,331	11,528,329	-	7,365,532
	Total	$ 74,296,003	$ 26,770,487	$ 3,687,547	$ 12,932,528

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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, 2019, 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	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

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, 2019, are presented above, and the District's total contributions were $4,465,714.

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

At June 30, 2019, 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	$ 40,969,672
State's proportionate share of net pension liability associated with the District	23,457,054
Total	$ 64,426,726

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.0446 percent and 0.0398 percent, respectively, resulting in a net increase in the proportionate share of 0.0048 percent.

For the year ended June 30, 2019, the District recognized pension expense of $5,566,996. In addition, the District recognized pension expense and revenue of $2,755,675 for support provided by the State. At June 30, 2019, 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	$ 4,465,714	$ -
Net change in proportionate share of net pension liability	4,284,650	1,514,848
Difference between projected and actual earnings on pension plan investments	-	1,577,592
Difference between expected and actual experience in the measurement of the total pension liability	127,045	595,107
Changes of assumptions	6,364,749	-
Total	$ 15,242,158	$ 3,687,547

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
2020	$ 342,539
2021	(248,556)
2022	(1,323,539)
2023	(348,036)
Total	$ (1,577,592)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,557,159
2021	1,557,159
2022	1,557,160
2023	1,818,130
2024	1,639,286
Thereafter	537,595
Total	$ 8,666,489

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	$ 60,015,776
Current discount rate (7.10%)	40,969,672
1% increase (8.10%)	25,178,605

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, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

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, 2019, are presented above, and the total District contributions were $3,358,517.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $33,326,331 The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.1250 percent and 0.1120 percent, respectively, resulting in a net increase in the proportionate share of 0.0130 percent.

For the year ended June 30, 2019, the District recognized pension expense of $7,365,532. At June 30, 2019, 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	$ 3,358,517	$ -
Net change in proportionate share of net pension liability	2,384,224	-
Difference between projected and actual earnings on pension plan investments	273,350	-
Difference between expected and actual experience in the measurement of the total pension liability	2,184,751	-
Changes of assumptions	3,327,487	-
Total	$ 11,528,329	$ -

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
2020	$ 994,237
2021	237,763
2022	(761,943)
2023	(196,707)
Total	$ 273,350

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 measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 3,406,910
2021	3,154,028
2022	1,335,524
Total	$ 7,896,462

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	$ 48,521,544
Current discount rate (7.15%)	33,326,331
1% increase (8.15%)	20,719,726

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 year ended June 30, 2019, which amounted to $3,739,732 (9.828 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 year ended June 30, 2019. 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 operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

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, 2019.

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, 2019.

Operating Leases

The District has entered into various leases for buildings with lease terms in excess of one year. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,		Lease Payment
2020		$ 491,550
2021		723,678
2022		943,513
2023		898,976
	Total Minimum Lease Payments	$ 3,057,717

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
COD Palm Springs Campus	$ 29,322,628	December 2022
Palm Springs - Temporary Modular Campus	493,053	December 2022
Indio Campus Expansion	49,250,430	July 2022
Art 100	456,553	August 2019
Central Campus Redevelopment	17,904,686	January 2020
Groundwater Well Refurbishment	525,227	July 2019
Central Campus Quad	4,274,831	January 2020
	$ 102,227,408	

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

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service Costs	$ 512,430	$ 457,066
Interest	297,247	410,083
Changes in Assumptions	1,147,476	-
Benefit Payments	(469,494)	(401,715)
Net Changes in Total OPEB Liability	1,487,659	465,434
Total OPEB Liability - beginning	6,302,940	5,837,506
Total OPEB Liability - ending (a)	$ 7,790,599	$ 6,302,940
Plan Fiduciary Net Position		
Contributions - employer	$ 469,494	$ 401,715
Net investment income	275,919	351,417
Benefit payments	(469,494)	(401,715)
Administrative expense	(3,431)	(3,060)
Net Change in Plan Fiduciary Net Position	272,488	348,357
Plan Fiduciary Net Position - beginning	3,292,829	2,944,472
Plan Fiduciary Net Position - ending (b)	3,565,317	3,292,829
District's net OPEB liability - ending (a) - (b)	$ 4,225,282	$ 3,010,111
Pan fiduciary net position as a percentage of the total OPEB liability	45.76%	52.24%
Covered-employee payroll	$ 42,605,102	$ 42,853,438
District's net OPEB liability as a percentage of covered-employee payroll	9.92%	7.02%

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

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Annual money-weighted rate of return, net of investment expense	6.22%	8.38%

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

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.0800%	0.0720%
District's proportionate share of the net OPEB liability	$ 306,260	$ 302,878
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
District's proportion of the net pension liability	0.0446%	0.0398%	0.0416%
District's proportionate share of the net pension liability	$ 40,969,672	$ 36,775,058	$ 33,619,691
State's proportionate share of the net pension liability associated with the District	23,457,054	21,755,813	19,139,091
Total	$ 64,426,726	$ 58,530,871	$ 52,758,782
District's covered-employee payroll	$ 25,939,619	$ 22,694,428	$ 20,052,406
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.94%	162.04%	167.66%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%
CalPERS			
District's proportion of the net pension liability	0.1250%	0.1120%	0.1071%
District's proportionate share of the net pension liability	$ 33,326,331	$ 26,740,710	$ 21,155,192
District's covered-employee payroll	$ 16,665,482	$ 13,971,429	$ 12,681,438
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.97%	191.40%	166.82%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.0391%	0.0408%
$ 26,354,396	$ 23,870,639
13,938,570	14,414,123
$ 40,292,966	$ 38,284,762
$ 18,820,721	$ 18,194,036
140.03%	131.20%
74%	77%
0.1032%	0.1033%
$ 15,215,164	$ 11,723,145
$ 11,432,104	$ 10,840,299
133.09%	108.14%
79%	83%

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
Contractually required contribution	$ 4,465,714	$ 3,743,087	$ 2,854,959
Contributions in relation to the contractually required contribution	(4,465,714)	(3,743,087)	(2,854,959)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 27,430,676	$ 25,939,619	$ 22,694,428
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%
CalPERS			
Contractually required contribution	$ 3,358,517	$ 2,588,316	$ 1,940,352
Contributions in relation to the contractually required contribution	(3,358,517)	(2,588,316)	(1,940,352)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 18,594,380	$ 16,665,482	$ 13,971,429
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%

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

See accompanying note to required supplementary information.

2016		2015	
$	2,152,267	$	1,671,280
	(2,152,267)		(1,671,280)
$	-	$	-
$	20,052,406	$	18,820,721
	10.73%		8.88%
$	1,502,370	$	1,345,673
	(1,502,370)		(1,345,673)
$	-	$	-
$	12,681,438	$	11,432,104
	11.847%		11.771%

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* -** There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 7.0 percent to 4.7 percent since the valuation date.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

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.

SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2019

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
Dr. Bonnie Stefan	Chairperson	2020
Dr. Fred Jandt	Vice Chairperson	2020
Mrs. Mary Jane Sanchez-Fulton	Clerk	2020
Mrs. Aurora Wilson	Member	2022
Mr. Rubén AríAztlán Pérez	Member	2022
Keanna Garcia	Student Trustee	2020

ADMINISTRATION

Dr. Joel L. Kinnamon	Superintendent/President
Mr. John Ramont	Vice President, Administrative Services
Mr. Jeff Baker	Vice President, Student Services
Dr. Annebelle Nery	Vice President, Instruction
Dr. Mark J. Zacovic	Interim 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, 2019

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 Program	84.063		$ 17,238,016
Federal Work Study Program	84.033		521,367
Federal Work Study Administrative Allowance	84.033		16,428
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		335,500
FSEOG Administrative Allowance	84.007		16,775
Total Student Financial Assistance Cluster			18,128,086
TRIO Cluster			
College of the Desert DSPS Student Support Services	84.042A		246,000
College of the Desert ACES Student Support Services	84.042A		294,512
College of the Desert Educational Talent Search	84.044A		251,692
College of the Desert Veterans Student Support Services	84.042A		226,058
College of the Desert Upward Bound Program	84.047A		380,198
Total TRIO Cluster			1,398,460
Child Care Access Means Parents in School	84.335A		112,506
Passed through from California Department of Education			
Adult Basic Education and ELA	84.002A	14508	452,712
Adult Secondary Education	84.002A	13978	245,986
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-C	84.048A	18-C01-013	392,788
Career and Technical Education Transitions	84.048A	18-C01-013	41,377
Passed through from California Department of Rehabilitation			
State Vocational Rehabilitation Services Program	84.126A	30094	188,195
Total U.S. Department of Education			20,960,110
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education			
Child and Adult Care Food Program	10.558	04370-CACFP-33-CC-IC	95,579
Total U.S. Department of Agriculture			95,579

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

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2019

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 from Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training	17.282	TC-26434-14-60-A-6	$ 40,753
Total U.S. Department of Labor			40,753
Research and Development Cluster			
NATIONAL SCIENCE FOUNDATION			
Passed through from California State University of San Bernardino			
Centers of Research Excellence in Science and Technology (CREST)	47.041	[1]	3,663
Passed through from University Enterprises Corporation at California State University San Bernardino			
Promoting Pre and Post-Transfer Success in STEM at Hispanic Serving Institutions	47.076	GT16174	80,656
Total National Science Foundation			84,319
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Entry, Descent, and Landing Curriculum Development for Community College Students	43.008		11,127
Total Research and Development Cluster			95,446
US DEPARTMENT OF VETERAN AFFAIRS			
Vocational Rehabilitation for Disabled Veterans	64.116		1,362
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families (TANF) Cluster			
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	70,785
Passed through from Riverside County Department of Public Social Services			
Greater Avenues for Independence	93.558	CW-03717	33,129
Total TANF Cluster			103,914
Child Care and Development Fund (CCDF) Cluster			
Passed through from California Department of Education			
Child Care and Development Block Grant	93.575	15136	67,928
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	147,768
Total Child Care and Development Fund Cluster			215,696
Total U.S. Department of Health and Human Services			319,610
Total Federal Expenditures			$ 21,512,860

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

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
AEBG Consortium	$ 442,500	$ 421,123	$ 863,623
AEBG Data and Accountability	-	329,845	329,845
Student Equity and Achievement - Basic Skills	458,060	-	458,060
Board of Governor's Fin. Aid Program (BFAP)	120,618	-	120,618
CalWORKS	410,606	-	410,606
Campus Safety	20,223	-	20,223
Certified Nursing Assistant	45,000	-	45,000
Child Development: California State Preschool Program	570,973	-	570,973
Child Development: General Childcare and Development	510,347	-	510,347
Child and Adult Care Food Program	5,400	-	5,400
Classified Professional Growth	47,553	-	47,553
Community College Completion Grant	-	137,608	137,608
Cooperative Agencies for Education (CARE)	140,223	-	140,223
CVC-OEI Reimbursement	13,275	-	13,275
CTE DATA Unlocked	-	15,817	15,817
C18-030 COD CENIC Mini Grant	50,000	-	50,000
Disabled Student Program and Services (DSPS)	966,547	-	966,547
DSN - Construction and Utilities	200,000		200,000
Equal Employment Opportunity	50,000	39,971	89,971
EWD - Advanced Transportation	39,709	-	39,709
EWD - Advanced Transportation Chabot-Las Positas CCD Fiscal Agent	35,000	-	35,000
EWD - Advanced Transportation Mini Grant	9,600	-	9,600
EWD - Health	200,000	-	200,000
EWD - Health Chabot-Las Positas CCD Fiscal Agent	70,000	-	70,000
Extended Opportunity Program (EOPS)	569,772	-	569,772
Financial Aid Technology	177,772	-	177,772
Full Time Student Success	-	9,176	9,176
Guided Pathways	363,699	302,841	666,540
Hunger Free Campus	76,270	-	76,270
Mental Health Support	75,932	-	75,932
MESA	74,515	-	74,515
Prop 39 - Clean Energy	248,541	-	248,541
Prop 39 - Clean Energy KCCD Mou	33,400	-	33,400
Prop 39 - Clean Energy Mini Grant	69,779	-	69,779
State Instructional Equipment/Repairs	256,439	460,615	717,054
Nursing Assessment	228,000	-	228,000
Strong Workforce Program Local Round One	-	180,137	180,137
Strong Workforce Program Local Round Two	-	946,608	946,608
Strong Workforce Program Local Round Three	1,291,979	-	1,291,979
Strong Workforce Program - Regional Round One	121,433	-	121,433
Strong Workforce Program - Regional Round Two	520,177	-	520,177
Strong Workforce Program - Regional Round Three	21,671	-	21,671
Student Financial Aid Administration	282,960	-	282,960
Student Equity and Achievement - SSSP Credit	1,684,854	-	1,684,854
Student Equity and Achievement - SSSP Equity	1,284,412	-	1,284,412
Student Equity and Achievement - SSSP Non-Credit	277,134	-	277,134
Student Success Completion Grant	1,733,821	-	1,733,821
Veterans Resource Center	39,277	42,877	82,154
Total			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	Program Expenditures
$ 863,623	$ -	$ 658,750	$ 204,873	$ 204,873
329,845	-	-	329,845	329,845
458,060	-	54,306	403,754	403,754
120,618	-	-	120,618	120,618
410,606	-	-	410,606	410,606
20,223	-	20,223	-	-
45,000	-	29,831	15,169	15,169
509,638	30,667	-	540,305	540,305
443,186	35,188	-	478,374	478,374
5,400	-	-	5,400	5,400
47,553	-	47,553	-	-
137,608	-	-	137,608	137,608
140,223	-	-	140,223	140,223
-	13,275	-	13,275	13,275
15,817	-	-	15,817	15,817
50,000	-	-	50,000	50,000
966,547	-	-	966,547	966,547
80,000	-	38,226	41,774	41,774
89,971	-	58,014	31,957	31,957
-	39,709	-	39,709	39,709
35,000	-	-	35,000	35,000
9,600	-	-	9,600	9,600
66,911	54,462	-	121,373	121,373
65,928	-	-	65,928	65,928
569,496	(4,056)	-	565,440	565,440
177,772	-	123,850	53,922	53,922
9,176	(1,300)	-	7,876	7,876
666,540	-	472,078	194,462	194,462
76,270	-	13,149	63,121	63,121
75,932	-	69,539	6,393	6,393
2,061	72,454	-	74,515	74,515
189,992	58,549	-	248,541	248,541
33,400	-	-	33,400	33,400
69,779	-	-	69,779	69,779
717,054	-	275,336	441,718	441,718
90,546	85,089	-	175,635	175,635
180,137	-	17,134	163,003	163,003
946,608	-	75,814	870,794	870,794
1,291,979	-	1,066,060	225,919	225,919
107,888	13,545	-	121,433	121,433
520,177	-	58,893	461,284	461,284
-	21,671	-	21,671	21,671
282,960	-	-	282,960	282,960
1,684,854	-	43,334	1,641,520	1,641,520
1,284,412	-	50,000	1,234,412	1,234,412
277,134	-	-	277,134	277,134
1,733,821	-	-	1,733,821	1,733,821
82,154	-	37,213	44,941	44,941
$ 15,981,499	$ 419,253	$ 3,209,303	$ 13,191,449	$ 13,191,449

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2019

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit	35.33	-	35.33
2. Credit	33.21	-	33.21
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit	-	-	-
2. Credit	502.05	-	502.05
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,099.18	-	6,099.18
(b) Daily Census Contact Hours	667.83	-	667.83
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	1,849.18	-	1,849.18
(b) Credit	199.92	-	199.92
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	936.55	-	936.55
(b) Daily Census Procedure Courses	359.77	-	359.77
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,683.02	-	10,683.02
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	1,787.96	-	1,787.96
2. Credit	727.82	-	727.82
CCFS-320 Addendum			
CDCP Noncredit FTES	1,785.40	-	1,785.40

*Annual report revised as of November 1, 2019.

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, 2019

		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	$ 12,167,243	$ -	$ 12,167,243	$ 12,167,243	$ -	$ 12,167,243
Other	1300	8,566,205	-	8,566,205	8,566,205	-	8,566,205
Total Instructional Salaries		20,733,448	-	20,733,448	20,733,448	-	20,733,448
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,939,457	-	4,939,457
Other	1400	-	-	-	875,513	-	875,513
Total Noninstructional Salaries		-	-	-	5,814,970	-	5,814,970
Total Academic Salaries		20,733,448	-	20,733,448	26,548,418	-	26,548,418
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	12,062,844	-	12,062,844
Other	2300	-	-	-	695,996	-	695,996
Total Noninstructional Salaries		-	-	-	12,758,840	-	12,758,840
Instructional Aides							
Regular Status	2200	1,032,250	-	1,032,250	1,032,250	-	1,032,250
Other	2400	-	-	-	-	-	-
Total Instructional Aides		1,032,250	-	1,032,250	1,032,250	-	1,032,250
Total Classified Salaries		1,032,250	-	1,032,250	13,791,090	-	13,791,090
Employee Benefits	3000	9,907,877	-	9,907,877	18,874,500	-	18,874,500
Supplies and Material	4000	-	-	-	956,141	-	956,141
Other Operating Expenses	5000	-	-	-	6,341,728	-	6,341,728
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		31,673,575	-	31,673,575	66,511,877	-	66,511,877

See accompanying note to supplementary information.

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019

		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	$ -	$ -	$ -	$ 524,751	$ -	$ 524,751
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	691,560	-	691,560
Objects to Exclude							
Rents and Leases	5060	-	-	-	135,110	-	135,110
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, 2019

		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	$ -	$ -	$ -	$ 1,821,900	$ -	$ 1,821,900
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	1,821,900	-	1,821,900
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	3,173,321	-	3,173,321
Total for ECS 84362, 50 Percent Law		$ 31,673,575	$ -	$ 31,673,575	$ 63,338,556	$ -	$ 63,338,556
Percent of CEE (Instructional Salary Cost/Total CEE)		50.01%		50.01%	100.00%		100.00%
50% of Current Expense of Education					$ 31,669,278		$ 31,669,278

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Summarized below is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements at June 30, 2019.

	Bond Fund	Retiree Trust Fund
FUND BALANCE		
Balance, June 30, 2019, (CCFS-311)	$ 65,795,709	$ 3,628,463
Adjustments:		
Accounts payable	(1,790,729)	158,453
Balance, June 30, 2019, Audited	$ 64,004,980	$ 3,786,916

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Activity Classification	**Object Code**			**Unrestricted**	
EPA Revenue:	8630				$ 10,101,941
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 10,101,941	$ -	$ -	$ 10,101,941
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 17,620,131	
Special Revenue Funds	469,890	
Capital Project Funds	103,857,248	
Debt Service Funds	37,173,702	
Internal Service Funds	4,459,231	
Fiduciary Funds	(8,804)	
Total Fund Balance - All District Funds		**$ 163,571,398**
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	506,809,520	
Accumulated depreciation is	(118,563,820)	388,245,700
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		14,262,669
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	7,824,231	
Net change in proportionate share of net pension liability	6,668,874	
Differences between projected and actual earnings on the pension plan investments	273,350	
Differences between expected and actual experience in the measurement of the total pension liability	2,311,796	
Changes of assumptions	9,692,236	
Total Deferred Outflows of Resources Related to Pensions		26,770,487
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	1,514,848	
Differences between projected and actual earnings on the pension plan investments	1,577,592	
Differences between expected and actual experience in the measurement of the total pension liability	595,107	
Total Deferred Inflows of Resources Related to Pensions		(3,687,547)

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2019

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of OPEB contributions subsequent to measurement date and a change in assumptions.		$ 1,575,034
Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consists of the net difference between projected and actual earnings on OPEB plan investments.		(96,989)
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 obligations is recognized when it is incurred.		(7,006,271)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
Bonds payable	$ 349,425,000	
Bond premiums	50,939,780	
Load banking liability	482,628	
Compensated absences liability	1,250,389	
Aggregate net pension obligation	74,296,003	
Aggregate net OPEB liability	4,531,542	
PARS supplemental early retirement plan	142,877	
		(481,068,219)
Total Net Position		**$ 102,566,262**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 20192019

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

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 Fund Balances, 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:		$ 21,626,035
Federal Pell Grant Program	84.063	(8,979)
Federal Pell Grant Program Administrative Allowance	84.063	(54,344)
Federal Work-Study Program	84.033	(17,845)
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	35,389
Vocational Rehabilitation for Disabled Veterans	64.116	(2,373)
Child and Adult Care Food Program	10.558	36
Adult Secondary Education	84.002A	6,166
Child Care and Development Block Grant	93.575	(13,448)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	(57,777)
Total Expenditures of Federal Awards		$ 21,512,860

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 20192019

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of 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 government-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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be a material weakness.

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.

What inspires you, inspires us. | eidebailly.com
10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 9, 2019.

Desert Community College District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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, 2019. 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 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.

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, 2019.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019

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 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

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 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion on Section 479 To Be Arranged Hours (TBA)

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 479 To Be Arranged Hours (TBA) 2019-003. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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, 2019.

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 State programs noted below that were audited for the year ended June 30, 2019, 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 Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

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

The District did not receive Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District did not receive any funding for Proposition 1D and 5 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.
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.

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019

Schedule of Findings and Questioned Costs

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
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?	Yes
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, 84.007	Student Financial Assistance 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 479 To Be Arranged Hours (TBA)

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2019

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

2019-001 Closing Process

Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges *Budget and Accounting Manual* (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Material Weakness - Adjustments and reclassifications were required to conform to the BAM and GAAP during the District's closing process. Corrections were made to the various accounts included below, but not limited to:

- Invoices were not accrued for as accounts payable for work that had been completed, which is not in conformity with GAAP. Accounts payables did not reflect all expenses incurred by the District.
- Capital asset additions and deletions schedules are not being properly prepared or reviewed as of year end.
- Construction in progress activity is not being properly monitored for deletions as of year end.

Questioned Costs

Adjustments to the financial statements were reviewed with management and accepted for posting. No questioned costs were associated with this finding.

Context

The District maintains individual funds with asset and liability balances subject to the reconciliation process. The net impact to the individual funds is included on page 82 of this report.

Effect

Many adjustments to the general ledger were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented fairly.

Cause

The oversight and monitoring controls over the individual asset and liability accounts and the closing process appear not to have been adhered to.

Recommendation

The District should develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year end.

Corrective Action Plan

The newly hired Director of Fiscal Services is currently putting together a year end calendar for fiscal year 2019-2020, which will include deadlines for the recording and review of accounts payable, construction in progress, and capital assets. Prior to closing the 2019-2020 books, purchase orders and contracts remaining opened will be thoroughly reviewed to ensure items received/services provided prior to June 30, 2019, are correctly accrued.

Fiscal and Purchasing Services is currently working on reconciling capital assets in the Galaxy and Asset Management Platform systems and will be maintaining all additions and deletions on a monthly basis. Construction in Progress will be monitored and updated on a regular basis, and the ending activity balance will be posted at year end.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

The following finding represents a significant deficiency and/or instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2019-002 Cash Management

Program Name: **Student Financial Assistance Cluster**
CFDA Number: **84.063, 84.033, 84.007**
Federal Agency: **U.S Department of Education**
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

34 CFR section 668.166(a):
The Secretary considers excess cash to be any of title IV, HEA program funds, other than Federal Perkins Loan program funds, that an institution does not disburse to students by the end of the third business day following the date the institution (1) Received those funds from the Secretary; or (2) Deposited or transferred to its depository account previously disbursed title IV, HEA program funds, such as those resulting from award adjustments, recoveries, or cancellations.

2 CFR section 200.305(b)(5):
To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

Condition

Significant Deficiency - Out of eight instances tested, there was (1) three instances where the institution could not provide proof that the cash that was drawn down from the G5 system had a correlating disbursement, (2) eight instances where the drawdowns performed were not reviewed, and (3) eight instances where it was unable to be determined whether refunds, rebates, etc. were disbursed before requesting additional cash payments.

Questioned Costs

Questioned costs include three drawdowns that total to the amount of $184,175. These drawdowns appear to have no correlating disbursements.

Context

Within the entire fiscal year, a total of about 40 drawdowns were performed among the above referenced affected Federal programs.

Effect

Without proper monitoring, preparation, and review of the cash draw downs and disbursements process, the District risks noncompliance and control deficiencies with the above referenced criteria.

Cause

The institution did not retain the backup for all cash draw downs and the correlating disbursements.

Repeat Finding: No

Recommendation

It is recommended that the institution retain backup for all cash draw downs and the correlating disbursements. The backup should maintain information from the G5 draw down system, information from the District's financial aid module, and an internally created reconciliation that demonstrates for each financial aid program (1) the amounts drawn down, (2) the amounts disbursed, and (3) any reconciling items that explain the variance (refunds, rebates, etc.)

Corrective Action Plan

As of July 2019, the District implemented a review process requiring that documentation from the Financial Aid System (Colleague) be provided to the Grants Technician for validation prior to processing the drawdown. The amount of the drawdown is then reconciled against the amounts disbursed to individual student accounts. Any discrepancies are thoroughly researched and either refunded or updated in the Financial Aid System, as well as in the G5 system, if necessary.

A processing cover sheet has also been created that will ensure review by the staff member requesting the funds, the staff member processing the drawdown through the G5 system, and an authorizing signature from management. All documents will be held in a central location.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-003 Section 479 To Be Arranged Hours (TBA)

Criteria or Specific Requirement

The California Community Colleges State Chancellor's Office Student Attendance Accounting Manual requires that for courses in which some or all of the class hours are "to be arranged (TBA)" documentation is required to substantiate that students are under the immediate supervision and control of the appropriate employee of the district. TBA requirements as clarified in the California Community Colleges Chancellor's Office Memorandum dated March 8, 2013, states that colleges need to track student participation carefully and make sure that they do not claim apportionment for TBA hours for students who have documented zero hours of the census point for the particular course.

Condition

The District did not provide supporting documentation for TBA hours claimed for apportionment for two students in one of the courses tested.

Questioned Costs

0.48 Resident FTES is in question of being over reported.

Context

The District claimed a total of 4.45 Resident FTES for courses with related TBA hours. The District performed a 100 percent audit of the supporting documentation for courses with related TBA hours and noted no additional students as lacking support for hours claimed.

Effect

The District over reported 0.48 Resident FTES for courses with related TBA components. The District corrected the information in their Annual 320 Report.

Cause

The District did not retain hourly supporting documentation for all students who were enrolled in the course as of census.

Recommendation

The District should develop and implement attendance taking procedures for courses with TBA related components that require documentation of the hours attended for each student for each meeting as they occur.

Corrective Action Plan

The District understands the cause of the FTES being over reported and agrees with the audit recommendations. The District will continue to audit courses with TBA hours and will retain hourly supporting documentation for all students who are enrolled in these courses.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2018-001 Finding

Program Name: Student Financial Assistance Cluster, Federal Pell Grant Program
CFDA Number: 84.063
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

34 CFR section 668.22(c):
If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the school; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence.

Condition

Significant Deficiency – The District did not use the correct withdrawal date in performing the return to Title IV calculation.

Questioned Costs

No questioned costs.

Context

Out of forty calculations tested, there was one where the District used an incorrect withdrawal date in performing the return to Title IV calculation.

Effect

Without proper monitoring of student withdrawals, the District risks noncompliance with the above referenced criteria.

Cause

The institution incorrectly input the withdrawal date in to the return to Title IV calculation.

Repeat Finding: No

Recommendation

It is recommended that the institution perform a review of all return to Title IV calculations to ensure accuracy.

Current Status

Implemented.

2018-002 Finding

Program Name: Student Financial Assistance Cluster, Federal Pell Grant Program
CFDA Number: 84.063
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

34 CFR sections 668.22(e)(1) and 668.22(e)(2)
The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours, or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.

Condition

Significant Deficiency – The District did not accurately calculate the amount of Title IV grant assistance awarded to the student as of the student's withdrawal date.

Questioned Costs

No questioned costs.

Context

Out of forty calculations tested, there was one where the District performed the return to Title IV calculation using the incorrect number of days attended as of the student's withdrawal date.

Effect

Without proper monitoring of student's enrollment status at their withdrawal date, the District risks noncompliance with the above referenced criteria.

Cause

The institution did not correctly identify that units enrolled at the time of the student's withdrawal date.

Repeat Finding: No

Recommendation

It is recommended that the institution identify the units enrolled at the time of the student's withdrawal date, and to use that enrollment status when performing the return to Title IV calculation.

Current Status

Implemented.