Financial Statements
June 30, 2020

Desert Community College District

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Schedule of Findings and Questioned Costs

CPAs & BUSINESS ADVISORS

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2020 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 4 through 15 and other required supplementary schedules on pages 74 through 78 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 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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 schedule of expenditures of federal awards and other supplementary information listed in the table of contents are 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 February 19, 2021, 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
February 19, 2021

DESERT COMMUNITY COLLEGE DISTRICT
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Palm Desert, CA 92260
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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, 2020. 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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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 liabilities. 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, 2020, the District’s total net position is $101,192,878. Total net position of the District decreased $1,373,384 from the previous year. The District’s General Fund Unrestricted balance at the end of the fiscal year increased to $20,621,658. The District continues to maintain the board recommended 7.5% 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 total revenue entitlement (Total Calculated Revenue or TCR) was = $71,826,576. However, the State lacked sufficient funds to fully fund the calculated revenue. As a result, the district estimated a 2% deficit, recognizing $70,390,044. This was a net increase of approximately $4,663,333 million over the 2018-2019 fiscal year. Total credit and non-credit FTES reported for the 2019-2020 fiscal year was 11,217.01; an increase of 534 FTES or approximately 5%.

The calculated statutory cost-of-living (COLA) was 3.26%.

Enrollment fee: During 2019-2020, 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, decreased during the current fiscal year ending June 30, 2020. The total net position decreased $1,373,384 from the previous year due primarily to increases in equipment, materials and services.

- Cash, cash equivalents, and investments consist of cash in the County Treasury and in local banks of $158,062,335 as of June 30, 2020, compared to $137,021,284 as of June 30, 2019.

- Receivables consist mainly of State and Federal grants, interest, lottery, and State apportionment that were not yet received as of June 30, 2020, in the amount of $7,802,311 compared to $6,881,025 as of June 30, 2019.

- 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, 2020, amounted to $392,037,155 compared to $388,245,700 for fiscal year ending June 30, 2019.

- Accounts payable and accrued liabilities consist of payables to vendors, accrued payroll, and benefits of $9,353,868 as of June 30, 2020, compared to $14,814,495 as of June 30, 2019. Accrued interest payable on bonds as of the end of fiscal year June 30, 2020, of $6,803,854 compared to $7,006,271 for fiscal year ending June 30, 2019.

- 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, 2020, of $5,198,760 compared to $4,551,539 at the end of fiscal year June 30, 2019. 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, 2020, in the amount of $1,891,973 compared to $1,250,389 as of June 30, 2019, Load banking liability in the amount of $510,754 as of June 30, 2020, as compared to $482,628 as of June 30, 2019, PARS supplemental early retirement plan of $0 as of June 30, 2020, compared to $142,877 as of June 30, 2019, and the aggregate net other postemployment benefit liability of $5,560,283 as of June 30, 2020, compared to $4,531,542 as of June 30, 2019. The District's aggregate net pension liability is $81,217,396 as of June 30, 2020, as compared to $74,296,003 as of June 30, 2019.

- Bonds payable of $349,425,000 at June 30, 2020, compared to $337,130,000 at June 30, 2019, 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, 2020 and June 30, 2019, is summarized below.

	2020	2019	Increase (Decrease)	Percent Change
Assets				
Cash and investments	$ 158,062,335	$ 175,659,709	$ (17,597,374)	-10%
Accounts receivable	7,819,311	6,898,025	921,286	13%
Other current assets	310,485	379,698	(69,213)	-18%
Capital assets (net)	392,037,155	388,245,700	3,791,455	1%
Total assets	558,229,286	571,183,132	(12,953,846)	-2%
Deferred Outflows of Resources				
Deferred charges on refunding	13,406,705	14,262,669	(855,964)	-6%
Deferred outflows of resources related to OPEB	2,049,861	1,575,034	474,827	30%
Deferred outflows of resources related to pensions	27,369,204	26,770,487	598,717	2%
Total deferred outflows of resources	42,825,770	42,608,190	217,580	1%
Liabilities				
Accounts payable and accrued liabilities	21,376,482	26,372,305	(4,995,823)	-19%
Current portion of long-term liabilities	6,625,000	12,437,877	(5,812,877)	-47%
Total current liabilities	28,001,482	38,810,182	(10,808,700)	-28%
Long-term liabilities	467,426,647	468,630,342	(1,203,695)	0%
Total liabilities	495,428,129	507,440,524	(12,012,395)	-2%
Deferred Inflows of Resources				
Deferred inflows of resources related to OPEB	118,857	96,989	21,868	23%
Deferred inflows of resources related to pensions	4,315,192	3,687,547	627,645	17%
Total deferred inflows of resources	4,434,049	3,784,536	649,513	17%
Net Position				
Net investment in capital assets	54,210,795	66,148,569	(11,937,774)	-18%
Restricted	80,745,068	72,485,664	8,259,404	11%
Unrestricted deficit	(33,762,985)	(36,067,971)	2,304,986	6%
Total net position	$ 101,192,878	$ 102,566,262	$ (1,373,384)	-1%

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 2019-2020. This rate is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

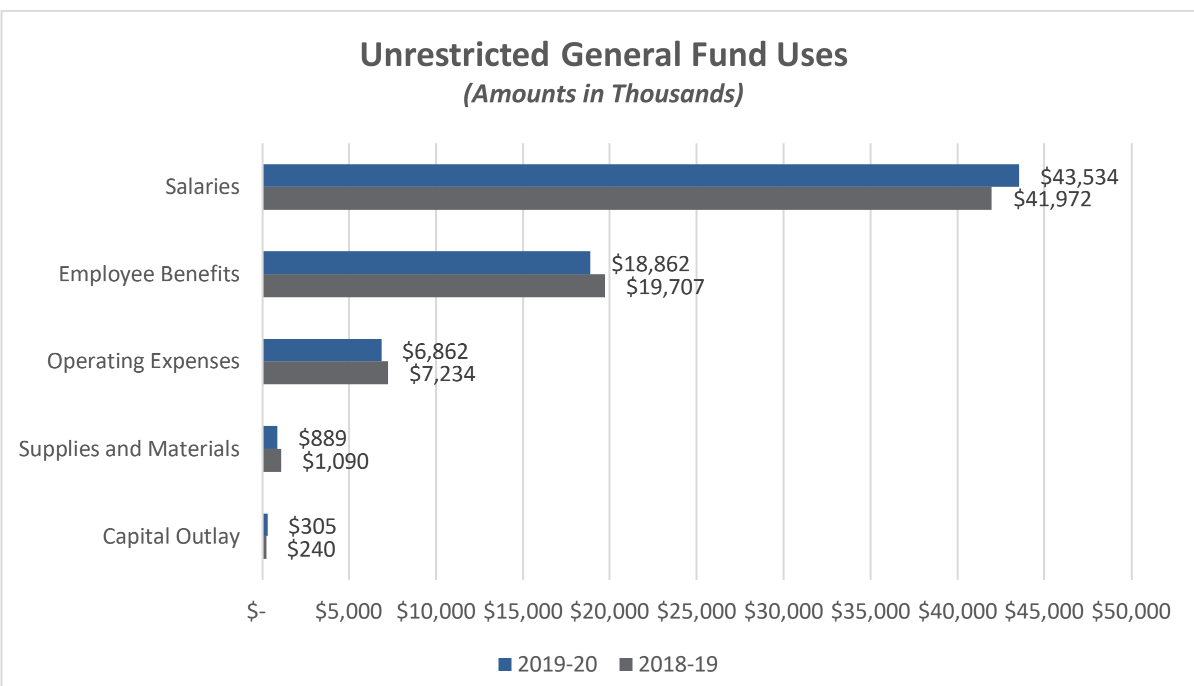
Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.

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.

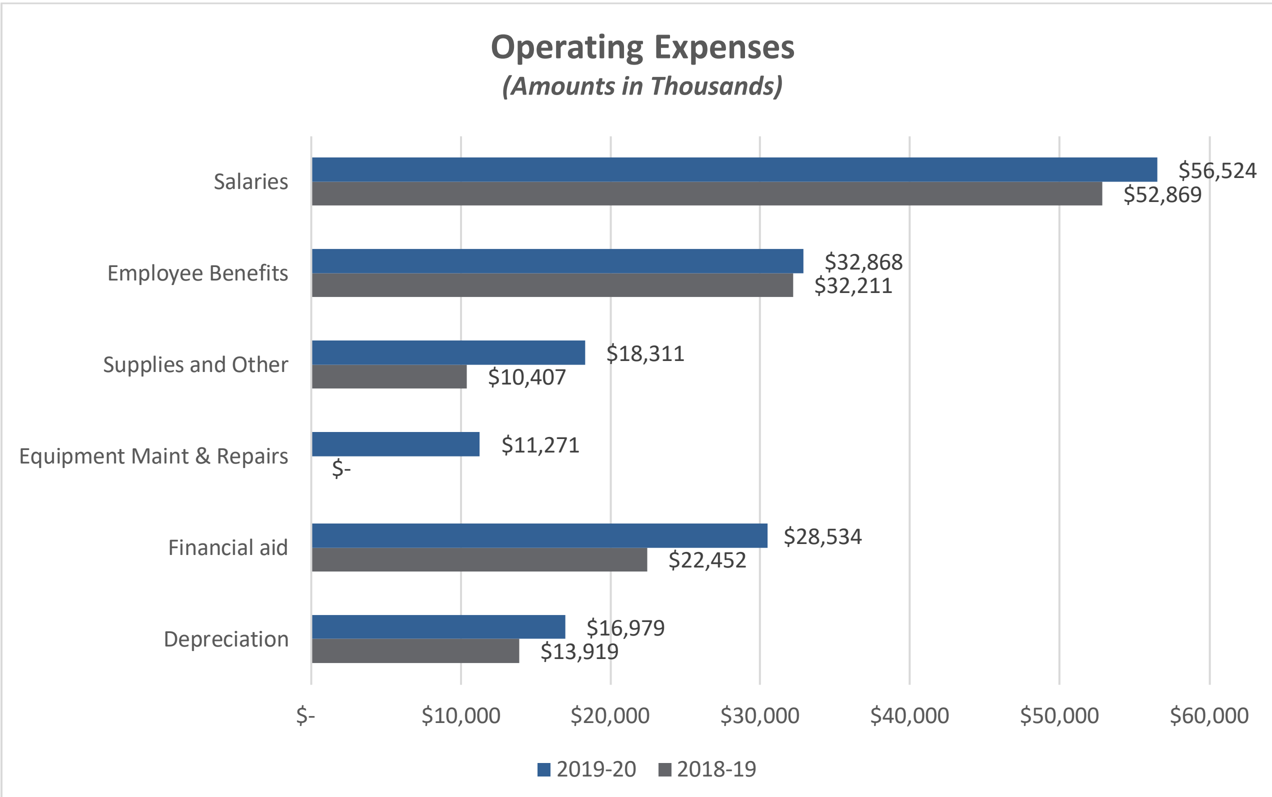
Local property taxes increased due to assessed valuations in the Coachella Valley. As noted above, decreases or increases in property tax revenue affect the District's State apportionment revenue. The housing market has shown improvement in the Coachella Valley, as well as in California. Interest rates 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, 2020 and 2019, respectively.



The following graph reflects the Operating Expenses of the District for the years ended June 30, 2020 and 2019, respectively.



The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020 and June 30, 2019, is summarized below.

	2020	2019	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	$ 5,722,073	$ 5,654,583	$ 67,490	1%
Grants and contracts, non capital	17,943,051	20,037,694	(2,094,643)	-10%
Other operating revenue	118,599	213,893	(95,294)	-45%
Total operating revenues	23,783,723	25,906,170	(2,122,447)	-8%
Operating Expenses				
Salaries and benefits	89,391,294	85,080,596	4,310,698	5%
Supplies and maintenance	18,310,855	10,407,369	7,903,486	76%
Student financial aid	28,533,561	22,452,028	6,081,533	27%
Equipment and maintenance	11,270,817	-	11,270,817	100%
Depreciation	16,978,746	13,919,368	3,059,378	22%
Total operating expenses	164,485,273	131,859,361	32,625,912	25%
Operating loss	(140,701,550)	(105,953,191)	(34,748,359)	-33%
Nonoperating Revenues (Expenses)				
State apportionments	29,135,029	20,375,771	8,759,258	43%
Property taxes	77,432,163	75,408,820	2,023,343	3%
Financial aid grants, non capital	25,992,976	20,033,772	5,959,204	30%
State revenues	6,009,362	7,287,079	(1,277,717)	-18%
Net interest expense	(10,839,838)	(10,633,986)	(205,852)	-2%
Other nonoperating revenues	10,696,755	11,396,896	(700,141)	-6%
Total nonoperating revenue (expenses)	138,426,447	123,868,352	14,558,095	12%
Other Revenues				
State capital income	901,719	970,702	(68,983)	-7%
Change in Net Position	$ (1,373,384)	$ 18,885,863	$ (20,259,247)	-107%

STATEMENT OF FUNCTIONAL EXPENSES

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment Maintenance and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 27,038,233	$ 16,257,667	$ 1,854,273	$ 704,411	$ -	$ -	$ 45,854,584
Academic support	7,591,573	6,453,707	1,133,164	31,181	-	-	15,209,625
Student services	7,491,146	2,943,579	581,848	690,757	-	-	11,707,330
Plant operations and maintenance	2,958,595	1,543,961	3,077,729	2,546	-	-	7,582,831
Instructional support services	7,802,875	4,134,072	4,499,127	168,403	-	-	16,604,477
Community services and economic development	722,608	334,432	1,035,248	131,767	-	-	2,224,055
Ancillary services and auxiliary operations	2,856,361	1,198,509	5,321,298	1,840,358	-	-	11,216,526
Physical property and related acquisitions	62,214	1,762	808,168	7,701,394	-	-	8,573,538
Student aid	-	-	-	-	28,533,561	-	28,533,561
Unallocated depreciation	-	-	-	-	-	16,978,746	16,978,746
Total	$ 56,523,605	$ 32,867,689	$ 18,310,855	$ 11,270,817	$ 28,533,561	$ 16,978,746	$ 164,485,273

STATEMENT OF CASH FLOWS

	2020	2019	Increase (Decrease)	Percent Change
Cash Provided by (used in)				
Operating activities	$ (117,821,219)	$ (86,810,792)	$ (31,010,427)	-36%
Noncapital financing activities	111,325,441	100,992,747	10,332,694	10%
Capital financing activities	(13,286,392)	(36,761,592)	23,475,200	64%
Investing activities	1,821,880	1,846,941	(25,061)	-1%
Net Change in Cash	(17,960,290)	(20,732,696)	2,772,406	13%
Cash, Beginning	137,021,284	157,753,980	(20,732,696)	-13%
Cash, Ending	$ 119,060,994	$ 137,021,284	$ (17,960,290)	-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, 2020, the District had $392,037,155 in net capital assets. Total capital assets of $527,579,721 consist of land, buildings, construction in progress, site improvements, equipment and vehicles, and works of art. These assets have accumulated depreciation of $135,542,566. Net capital asset additions of $3,791,455 occurred during 2019-2020, and depreciation expense of $16,978,746 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.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Land, works of art, and construction in progress	$ 68,356,343	$ 7,925,976	$ (23,068,794)	$ 53,213,525
Buildings and improvements	419,488,496	33,113,734	-	452,602,230
Furniture and equipment	18,964,681	2,799,285	-	21,763,966
Subtotal	506,809,520	43,838,995	(23,068,794)	527,579,721
Accumulated depreciation	(118,563,820)	(16,978,746)	-	(135,542,566)
	$ 388,245,700	$ 26,860,249	$ (23,068,794)	$ 392,037,155

LONG-TERM LIABILITIES

As of June 30, 2020, the District had $384,871,241 in debt from general obligation bonds consisting of $337,130,000 of debt and $47,741,241 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.

Notes 10, 11, and 13 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
General obligation bonds	$ 400,364,780	$ -	$ (15,493,539)	$ 384,871,241
Compensated absences	1,250,389	641,584		1,891,973
PARS supplemental early retirement plan	142,877	-	(142,877)	-
Load banking	482,628	28,126	-	510,754
Aggregate net OPEB liability	4,531,542	1,028,741	-	5,560,283
Aggregate net pension liability	74,296,003	6,921,393	-	81,217,396
Total long-term liabilities	$ 481,068,219	$ 8,619,844	$ (15,636,416)	$ 474,051,647
Amount due within one year				$ 6,625,000

AGGREGATE NET PENSION LIABILITY

At year end, the District has an aggregate net pension liability of $81,217,396 versus $74,296,003 last year, an increase of $6,921,393 or 9.32%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2019-2020 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. Although the sales tax portion of this proposition has expired, the increased personal income tax will continue through 2030 due to the passage of proposition 55 in 2016. 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 2019-2020 , the District provided resources to students and staff while maintaining a 7.5% 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% 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 84% of the current actuarial liability as identified in the June 2019 Actuarial Report.

College of the Desert has been awarded over $7.5 million in CARES Act funding from the federal government in 2019-2020, of which $3.5 million has been spent on emergency grants to 1,174 students. The remaining $4 million has been expended and encumbered to cover costs that have been incurred as a result of the COVID-19 pandemic. Expenditures include faculty and staff training in online instruction, additional technological hardware for students and faculty, personal protective equipment, and highspeed internet service for students and faculty to transition to an online environment.

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 94% of the total revenue within the Unrestricted General Fund. While the state and national economies recover from impacts of the COVID-19 pandemic, College of the Desert continues to prudently budget to meet the educational needs of the students in the Coachella Valley. 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 2020-2021, these funds will accommodate the planning and construction of projects as mentioned below:

- Completion of 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.

Assets	
Cash and cash equivalents	$ 725,757
Investments	157,336,578
Accounts receivable	7,802,311
Due from fiduciary funds	17,000
Prepaid expenses	310,485
Capital assets	
Nondepreciable capital assets	53,213,525
Depreciable capital assets, net of depreciation	338,823,630
Total assets	558,229,286
Deferred Outflows of Resources	
Deferred charges on refunding	13,406,705
Deferred outflows of resources related to other postemployment benefits (OPEB)	2,049,861
Deferred outflows of resources related to pensions	27,369,204
Total deferred outflows of resources	42,825,770
Liabilities	
Accounts payable	9,353,868
Interest payable	6,803,854
Due to fiduciary funds	20,000
Unearned revenue	5,198,760
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	6,625,000
Long-term liabilities other than OPEB and pensions, due in more than one year	380,648,968
Aggregate net OPEB liability	5,560,283
Aggregate net pension liability	81,217,396
Total liabilities	495,428,129
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	118,857
Deferred inflows of resources related to pensions	4,315,192
Total deferred inflows of resources	4,434,049
Net Position	
Net investment in capital assets	54,210,795
Restricted for:	
Debt service	37,148,725
Capital projects	40,306,069
Educational programs	3,290,274
Unrestricted deficit	(33,762,985)
Total net position	$ 101,192,878

Operating Revenues	
Student tuition and fees	$ 13,885,142
Less: scholarship discount and allowance	(8,163,069)
Net tuition and fees	5,722,073
Grants and contracts, noncapital	
Federal	4,314,477
State	13,231,711
Local	396,863
Total grants and contracts, noncapital	17,943,051
Other operating revenues	118,599
Total operating revenues	23,783,723
Operating Expenses	
Salaries	56,523,605
Employee benefits	32,867,689
Supplies, materials, and other operating expenses and services	18,310,855
Equipment, maintenance, and repairs	11,270,817
Student financial aid	28,533,561
Depreciation	16,978,746
Total operating expenses	164,485,273
Operating Loss	(140,701,550)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	29,135,029
Local property taxes, levied for general purposes	42,512,878
Taxes levied for other specific purposes	34,919,285
Federal financial aid grants, noncapital	21,614,415
State financial aid grants, noncapital	4,378,561
Other State revenues	6,009,362
Investment income	1,775,399
Interest expense on capital related debt	(13,171,194)
Investment income on capital asset-related debt	555,957
Transfer to fiduciary funds	(20,000)
Other nonoperating revenue	10,716,755
Total nonoperating revenues (expenses)	138,426,447
Loss before other revenues	(2,275,103)
Other Revenues	
State revenues, capital	901,719
Change in Net Position	(1,373,384)
Net Position, Beginning of year	102,566,262
Net Position, End of year	$ 101,192,878

Operating Activities	
Tuition and fees	$ 5,157,324
Federal and State grants and contracts	17,069,125
Payments to vendors for supplies and services	(30,104,929)
Payments to or on behalf of employees	(81,527,777)
Payments to students for scholarships and grants	(28,533,561)
Other operating receipts	118,599
Net Cash Flows from Operating Activities	(117,821,219)
Noncapital Financing Activities	
State apportionments	25,361,284
Federal and State financial aid grants	26,479,890
Property taxes - nondebt related	42,512,878
State taxes and other apportionments	6,009,362
Other nonoperating	10,962,027
Net Cash Flows from Noncapital Financing Activities	111,325,441
Capital Financing Activities	
Purchase of capital assets	(21,652,167)
State revenue, capital projects	901,719
Property taxes - related to capital debt	34,919,285
Principal paid on capital debt	(12,295,000)
Interest paid on capital debt	(15,716,186)
Interest received on capital debt	555,957
Net Cash Flows from Capital Financing Activities	(13,286,392)
Investing Activities	
Purchase of investments	(362,916)
Interest received from investments	2,184,796
Net Cash Flows from Investing Activities	1,821,880
Net Change in Cash and Cash Equivalents	(17,960,290)
Cash and Cash Equivalents, Beginning	137,021,284
Cash and Cash Equivalents, Ending	$ 119,060,994

Reconciliation of net operating loss to net cash flows from operating activities	
Operating loss	$ (140,701,550)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	16,978,746
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(1,598,982)
Prepaid expenses	69,213
Accounts payable	(781,889)
Unearned revenue	160,307
Compensated absences	641,584
PARS supplemental early retirement plan	(142,877)
Load banking	28,126
Deferred outflows of resources related to OPEB	(474,827)
Deferred outflows of resources related to pensions	(598,717)
Deferred inflows of resources related to OPEB	21,868
Deferred inflows of resources related to pensions	627,645
Aggregate net OPEB liability	6,921,393
Aggregate net pension liability	1,028,741
Total adjustments	22,880,331
Net Cash Flows from Operating Activities	$ (117,821,219)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 725,757
Cash in county treasury	118,335,237
Total cash and cash equivalents	$ 119,060,994
Noncash Transactions	
Amortization of deferred charges on refunding	$ 855,964
Amortization of debt premium	$ 3,198,539

	Retiree OPEB Trust	Other Trust Funds
Assets		
Cash and cash equivalents	$ -	$ 152,040
Investments	3,781,565	117,669
Accounts receivable	1	6,357
Due from primary government	-	20,000
Total assets	3,781,566	296,066
Liabilities		
Accounts payable	-	2,122
Due to primary government	-	17,000
Total liabilities	-	19,122
Net Position		
Restricted for postemployment benefits other than pensions	3,781,195	-
Unrestricted	371	276,944
Total net position	$ 3,781,566	$ 276,944

	Retiree OPEB Trust	Other Trust Funds
Additions		
Local revenues	$ 470,077	$ 186,560
Transfer from primary government	-	20,000
Total additions	470,077	206,560
Deductions		
Classified salaries	-	53,909
Employee benefits	475,427	55,253
Books and supplies	-	46,546
Services and operating expenditures	-	24,970
Capital outlay	-	1,347
Total deductions	475,427	182,025
Change in Net Position	(5,350)	24,535
Net Position, Beginning of Year	3,786,916	252,409
Net Position, End of Year	$ 3,781,566	$ 276,944

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 accounting policies 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

Basis of Accounting, Measurement Focus, 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, No. 39, and No. 61. 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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, 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 cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pool investment pools are determined by the program sponsor.

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

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 Liabilities

All payables, accrued liabilities, and long-term liabilities 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, which approximates the effective interest method.

Pensions

For purposes of measuring the net pension liability, 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 (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. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

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. The District also participates in “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. 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.

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. The deferred charges on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue primarily 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 general obligation bonds, bond premiums, compensated absences, PARS supplemental early retirement plan, load banking, aggregate net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the 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 net position is available. The government-wide financial statements report $80,745,068 of restricted net position, and the fiduciary fund financial statements report $3,781,195 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, 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.

Interfund Activity

Interfund transfers and interfund 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 May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The District has already implemented these standards as of June 30, 2020.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 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% 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% 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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

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. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consist of the following:

Primary government	$ 158,062,335
Fiduciary funds	4,051,274
Total deposits and investments	$ 162,113,609
Cash on hand and in banks	$ 862,797
Cash in revolving	15,000
Cash in county	118,392,379
Investments	42,843,433
Total deposits and investments	$ 162,113,609

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 $118,392,379 with the Riverside County Pooled Investment Fund with a weighted maturity of 409 days. In addition, the District also has an investment of $39,001,341 in Federated Investors Tax Free Obligations. Also, the District has investments of $3,781,195 and $60,897 in Mutual Funds and Certificates of Deposits, respectively, that have maturities over three months.

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 were 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, 2020.

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 for deposits. 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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2020, the District's bank balance of $504,639 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2020, the District's investment balance of $3,781,195 was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

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.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Level 1 Inputs
Federated Investros Tax Free Obligations	$ 39,001,341	$ 39,001,341
Mutual Funds	3,781,195	3,781,195
Certificates of Deposits	60,897	60,897
Total	$ 42,843,433	$ 42,843,433

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

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 2,177,918	$ -
State Government		
Categorical aid	451,385	-
Lottery	544,096	-
Local Sources		
Property taxes	981,431	-
District Foundation	311,371	-
Enrollment fees	1,914,282	-
Interest	174,155	171
Other local sources	1,247,673	6,187
Total	$ 7,802,311	$ 6,358

Note 6 - Capital Assets

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	$ 35,624,483	$ 4,462,679	$ -	$ 40,087,162
Construction in progress	32,207,860	3,463,297	(23,068,794)	12,602,363
Works of art	524,000	-	-	524,000
Total capital assets not being depreciated	68,356,343	7,925,976	(23,068,794)	53,213,525
Capital Assets Being Depreciated				
Land improvements	126,397,689	13,044,276	-	139,441,965
Buildings and improvements	293,090,807	20,069,458	-	313,160,265
Furniture and equipment	18,964,681	2,799,285	-	21,763,966
Total capital assets being depreciated	438,453,177	35,913,019	-	474,366,196
Total capital assets	506,809,520	43,838,995	(23,068,794)	527,579,721
Less Accumulated Depreciation				
Land improvements	42,204,222	6,464,026	-	48,668,248
Buildings and improvements	65,420,621	9,023,602	-	74,444,223
Furniture and equipment	10,938,977	1,491,118	-	12,430,095
Total accumulated depreciation	118,563,820	16,978,746	-	135,542,566
Net capital assets	$ 388,245,700	$ 26,860,249	$ (23,068,794)	$ 392,037,155

Depreciation expense for the year was $16,978,746.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Apportionment	$ 4,218,645	$ -
Construction	1,506,668	-
Accrued payroll	191,976	-
State government	2,814,273	-
Other	622,306	2,122
Total	$ 9,353,868	$ 2,122

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
Federal financial assistance	$ 40,187
State categorical aid	3,700,885
Enrollment fees	1,451,187
Other local	6,501
Total	$ 5,198,760

Note 9 - Interfund Transactions

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. 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, 2020, the amount owed by the primary government to the fiduciary funds was $20,000 and the amount owed by the fiduciary funds to the primary government was $17,000.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2020 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $20,000.

Note 10 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Bonds Payable					
General obligation bonds	$ 349,425,000	$ -	$ (12,295,000)	$ 337,130,000	$ 6,625,000
Premium on bonds	50,939,780	-	(3,198,539)	47,741,241	-
Total bonds payable	400,364,780	-	(15,493,539)	384,871,241	6,625,000
Other Liabilities					
Compensated absences	1,250,389	641,584	-	1,891,973	-
PARS supplemental early retirement plan	142,877	-	(142,877)	-	-
Load banking	482,628	28,126	-	510,754	-
Total other liabilities	1,875,894	669,710	(142,877)	2,402,727	-
Total long-term liabilities	$ 402,240,674	$ 669,710	$ (15,636,416)	$ 387,273,968	$ 6,625,000

Description of Long-Term Liabilities

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.

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 paid the liability over five-year periods for each agreement from the unrestricted General Fund. The outstanding balance as of June 30, 2020, was $0.

The load banking liability will be paid by the fund for which the employee worked.

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% to 5.00%. At June 30, 2020, the principal balance outstanding was $25,240,000.

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%. At June 30, 2020, 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% to 5.00%. At June 30, 2020, the principal balance outstanding was $124,525,000.

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% to 5.00%. At June 30, 2020, the principal balance outstanding was $30,000,000.

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Redeemed	Bonds Outstanding June 30, 2020
2015 Refunding	4/2015	8/1/2024	2.00%-5.00%	$ 38,690,000	$ 28,935,000	$ -	$ (3,695,000)	$ 25,240,000
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	125,125,000	-	(600,000)	124,525,000
2018 Series	6/2018	8/1/2043	3.00%-5.00%	50,000,000	38,000,000	-	(8,000,000)	30,000,000
					$ 349,425,000	$ -	$ (12,295,000)	$ 337,130,000

General Obligation Bond - 2015 Refunding

The bonds mature through 2025 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	$ 25,240,000	$ 3,406,500	$ 28,646,500

General Obligation Bond - 2016 Refunding

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	-	7,868,250	7,868,250
2026-2030	26,480,000	36,286,750	62,766,750
2031-2035	56,975,000	26,783,125	83,758,125
2036-2038	73,910,000	5,748,500	79,658,500
Total	$ 157,365,000	$ 108,159,625	$ 265,524,625

General Obligation Bond - 2017 Refunding

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	3,000,000	5,312,600	8,312,600
2026-2030	32,200,000	22,478,000	54,678,000
2031-2035	33,600,000	13,438,000	47,038,000
2036-2040	48,690,000	7,824,400	56,514,400
Total	$ 124,525,000	$ 71,401,000	$ 195,926,000

General Obligation Bond – 2018 Series

The bonds mature through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	-	1,425,000	1,425,000
2026-2030	1,840,000	6,946,000	8,786,000
2031-2035	4,835,000	6,126,125	10,961,125
2036-2040	9,300,000	4,417,000	13,717,000
2041-2044	12,525,000	1,322,125	13,847,125
Total	$ 30,000,000	$ 25,966,250	$ 55,966,250

Compensated Absences

At June 30, 2020, the liability for compensated absences was $1,891,973.

Load Banking

At June 30, 2020, the liability for load banking was $510,754.

Note 11 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 5,252,779	$ 2,049,861	$ 118,857	$ 574,538
Medicare Premium Payment (MPP) Program	307,504	-	-	1,244
Total	$ 5,560,283	$ 2,049,861	$ 118,857	$ 575,782

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, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	27
Participating active employees	340
	367

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 ended June 30, 2019, the District contributed $530,189 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, 2020:

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

Rate of Return

For the year ended June 30, 2020, the annual money-weighed rate of return on investments, net of investment expense, was 6.22%. 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 $5,252,779 was measured as of June 30, 2019, and the net OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	$ 9,039,695
Plan fiduciary net position	(3,786,916)
District's net OPEB liability	$ 5,252,779
Plan fiduciary net position as a percentage of the total OPEB liability	41.89%

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 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	4.60 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, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

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, 2019, (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 4.60%. 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, 2018	$ 7,790,599	$ 3,565,317	$ 4,225,282
Service cost	746,792	-	746,792
Interest	371,250	-	371,250
Contributions - employer	-	530,189	(530,189)
Net investment income	-	225,134	(225,134)
Changes of assumptions or other inputs	661,243	-	661,243
Benefit payments	(530,189)	(530,189)	-
Administrative expense	-	(3,535)	3,535
Net change in total OPEB liability	1,249,096	221,599	1,027,497
Balance at June 30, 2019	$ 9,039,695	$ 3,786,916	$ 5,252,779

Changes in assumptions and other inputs reflects a change in the discount rate from 4.70% in 2018 to 4.60% in 2019. There were no changes in the benefit terms since the previous valuation.

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 (3.60%)	$ 5,906,280
Current discount rate (4.60%)	5,252,779
1% increase (5.60%)	4,667,961

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 (3.00%)	$ 4,747,819
Current discount rate (4.00%)	5,252,779
1% increase (5.00%)	5,752,059

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

For the year ended June 30, 2020, the District recognized OPEB expense of $574,538. At June 30, 2020, 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	$ 475,427	$ -
Differences between expected and actual experience	538,451	-
Changes of assumptions	1,035,983	-
Net difference between projected and actual earnings on OPEB plan investments	-	118,857
Total	$ 2,049,861	$ 118,857

The deferred outflows/(inflows) of resources related to the differences between expected and actual experience and the changes of assumptions will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 131,654
2022	131,654
2023	131,654
2024	131,654
2025	131,654
Thereafter	916,164
	$ 1,574,434

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
2021	$ (35,777)
2022	(35,777)
2023	(35,774)
2024	(11,529)
	$ (118,857)

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, 2018 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.

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, 2020, the District reported a liability of $307,504 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 and June 30, 2018, was 0.0826% and 0.0800%, respectively, resulting in a net increase in the proportionate share of 0.0026%.

For the year ended June 30, 2020, the District recognized OPEB expense of $1,244.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
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	3.50%	3.87%
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, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-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 380 or an average of 0.23% of the potentially eligible population (165,422).

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, 2019, 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, 2019, is 3.50%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

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 (2.50%)	$ 335,558
Current discount rate (3.50%)	307,504
1% increase (4.50%)	281,711

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 a 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)	$ 288,223
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	307,504
1% increase (4.7% Part A and 5.1% Part B)	346,017

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, 2020, 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 2019-2020, 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% 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 the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 42,157,879	$ 15,746,447	$ 3,952,908	$ 6,090,320
CalPERS	39,059,517	11,622,757	362,284	8,120,573
Total	$ 81,217,396	$ 27,369,204	$ 4,315,192	$ 14,210,893

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, 2018, 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% 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after 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	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

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% of applicable member earnings over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were $5,015,485.

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

At June 30, 2020, 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	$ 42,157,879
State's proportionate share of net pension liability associated with the District	22,999,937
Total	$ 65,157,816

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.0467% and 0.0446%, respectively, resulting in a net increase in the proportionate share of 0.0021%.

For the year ended June 30, 2020, the District recognized pension expense of $6,090,320. In addition, the District recognized pension expense and revenue of $3,425,187 for support provided by the State. At June 30, 2020, 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	$ 5,015,485	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,292,486	1,141,013
Difference between projected and actual earnings on pension plan investments	-	1,623,935
Difference between expected and actual experience in the measurement of the total pension liability	106,426	1,187,960
Changes of assumptions	5,332,050	-
Total	$ 15,746,447	$ 3,952,908

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
2021	$ (163,802)
2022	(1,289,212)
2023	(267,660)
2024	96,739
Total	$ (1,623,935)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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
2021	$ 1,788,408
2022	1,788,408
2023	2,053,561
2024	1,878,256
2025	715,310
Thereafter	178,046
Total	$ 8,401,989

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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% 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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk mitigating strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed 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%) 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%)	$ 62,776,571
Current discount rate (7.10%)	42,157,879
1% increase (8.10%)	25,061,056

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, 2018, 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

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, 2020, are presented above, and the total District contributions were $3,985,958.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $39,059,517. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.1340% and 0.1250%, respectively, resulting in a net increase in the proportionate share of 0.0090%.

For the year ended June 30, 2020, the District recognized pension expense of $8,120,573. At June 30, 2020, 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	$ 3,985,958	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,940,156	-
Difference between projected and actual earnings on pension plan investments	-	362,284
Difference between expected and actual experience in the measurement of the total pension liability	2,837,289	-
Changes of assumptions	1,859,354	-
Total	$ 11,622,757	$ 362,284

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
2021	$ 357,615
2022	(714,324)
2023	(108,248)
2024	102,673
Total	$ (362,284)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 4,266,964
2022	2,331,479
2023	943,960
2024	94,396
Total	$ 7,636,799

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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%. 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%)	$ 56,301,726
Current discount rate (7.15%)	39,059,517
1% increase (8.15%)	24,755,914

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% of an employee's gross earnings. An employee is required to contribute 6.20% of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to $3,176,127 (10.328%) 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, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. 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, 2020.

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, 2020.

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
2021	$ 723,678
2022	943,513
2023	898,976
Total minimum lease payments	$ 2,566,167

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
RoadRunner Motors	$ 25,976	August 2023
Indio Bookstore Remodel	15,488	August 2021
Indio Campus CDC	895,547	February 2023
Indio Campus Expansion	4,955,916	October 2023
Palm Springs Development Project	2,650,771	December 2024
Ag Canopy	2,315	September 2021
Applied Science Canopy	6,189	August 2021
Fred Waring Entrance Paving	15,351	August 2020
Softball Field Lighting	2,027,771	March 2021
Total	$ 10,595,324	

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

Note 16 - Subsequent Events

The District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

On August 5, 2020, the District issued $60,000,000 of Election 2016, Series 2020 General Obligation Bonds. The proceeds were issued to finance specific construction and improvement projects approved by the voters of the District, and to pay the costs of issuance of the New Money Bonds. The bonds will be repaid by the District through August 1, 2042, with semi-annual interest payments commencing on February 1, 2021, at rates ranging from 2.00% to 4.00%.

On August 5, 2020, the District issued $32,930,000 of General Obligation Refunding Bonds, Series 2020. The proceeds were issued to refund all of the outstanding District General Obligation Bonds, Election of 2016 and Series 2018, and to pay costs of issuance of the refunding bonds. The bonds will be repaid by the District through August 1, 2040, with semi-annual interest payments commencing on February 1, 2021, at rates ranging from 0.265% to 2.020%.

On September 18, 2020, the Board of Trustees approved a Supplementary Retirement Plan (SRP) through Public Agency Retirement Services (PARS). The retirement incentive program was offered to faculty, classified employees, administrators, and confidential employees who are nearing retirement and are eligible to retire under CalSTRS or CalPERS. Forty-four employees elected to participate in the SRP. The District annual annuity payments of $661,265 will be made through the 2025-2026 fiscal year.

Required Supplementary Information
June 30, 2020

Desert Community College District

	2020	2019	2018
Total OPEB Liability			
Service Costs	$ 746,792	$ 512,430	$ 457,066
Interest	371,250	297,247	410,083
Changes in Assumptions	661,243	1,147,476	-
Benefit Payments	(530,189)	(469,494)	(401,715)
Net changes in total OPEB liability	1,249,096	1,487,659	465,434
Total OPEB liability - beginning	7,790,599	6,302,940	5,837,506
Total OPEB liability - ending (a)	$ 9,039,695	$ 7,790,599	$ 6,302,940
Plan Fiduciary Net Position			
Contributions - employer	$ 530,189	$ 469,494	$ 401,715
Net investment income	225,134	275,919	351,417
Benefit payments	(530,189)	(469,494)	(401,715)
Administrative expense	(3,535)	(3,431)	(3,060)
Net change in plan fiduciary net position	221,599	272,488	348,357
Plan Fiduciary Net Position - Beginning	3,565,317	3,292,829	2,944,472
Plan Fiduciary Net Position - Ending (b)	3,786,916	3,565,317	3,292,829
District's Net OPEB Liability - Ending (a) - (b)	$ 5,252,779	$ 4,225,282	$ 3,010,111
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	41.89%	45.76%	52.24%
Covered-employee payroll	$ 44,431,387	$ 42,605,102	$ 42,853,438
District's Net OPEB Liability as a Percentage of Covered-employee payroll	11.82%	9.92%	7.02%
Measure Date	June 30, 2019	June 30, 2018	June 30, 2017

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

	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	6.22%	8.38%	11.83%

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

Year ended June 30,	2020	2019	2018
District's proportion of the net OPEB liability	0.0826%	0.0800%	0.0720%
District's proportionate share of the net OPEB liability	$ 307,504	$ 306,260	$ 302,878
District's covered payroll	N/A[1]	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[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.

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.0467%	0.0446%	0.0398%	0.0416%	0.0391%	0.0408%
District's proportionate share of the net pension liability	$ 42,157,879	$ 40,969,672	$ 36,775,058	$ 33,619,691	$ 26,354,396	$ 23,870,639
State's proportionate share of the net pension liability associated with the District	22,999,937	23,457,054	21,755,813	19,139,091	13,938,570	14,414,123
Total	$ 65,157,816	$ 64,426,726	$ 58,530,871	$ 52,758,782	$ 40,292,966	$ 38,284,762
District's covered payroll	$ 27,430,676	$ 25,939,619	$ 22,694,428	$ 20,052,406	$ 18,820,721	$ 18,194,036
District's proportionate share of the net pension liability as a percentage of its covered payroll	153.69%	157.94%	162.04%	167.66%	140.03%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.1340%	0.1250%	0.1120%	0.1071%	0.1032%	0.1033%
District's proportionate share of the net pension liability	$ 39,059,517	$ 33,326,331	$ 26,740,710	$ 21,155,192	$ 15,215,164	$ 11,723,145
District's covered payroll	$ 18,594,380	$ 16,665,482	$ 13,971,429	$ 12,681,438	$ 11,432,104	$ 10,840,299
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.06%	199.97%	191.40%	166.82%	133.09%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 5,015,485	$ 4,465,714	$ 3,743,087	$ 2,854,959	$ 2,152,267	$ 1,671,280
Contributions in relation to the contractually required contribution	(5,015,485)	(4,465,714)	(3,743,087)	(2,854,959)	(2,152,267)	(1,671,280)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 29,330,322	$ 27,430,676	$ 25,939,619	$ 22,694,428	$ 20,052,406	$ 18,820,721
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 3,985,958	$ 3,358,517	$ 2,588,316	$ 1,940,352	$ 1,502,370	$ 1,345,673
Contributions in relation to the contractually required contribution	(3,985,958)	(3,358,517)	(2,588,316)	(1,940,352)	(1,502,370)	(1,345,673)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 20,211,744	$ 18,594,380	$ 16,665,482	$ 13,971,429	$ 12,681,438	$ 11,432,104
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

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 4.7% to 4.6% since the last 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 3.87% to 3.50% 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 since the previous valuations for both CalSTRS and CalPERS.

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
June 30, 2020

Desert Community College District

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. Fred Jandt	Chairperson	2020
Mrs. Mary Jane Sanchez-Fulton	Vice Chairperson	2020
Mrs. Aurora Wilson	Clerk	2022
Mr. Rubén AríAztlán Pérez	Member	2022
Dr. Bonnie Stefan	Member	2020
Larissa Chavez - Chaidez	Student Trustee	2021

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

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Desert Community College Auxiliary Services
Master Agreement March 1985
Dr. Joel L. Kinnamon, Superintendent/President

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		$ 19,470,168
Federal Pell Grant Administrative Allowance	84.063		8,899
Federal Work Study Program	84.033		637,547
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		280,500
Total Student Financial Assistance Cluster			20,397,114
TRIO Cluster			
College of the Desert DSPS Student Support Services	84.042A		252,250
College of the Desert ACES Student Support Services	84.042A		301,410
College of the Desert Educational Talent Search	84.044A		206,358
College of the Desert Veterans Student Support Services	84.042A		265,736
College of the Desert Upward Bound Program	84.047A		363,095
Total TRIO Cluster			1,388,849
Child Care Access Means Parents in School	84.335A		176,098
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F		815,698
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion	84.425E		1,480,135
Subtotal			2,295,833
Passed through from California Department of Education			
Adult Basic Education and ELA	84.002A	14508	210,960
Adult Secondary Education	84.002A	13978	48,950
Subtotal			259,910

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-C	84.048A	19-C01-013	$ 471,112
Career and Technical Education Transitions	84.048A	19-C01-013	46,195
Subtotal			517,307
Passed through from California Department of Rehabilitation			
State Vocational Rehabilitation Services Program	84.126A	31080	188,195
Total U.S. Department of Education			25,223,306
U.S. Department of Agriculture			
Passed through from California Department of Education			
Child and Adult Care Food Program	10.558	04370-CACFP- 04370-CACFP-33-CC-IC	68,755
Total U.S. Department of Agriculture			68,755
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]	4,074
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	95,604
National Aeronautics and Space Administration			
Entry, Descent, and Landing Curriculum Development for Community College Students	43.008		91,011
Total Research and Development Cluster			190,689
U.S. Department of Veteran Affairs			
Vocational Rehabilitation for Disabled Veterans	64.116		1,225
Total U.S. Department of Veteran Affairs			1,225

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	$ 76,015
Passed through from Riverside County Department of Public Social Services			
Greater Avenues for Independence	93.558	CW-03717	4,667
Subtotal			80,682
Child Care and Development Fund (CCDF) Cluster			
Passed through from California Department of Education			
Child Care and Development Block Grant	93.575	15136	72,472
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	157,655
Total Child Care and Development Fund Cluster			230,127
Total U.S. Department of Health and Human Services			310,809
Total Federal Expenditures			$ 25,794,784

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

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
AEBG Consortium	$ 442,500	$ 658,750	$ 1,101,250	$ 1,101,250	$ -	$ 462,356	$ 638,894	$ 638,894
Student Equity and Achievement - Basic Skills	458,060	54,306	512,366	512,367	-	295,798	216,569	216,569
Board of Governor's Fin. Aid Program (BFAP)	116,655	-	116,655	116,655	-	-	116,655	116,655
CalWORKS	451,059	-	451,059	451,059	-	65,022	386,037	386,037
Campus Safety	-	20,223	20,223	20,223	-	20,223	-	-
Certified Nursing Assistant	-	29,831	29,831	29,831	-	-	29,831	29,831
Child Development: California State Preschool Program	775,447	-	775,447	578,376	197,071	-	775,447	775,447
Child Development: General Childcare and Development	632,172	-	632,172	626,846	5,326	-	632,172	632,172
Child and Adult Care Food Program	3,922	-	3,922	1,783	2,139	-	3,922	3,922
Classified Professional Growth	47,553	-	47,553	47,553	-	47,553	-	-
Cooperative Agencies for Education (CARE)	157,260	-	157,260	157,260	-	-	157,260	157,260
CVC-OEI Grant	427,281	-	427,281	92,804	181,373	-	274,177	274,177
Disabled Student Program and Services (DSPS)	1,073,579	-	1,073,579	1,073,579	-	-	1,073,579	1,073,579
DSN - Construction and Utilities	200,000	158,226	358,226	239,835	-	46,849	192,986	192,986
Early Educator Apprenticeships	25,000	-	25,000	-	907	-	907	907
Equal Employment Opportunity	50,000	58,014	108,014	108,014	-	57,849	50,165	50,165
EWD - Health	200,000	78,627	278,627	224,721	-	17,181	207,540	207,540
Extended Opportunity Program (EOPS)	627,227	-	627,227	627,227	-	-	627,227	627,227
Financial Aid Technology	48,345	123,850	172,195	172,195	-	103,875	68,320	68,320
Guided Pathways	303,083	472,078	775,161	775,162	-	484,225	290,937	290,937
Hunger Free Campus	49,232	13,149	62,381	62,380	-	30,638	31,742	31,742
ISPIC - Culinary Grand Salon Project	-	10,000	10,000	10,000	-	-	10,000	10,000
Mental Health Support	-	69,539	69,539	69,539	-	65,704	3,835	3,835

Program	Program Entitlements Current Year	Prior Year	Total Entitlement	Program Revenues Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
MESA	$ 74,515	$ -	$ 74,515	$ 9,946	$ 64,569	$ -	$ 74,515	$ 74,515
State Instructional Equipment/Repairs	128,306	275,336	403,642	403,642	-	273,341	130,301	130,301
Nursing Assessment	228,000	-	228,000	241,954	-	44,679	197,275	197,275
Strong Workforce Program Local Round Two	129,310	-	129,310	129,310	-	-	129,310	129,310
Strong Workforce Program Local Round Three and Four	2,413,425	-	2,413,425	2,413,425	-	1,421,017	992,408	992,408
Strong Workforce Program - Regional Round Two	347,480	-	347,480	347,480	-	-	347,480	347,480
Strong Workforce Program - Regional Round Three and Four	457,016	-	457,016	457,016	-	-	457,016	457,016
Student Financial Aid Administration	313,126	-	313,126	313,126	-	-	313,126	313,126
Student Equity and Achievement - SSSP Credit	1,684,854	43,334	1,728,188	1,727,723	-	126,469	1,601,254	1,601,254
Student Equity and Achievement - SSSP Equity	1,284,412	50,000	1,334,412	1,334,412	-	51,321	1,283,091	1,283,091
Student Equity and Achievement - SSSP Non-Credit	225,107	-	225,107	225,690	-	583	225,107	225,107
Student Success Completion Grant	1,780,512	-	1,780,512	1,780,512	-	-	1,780,512	1,780,512
Veterans Resource Center	74,334	37,213	111,547	111,546	-	86,202	25,344	25,344
Total				$ 16,594,441	$ 451,385	$ 3,700,885	$ 13,344,941	$ 13,344,941

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit	27.54	-	27.54
2. Credit	54.17	-	54.17
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit	-	-	-
2. Credit	500.00	-	500.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,963.93	-	5,963.93
(b) Daily Census Contact Hours	580.30	-	580.30
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	1,820.52	-	1,820.52
(b) Credit	384.77	-	384.77
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,098.83	-	1,098.83
(b) Daily Census Procedure Courses	302.33	-	302.33
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,732.39	-	10,732.39
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	1,757.74	-	1,757.74
2. Credit	202.78	-	202.78
CCFS-320 Addendum			
CDCP Noncredit FTES	1,771.10	-	1,771.10
Centers FTES			
1. Noncredit	679.30	-	679.30
2. Credit	1,155.50	-	1,155.50

		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	$ 12,693,952	$ -	$ 12,693,952	$ 12,693,952	$ -	$ 12,693,952
Other	1300	8,856,266	-	8,856,266	8,856,266	-	8,856,266
Total Instructional Salaries		21,550,218	-	21,550,218	21,550,218	-	21,550,218
Noninstructional Salaries							
Contract or Regular	1200	-	-	$ -	5,531,455	-	5,531,455
Other	1400	-	-	$ -	879,625	-	879,625
Total Noninstructional Salaries		-	-	-	6,411,080	-	6,411,080
Total Academic Salaries		21,550,218	-	21,550,218	27,961,298	-	27,961,298
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	12,347,125	-	12,347,125
Other	2300	-	-	-	621,796	-	621,796
Total Noninstructional Salaries		-	-	-	12,968,921	-	12,968,921
Instructional Aides							
Regular Status	2200	1,120,004	-	1,120,004	1,120,004	-	1,120,004
Other	2400	-	-	-	-	-	-
Total Instructional Aides		1,120,004	-	1,120,004	1,120,004	-	1,120,004
Total Classified Salaries		1,120,004	-	1,120,004	14,088,925	-	14,088,925
Employee Benefits	3000	9,874,988	-	9,874,988	18,146,702	-	18,146,702
Supplies and Material	4000	-	-	-	792,029	-	792,029
Other Operating Expenses	5000	-	-	-	6,118,921	-	6,118,921
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures		32,545,210	-	32,545,210	67,107,875	-	67,107,875

		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
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 82,835	$ -	$ 82,835
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	91,683	-	91,683
Objects to Exclude							
Rents and Leases	5060	-	-	-	131,485	-	131,485
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		-	-	-	-	-	-

		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	$ -	$ -	$ -	$ 1,757,804	$ -	$ 1,757,804
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	1,757,804	-	1,757,804
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	2,063,807	-	2,063,807
Total for ECS 84362,		$ 32,545,210	$ -	$ 32,545,210	$ 65,044,068	$ -	$ 65,044,068
Percent of CEE (Instructional Salary Cost/Total CEE)		50.04%		50.04%	100.00%		100.00%
50% of Current Expense of Education					$ 32,522,034		$ 32,522,034

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2020.

Activity Classification	Object Code				Unrestricted
EPA Revenue	8630				$ 5,510,718
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 5,510,718	$ -	$ -	$ 5,510,718
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance		
General Funds	$ 22,832,139	
Special Revenue Funds	1,079,793	
Capital Project Funds	73,944,245	
Debt Service Funds	43,952,579	
Internal Service Funds	9,635,011	
Fiduciary Funds	175,736	
Total fund balance		$ 151,619,503
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	527,579,721	
Accumulated depreciation is	(135,542,566)	392,037,155
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(6,803,854)
Deferred outflows of resources represent a consumption of net position in a future period and not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred charges on refunding	13,406,705	
Deferred outflows of resources related to OPEB	2,049,861	
Deferred outflows of resources related to Pensions	27,369,204	
Total deferred outflows of resources		42,825,770
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the District's funds. Deferred inflows of resources at year-end consist of:		
Deferred inflows of resources related to OPEB	(118,857)	
Deferred inflows of resources related to pensions	(4,315,192)	
Total deferred inflows of resources		(4,434,049)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:		
General obligation bonds	$ (384,871,241)	
Load banking	(510,754)	
Compensated absences	(1,891,973)	
Aggregate net OPEB liability	(5,560,283)	
Aggregate net pension liability	(81,217,396)	
		$ (474,051,647)
Total net position		$ 101,192,878

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, 2020.

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

SEFA Reconciliation
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:		$ 25,928,892
Federal Pell Grant Program	84.063	(3,084)
Federal Pell Grant Program Administrative Allowance	84.063	8,899
Federal Work-Study Program	84.033	(34,560)
Federal Work-Study Program Administrative Allowance	84.033	(61,753)
Vocational Rehabilitation for Disabled Veterans	64.116	(2,525)
Promoting Pre and Post-Transfer Success in STEM at Hispanic Service Institutions	84.002	(41,085)
Total Expenditures of Federal Awards		$ 25,794,784

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

ECS 84362 requires the District to expend a minimum of 50% 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 information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

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
June 30, 2020

Desert Community College District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Desert Community College District
Palm Desert, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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
February 19, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program; 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, 2020. 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 30,2020.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 and 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 identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. 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 and 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 identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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
February 19, 2021

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 described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

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 in the table below. 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 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

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

Section 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP 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 Proposition 39 Clean Energy Funds; 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 Proposition 1D and 51 State Bond Funded Projects Funds; therefore the compliance tests within this section were not applicable.

Unmodified Opinion
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 in the table above that were audited for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 California Community Colleges Chancellors Office *Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 19, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.063, 84.033, 84.007
TRIO Cluster	84.042A, 84.044A, 84.047A
COVID-19: CARES Act Higher Education, Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: CARES Act Higher Education, Emergency Relief Funds, Student Portion	84.425E

Dollar threshold used to distinguish between type A and type B programs:	$ 775,711
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Unmodified

None reported.

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2020-001 Activities Allowed or Unallowed

Direct Programs – Department of Education
CFDA# 84.425F
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion
Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement

Section 18004(c) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions use the funds received "to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, so long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship" that were incurred on or after March 13, 2020, the declaration of the national emergency due to the coronavirus.

Condition

We noted 6 out of 60 expenditures tested contained amounts that were unsupported by documentation or incurred prior to the date of the declared national emergency.

Cause

Upon transfer of the expenses to the program, some amounts were included in error or did not include the corresponding credit that was applied to the purchase.

Effect

The program incurred unallowable costs.

Questioned Costs

Questioned costs totaled $6,801.

Context/Sampling

The District spent $815,698 of COVID-19 CARES Act Higher Education Emergency Relief Funds, Institutional Portion. Sixty expenditures were randomly sampled.

Repeat Finding from Prior Year

No

Recommendation

The District should implement additional review procedures to ensure that the expenditures charged to the program are allowable and supported by proper documentation.

View of Responsible Officials and Corrective Action Plan

The District is reconciling CARES Act Institutional grant expenditures to the general ledger and will adjust the next G5 draw down accordingly. The next CARES Act quarterly reporting will reflect such adjustments. All future draw down requests will be reconciled against the general ledger expenditures.

2020-002 Reporting

Direct Programs – Department of Education
CFDA# 84.425E
COVID-19 -CARES Act Higher Education Emergency Relief Funds, Student Share
Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement

Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award and update that information every 45 days thereafter.

Condition

During our testing over reporting for the student aid portion, we noted that the report required to be publicly available 30 days following the award becoming available was published 35 days after and, therefore, the District did not meet the timeliness requirement.

Cause

The District had a delay in publishing the required compliance language to their website.

Effect

The District’s 30 day report was publicly posted 5 days after the required deadline.

Questioned Costs

None reported.

Context/Sampling

The District was required to report student grant metrics and other data no later than 30 days after their award allocation date. The report was reviewed for compliance noting it was not submitted in a timely manner.

Repeat Finding from Prior Year

No

Recommendation

The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.

View of Responsible Officials and Corrective Action Plan

Upon learning of this finding, the District is taking steps to ensure all reporting deadlines are met and all documentation supporting amounts reported are maintained based on document retention guidelines.

None reported.

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.

Financial Statement Findings

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 was $(1,790,729) in the Bond Fund and $158,453 in the Retiree Trust Fund.

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.

Current Status

Implemented.

Federal Awards Findings

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.)

Current Status

Implemented.

State Compliance Findings

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% 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.

Current Status

Implemented.