

PALO VERDE COMMUNITY COLLEGE DISTRICT

BLYTHE, CALIFORNIA

COUNTY OF RIVERSIDE

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2011 AND 2010

PALO VERDE COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

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PALO VERDE COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Palo Verde Community College District
Blythe, California

We have audited the accompanying basic financial statements of Palo Verde Community College District (the District) as of and for the years ended June 30, 2011 and 2010 listed in the foregoing Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

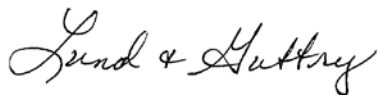
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011 and 2010 and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, the District has outstanding Certificates of Participation liabilities in the amount of \$31,995,000 in principal plus additional scheduled interest payments of approximately \$28 million through the year 2037. It was the original intent of the District to repay these obligations from State revenue construction reimbursements and interest earned on those amounts. Due to the current state budget crisis, decrease in investment income earned on the State reimbursements set aside, unanticipated construction cost overruns and other District cash flow needs from those amounts; the District's forecast on budgeting for repayment of these obligations is uncertain.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Lund & Guttry".

November 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALO VERDE COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS

Introduction

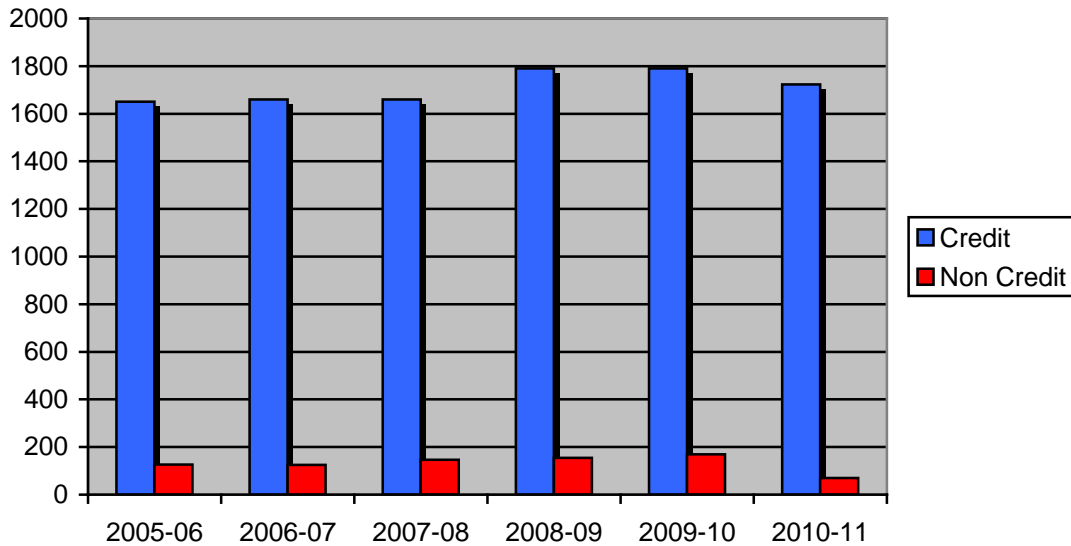
The following discussion and analysis provides an overview of the financial position and activities of the Palo Verde Community College District (the “District”) for the years ended June 30, 2010 and June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Palo Verde Community College is an open access, public educational district, dedicated to providing excellence in education, cultural enrichment, economic development and services to assist members of the community to meet their educational goals. People of all ages and backgrounds attend early morning to late evening and weekends to take advantage of a wide variety of course offerings. The primary educational functions of the District are:

Enrollment Highlights

During 2010-11, total full-time equivalent students decreased approximately 1.04% for both credit and non-credit courses. Credit and non-credit FTES, along with other workload measures, are the basis for the District’s state apportionment.

Trend of Full-Time Equivalent Students as
Reported on the annual report



PALO VERDE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

This section is to provide an overview of the District's financial activities.

As required by the adopted accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole:

- The Statement of Net Assets
- The Statement of Revenue, Expenses and Changes in Net Assets
- The Statement of Cash Flows

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial conditions of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories:

- Invested in capital assets – The District's equity amount in property, plant and equipment, net of related debt.
- Restricted – Though expendable, are to be spent only for the purposes and within the parameters that are determined and defined by external entities, agreements, and/or donors.
- Unrestricted – available for any lawful expenditure that fulfills the mission of the District. Although unrestricted, the District's governing board may place internal designations on these net assets, and it retains the power to change, remove or modify these designations.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets as of June 30, 2010 & June 30, 2011 are summarized below:

ASSETS	2009-2010	2010-2011
Current Assets:		
Cash and cash equivalents	\$ 4,216,918	\$ 3,478,893
Cash and cash equivalents – restricted	13,676,284	13,870,098
Accounts receivable	7,771,235	4,830,704
Prepaid expenses	202,742	328,562
Inventory	<u>57,600</u>	<u>51,908</u>
Total Current Assets	<u>25,924,779</u>	<u>22,560,165</u>
Capital assets, net of accumulated depreciation	<u>63,602,221</u>	<u>70,269,389</u>
TOTAL ASSETS	<u>\$ 89,527,000</u>	<u>\$ 92,829,554</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	3,069,650	2,266,523
TRANS debt	1,141,175	1,741,087
Compensated absences	435,582	432,676
Supplemental employee retirement plan – current portion	120,101	120,101
Loan payable – building	64,286	64,286
Bonds Payable – current portion	<u>120,000</u>	<u>135,000</u>
Total current liabilities	<u>4,950,794</u>	<u>4,759,673</u>
Non-Current Liabilities:		
Net other postemployment benefit obligation	40,567	106,241
Supplemental employment retirement plan	281,937	710,600
Loan payable – building	192,858	128,572
Bonds payable	5,209,879	5,074,879
Certificates of Participation	<u>31,995,000</u>	<u>31,995,000</u>
Total non-current liabilities	<u>37,720,241</u>	<u>38,015,292</u>
TOTAL LIABILITIES	<u>42,671,035</u>	<u>42,774,965</u>
NET ASSETS		
Invested in capital assets, net of related debt	31,350,077	38,081,531
Restricted for:		
Capital projects	13,739,409	11,627,565
Debt service	325,493	378,541
Grants and contracts	225,112	134,176
Unrestricted	<u>1,215,874</u>	<u>(167,224)</u>
TOTAL NET ASSETS	<u>46,855,965</u>	<u>50,054,589</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,527,000</u>	<u>\$ 92,829,554</u>

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets – continued

- Approximately 19% and 80% of the cash and cash equivalent current assets is cash deposited with the Riverside County Treasurer's Office and a fiscal agent, respectively. The Statement of Cash flows contained within the financial statements provides greater detail regarding the sources and uses of cash and the net increase (decrease) in cash.
- The majority of the accounts receivable balance is from federal and state sources for grant and entitlement programs.
- Capital assets are the net historical value of land, buildings, and equipment less accumulated depreciation. As of June 30, 2011, the District owned capital assets of \$78,430,298. The breakdown of this total net value can be found in Note 5 of the financial statements.
- Accounts payable and accrued liabilities consists of payables to vendors, accrued payroll and benefits (\$2,266,523).
- Current and noncurrent liabilities also consists of compensated absences \$432,676; TRANS debt \$1,741,087; loan payable (building) \$192,858, and other postemployment benefit obligation \$106,241. General Obligation Bonds payable amounted to \$5,209,879 and Certificates of Participation amounted to \$31,995,000.
- The unrestricted net assets of (\$167,224) consist primarily of \$482,824 in the General Fund, \$397,924 in the Bookstore Fund and \$321,646 in the Self-Insurance Fund reduced by (\$1,369,618) for GASB 35 adjustments relating to the recognition of several current and long term obligations.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results and the non-operating revenues and expenses of the District for the year.

Generally operating revenues are earned for providing goods and services to customers and constituencies of the District. Operating expenses are incurred to acquire or produce those goods and services. Non-operating revenues are those received or pledged for which goods and services are not directly provided by the District. State general apportionment, while budgeted for operations, is considered non-operating revenues because the funds are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for those funds.

The Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2010 and June 30, 2011 are summarized on the following page.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Revenues, Expenses and Changes in Net Assets – continued

Operating Revenues	2009-2010	2010-2011
Net tuition and fees	\$ 1,061,261	\$ 1,230,642
Less: Scholarship discounts and allowances	<u>(793,104)</u>	<u>(973,154)</u>
Net enrollment, tuition and other fees	268,157	257,488
Grants and contracts, non-capital		
Federal	2,147,930	2,077,748
State	1,600,462	1,655,733
Local	<u>805,986</u>	<u>470,257</u>
Total operating revenues	<u>4,822,535</u>	<u>4,461,226</u>
OPERATING EXPENSES		
Salaries	8,964,041	8,968,416
Employee benefits	3,198,183	3,830,570
Supplies, materials and other operating expenses	3,019,244	3,281,688
Financial aid	1,706,304	1,773,552
Utilities	735,087	558,128
Depreciation	<u>1,383,461</u>	<u>1,283,370</u>
TOTAL OPERATING EXPENSES	<u>19,006,320</u>	<u>19,695,724</u>
OPERATING LOSS	<u>(14,183,785)</u>	<u>(15,234,498)</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	12,020,541	10,690,537
Local property taxes	1,434,678	1,605,480
State taxes and other revenues	288,368	364,373
Investment income, net	122,548	92,986
Interest expense	<u>(2,000,955)</u>	<u>(1,990,353)</u>
Total non-operating revenues (expenses)	<u>11,865,180</u>	<u>10,763,023</u>
Other Revenues, Expenses, Gains, or Losses		
Other financing sources	(2)	-
Statement apportionments, capital	<u>9,835,348</u>	<u>7,670,099</u>
Total other revenues, expenses, gains or losses	<u>9,835,346</u>	<u>7,670,099</u>
Increase (Decrease) in Net Assets	7,516,741	3,198,624
Net Assets, Beginning of Year	<u>39,339,224</u>	<u>46,855,965</u>
Net Assets, End of Year	<u>\$ 46,855,965</u>	<u>\$ 50,054,589</u>

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT’S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets – continued

- Enrollment fees are generated by students who are residents of California and residents of neighboring Arizona counties who have approved reciprocity agreements. Out of state tuition plus enrollment fees are paid by all non-resident and foreign students.
- Non-capital grants and contracts are primarily those received from federal and state sources and used in the instructional program.
- Personnel costs are 65% of operating expenses, which includes all funds and depreciation. The balance of operating expenses is for supplies, other services, and capital outlay items below the capitalization threshold, insurance, utilities and depreciation expense.
- State apportionments, non-capital consists of state apportionment and other apportionments. State apportionment represents total general apportionment earned less regular enrollment, less property taxes.
- Local property taxes are received through the Auditor-Controller’s Office for Riverside County and San Bernardino County. The amount received for property taxes is deducted from the total state general apportionment that is calculated by the State for the District.
- State taxes and other revenues consist primarily of State lottery revenue.
- Functional expenses are included in Note 17 of the financial statements.

Operating Expenses (by natural classification) – object:

	<u>2009-2010</u>	<u>2010-2011</u>
Salaries	\$ 8,964,041	\$ 8,968,416
Employee Benefits	3,198,183	3,830,570
Supplies, materials, other operating and services	3,019,244	3,281,688
Financial Aid	1,706,304	1,773,552
Utilities	735,087	558,128
Depreciation	<u>1,383,461</u>	<u>1,283,370</u>
Total Operating Expenses	<u>\$ 19,006,320</u>	<u>\$ 19,695,724</u>

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

PALO VERDE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets – continued

- Depreciation is capital assets net depreciation

Statement of Cash Flows

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

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

The Statement of Cash Flows for the years ended June 30, 2010 and 2011 are summarized below:

Cash Provided by (Used In)	<u>2009-2010</u>	<u>2010-2011</u>
Operating activities	\$ (14,327,698)	\$ (10,842,509)
Non-capital financing activities	13,406,982	12,334,387
Capital and related financing activities	(4,990,395)	(2,129,075)
Investing activities	<u>122,548</u>	<u>92,986</u>
Net increase in cash and cash equivalents	(5,788,563)	(544,211)
Cash balance, beginning of year	<u>23,681,765</u>	<u>17,893,202</u>
Cash balance, end of year	<u>\$ 17,893,202</u>	<u>\$ 17,348,991</u>

- The primary cash receipts from operating activities are from student enrollment fees and tuition, federal, state and local grants and contracts. The primary cash outlays are payments of wages, benefits, vendors, and students related to the instruction program.
- General apportionment is the primary source of non-capital financing. The three main components of general apportionment are state apportionment, property taxes and enrollment fees.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements and equipment).
- Cash earned from investing activities is interest earned on cash in bank.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Fiduciary Responsibility

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

Capital Assets

As of June 30, 2011, the District had over \$70.3 million invested in net capital assets. Total capital assets of approximately \$78.4 million consist of land, building, site improvements, equipment and vehicles; these assets have an accumulated depreciation of approximately \$8.2 million.

Economic Factors that May Affect the Future

The economic position of Palo Verde Community College is closely tied to that of the State of California. As the economy continues to decline, historically, community colleges tend to experience an increase in enrollment. Unfortunately due to cuts to the state budget, which cuts the funding received by the college to educate students, the enrollment has declined slightly.

Due the continual deferrals of apportionment dollars from the State, the District received a Mid Year Tax and Revenue Anticipation Note (TRANS) in the amount of \$1,741,087. On July 2011 the District entered into a second TRANS debt in the amount of \$2,157,635. These amounts will be paid by the end of the 2011/2012 fiscal year. However, the District will continue to request approval of TRANS notes in the upcoming years to ensure the District has adequate funding in case there is another stalemate at the State level and more deferrals.

Phase IV (Fine and Performing Arts Complex) – This building is nearing completion and is expected to be turned over to the district. Unfortunately due to the financial situation at the college it is unlikely that the building will be utilized to its full advantage.

All industries including community colleges continue to experience increased costs for services and especially costs for employee benefits, insurance and utilities. During 2002-2003 the District began making contributions to PERS for its employees and retirees. The PERS rate for classified employees for the year ending June 30, 2011 was 9.709%.

The State continues to experience budget problems which will affect the community college system as well with deferrals of apportionment dollars and categorical program funding being drastically reduced. Due to the tax revenues falling short for the State of California during the current year, apportionment cuts are expected mid-year. Fortunately for Palo Verde Community College, the larger districts throughout the state are absorbing those cuts for us and the other smaller colleges because of the impact the cuts would cause. The result of these colleges absorbing these cuts at this time, Palo Verde Community College will not see an increase in apportionment in the near future. Those colleges that have absorbed the cuts in the current year will be compensated first up to the amount of the additional cuts they assumed for us.

PALO VERDE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors that May Affect the Future – continued

The District has changed its method of budget development. The ending balance will not be included during the budget development process. A more transparent approach is also being used. Accountability for the management of the budget has been divided up amongst all of the administrators.

During the development of the 2012-13 budgets, the college will work to bring the debt service payments for the Certificates of Participation into the general fund budget.

The District is experiencing a change in administration. As of 6/30/11, the Vice President of Administration retired. We currently have staff in place working with a consultant handling the business affairs of the District. As of 12/31/11 the President/Superintendent will retire and an interim President/Superintendent has been appointed. She will assume her position as of 1/1/12.

Management will maintain a close watch over resources to react to any internal and external issues if and when they arise.

As of this writing, the District is not aware of any other currently known facts, decisions or conditions that are expected to have any other significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations especially within the State of California.

BASIC FINANCIAL STATEMENTS

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>District</u>	<u>Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,478,893	\$ 238,153
Cash and cash equivalents - restricted	13,870,098	-
Investments	-	977,723
Accounts receivable, net	4,830,704	-
Prepaid expenses	328,562	-
Inventory	51,908	-
Total Current Assets	<u>22,560,165</u>	<u>1,215,876</u>
Capital assets, net of accumulated depreciation	<u>70,269,389</u>	-
TOTAL ASSETS	<u><u>\$ 92,829,554</u></u>	<u><u>\$ 1,215,876</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,266,523	\$ 1,701
TRANS debt	1,741,087	-
Compensated absences	432,676	-
Supplemental employee retirement plan - current portion	120,101	-
Loan payable - building	64,286	-
Bonds payable - current portion	135,000	-
Total Current Liabilities	<u>4,759,673</u>	<u>1,701</u>
Non-Current Liabilities:		
Net other postemployment benefit obligation	106,241	-
Supplemental employee retirement plan	710,600	-
Loan payable - building	128,572	-
Bonds payable	5,074,879	-
Certificates of participation	31,995,000	-
Total Non-Current Liabilities	<u>38,015,292</u>	-
TOTAL LIABILITIES	<u>42,774,965</u>	<u>1,701</u>
NET ASSETS		
Invested in capital assets, net of related debt	38,081,531	-
Restricted for:		
Capital projects	11,627,565	-
Debt service	378,541	-
Grants and contracts	134,176	-
Unrestricted	<u>(167,224)</u>	<u>1,214,175</u>
TOTAL NET ASSETS	<u>50,054,589</u>	<u>1,214,175</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 92,829,554</u></u>	<u><u>\$ 1,215,876</u></u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	District (Restated) (Note 13)	Foundation
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,216,918	\$ 122,999
Cash and cash equivalents - restricted	13,676,284	-
Investments	-	832,925
Accounts receivable, net	7,771,235	-
Prepaid expenses	202,742	-
Inventory	57,600	-
Total Current Assets	<u>25,924,779</u>	<u>955,924</u>
Capital assets, net of accumulated depreciation	<u>63,602,221</u>	-
TOTAL ASSETS	<u>\$ 89,527,000</u>	<u>\$ 955,924</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 3,069,650	\$ -
TRANS debt	1,141,175	-
Compensated absences	435,582	-
Supplemental employee retirement plan - current portion	120,101	-
Loan payable - building	64,286	-
Bonds payable - current portion	120,000	-
Total Current Liabilities	<u>4,950,794</u>	-
Non-Current Liabilities:		
Net other postemployment benefit obligation	40,567	-
Supplemental employee retirement plan	281,937	-
Loan payable - building	192,858	-
Bonds payable	5,209,879	-
Certificates of participation	31,995,000	-
Total Non-Current Liabilities	<u>37,720,241</u>	-
TOTAL LIABILITIES	<u>42,671,035</u>	-
NET ASSETS		
Invested in capital assets, net of related debt	31,350,077	-
Restricted for:		
Capital projects	13,739,409	-
Debt service	325,493	-
Grants and contracts	225,112	-
Unrestricted	1,215,874	955,924
TOTAL NET ASSETS	<u>46,855,965</u>	<u>955,924</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,527,000</u>	<u>\$ 955,924</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>District</u>	<u>Foundation</u>
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 1,230,642	\$ -
Less: Scholarship discounts and allowances	<u>(973,154)</u>	<u>-</u>
Net enrollment, tuition and other fees	257,488	-
Grants and contracts, non-capital		
Federal	2,077,748	-
State	1,655,733	-
Local	<u>470,257</u>	<u>140,508</u>
TOTAL OPERATING REVENUES	<u>4,461,226</u>	<u>140,508</u>
OPERATING EXPENSES		
Salaries	8,968,416	-
Employee benefits	3,830,570	-
Supplies, materials and other operating expenses and services	3,281,688	37,592
Financial aid	1,773,552	-
Utilities	558,128	-
Depreciation	<u>1,283,370</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>19,695,724</u>	<u>37,592</u>
OPERATING LOSS	<u>(15,234,498)</u>	<u>102,916</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	10,690,537	-
Local property taxes	1,605,480	-
State taxes and other revenues	364,373	-
Investment income, net	92,986	155,335
Interest expense	<u>(1,990,353)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>10,763,023</u>	<u>155,335</u>
OTHER REVENUES		
State apportionments, capital	<u>7,670,099</u>	<u>-</u>
TOTAL OTHER REVENUES	<u>7,670,099</u>	<u>-</u>
DECREASE IN NET ASSETS	<u>3,198,624</u>	<u>258,251</u>
NET ASSETS, BEGINNING OF YEAR	<u>46,855,965</u>	<u>955,924</u>
NET ASSETS, END OF YEAR	<u>\$ 50,054,589</u>	<u>\$ 1,214,175</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	District (Restated) (Note 14)	Foundation
OPERATING REVENUES		
Enrollment, tuition and other fees (gross)	\$ 1,061,261	\$ -
Less: Scholarship discounts and allowances	(793,104)	-
Net enrollment, tuition and other fees	268,157	-
Grants and contracts, non-capital		
Federal	2,147,930	-
State	1,600,462	-
Local	805,986	87,416
TOTAL OPERATING REVENUES	<u>4,822,535</u>	<u>87,416</u>
OPERATING EXPENSES		
Salaries	8,964,041	-
Employee benefits	3,198,183	-
Supplies, materials and other operating expenses and services	3,019,244	41,772
Financial aid	1,706,304	-
Utilities	735,087	-
Depreciation	1,383,461	-
TOTAL OPERATING EXPENSES	<u>19,006,320</u>	<u>41,772</u>
OPERATING INCOME (LOSS)	<u>(14,183,785)</u>	<u>45,644</u>
NON-OPERATING REVENUE (EXPENSES)		
State apportionments, non-capital	12,020,541	-
Local property taxes	1,434,678	-
State taxes and other revenues	288,368	-
Investment income, net	122,548	102,637
Interest expense	(2,000,955)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>11,865,180</u>	<u>102,637</u>
OTHER REVENUES		
Other financing sources	(2)	-
State apportionments, capital	9,835,348	-
TOTAL OTHER REVENUES	<u>9,835,346</u>	<u>-</u>
INCREASE IN NET ASSETS	<u>7,516,741</u>	<u>148,281</u>
NET ASSETS, BEGINNING OF YEAR	39,652,688	807,643
PRIOR YEAR RESTATEMENT	(313,464)	-
NET ASSETS, BEGINNING OF YEAR - RESTATED	<u>39,339,224</u>	<u>807,643</u>
NET ASSETS, END OF YEAR	<u>\$ 46,855,965</u>	<u>\$ 955,924</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>District</u>	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 257,488	\$ -
Federal grants and contracts	2,119,291	-
State grants and contracts	4,476,428	-
Local grants and contracts	548,550	140,508
Auxiliary operation sales	5,692	-
Payments to suppliers	(4,168,851)	(35,891)
Payments to/on behalf of employees	(12,307,555)	-
Payments to/on behalf of students	(1,773,552)	-
Net cash used by operating activities	<u>(10,842,509)</u>	<u>104,617</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	11,054,910	-
Property and State taxes	1,605,480	-
Interest paid on noncapital debt	(326,003)	-
Net cash provided by non-capital financing activities	<u>12,334,387</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	7,670,099	-
Purchase of capital assets	(7,950,538)	-
Interest paid on capital debt	(1,664,350)	-
Principal paid on capital debt	(184,286)	-
Net cash provided by capital and related financing activities	<u>(2,129,075)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments - net	-	(144,798)
Investment income (loss)	92,986	155,335
Net cash provided (used) by investing activities	<u>92,986</u>	<u>10,537</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(544,211)	115,154
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>17,893,202</u>	<u>122,999</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 17,348,991</u>	<u>\$ 238,153</u>

Continued

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - (continued)

FOR THE YEAR ENDED JUNE 30, 2011

**Reconciliation of Operating Loss to
Net Cash Used by Operating Activities**

	<u>District</u>	<u>Foundation</u>
CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (15,234,498)	\$ 102,916
Adjustments to reconcile operating loss to cash used by operating activities:		
Depreciation expense	1,283,370	-
Changes in assets and liabilities:		
Accounts receivables	2,940,531	-
Prepaid expenses	(125,820)	-
Inventory	5,692	-
Accounts payable and other liabilities	291,122	1,701
Compensated absences	<u>(2,906)</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (10,842,509)</u>	<u>\$ 104,617</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>District</u>	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 268,157	\$ -
Federal grants and contracts	2,216,100	-
State grants and contracts	(2,708,342)	-
Local grants and contracts	739,287	87,416
Auxiliary operation sales	104,779	-
Payments to suppliers	(1,172,250)	(41,772)
Payments to/on behalf of employees	(12,069,125)	-
Payments to/on behalf of students	(1,706,304)	-
Net cash provided (used) by operating activities	<u>(14,327,698)</u>	<u>45,644</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	12,308,909	-
Property and State taxes	1,434,678	-
Interest paid on noncapital debt	(336,605)	-
Net cash provided by non-capital financing activities	<u>13,406,982</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State apportionment for capital purposes	9,835,346	-
Purchase of capital assets	(12,979,107)	-
Interest paid on capital debt	(1,664,350)	-
Principal paid on capital debt	(182,284)	-
Net cash used by capital and related financing activities	<u>(4,990,395)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments - net	-	(86,770)
Investment income	122,548	102,637
Net cash provided (used) by investing activities	<u>122,548</u>	<u>15,867</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,788,563)	61,511
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>23,681,765</u>	<u>61,488</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 17,893,202</u>	<u>\$ 122,999</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - (continued)

FOR THE YEAR ENDED JUNE 30, 2010

**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) by Operating Activities**

	<u>District</u>	<u>Foundation</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (14,183,785)	\$ 45,644
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation expense	1,383,461	-
Changes in assets and liabilities:		
Accounts receivables	(4,307,333)	-
Prepaid expenses	133,471	-
Inventory	104,779	-
Accounts payable and other liabilities	2,577,751	-
Compensated absences	<u>(36,042)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (14,327,698)</u>	<u>\$ 45,644</u>

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

ASSETS

Cash and cash equivalents \$ 43,403

TOTAL ASSETS \$ 43,403

LIABILITIES

Accounts payable \$ -

TOTAL LIABILITIES -

NET ASSETS

Undesignated 43,403

TOTAL NET ASSETS 43,403

TOTAL LIABILITIES AND NET ASSETS \$ 43,403

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

ASSETS

Cash and cash equivalents \$ 39,059

TOTAL ASSETS \$ 39,059

LIABILITIES

Accounts payable \$ -

TOTAL LIABILITIES -

NET ASSETS

Undesignated 39,059

TOTAL NET ASSETS 39,059

TOTAL LIABILITIES AND NET ASSETS \$ 39,059

(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

ADDITIONS

Other local revenues	\$ <u>75,558</u>
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DEDUCTIONS

Supplies and materials and other operating expenses and services	<u>71,214</u>
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TOTAL DEDUCTIONS	<u>71,214</u>
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CHANGE IN NET ASSETS	4,344
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NET ASSETS, BEGINNING OF YEAR	<u>39,059</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 43,403</u></u>
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(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

ADDITIONS

Other local revenues	\$ 96,229
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DEDUCTIONS

Supplies and materials and other operating expenses and services	<u>86,705</u>
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TOTAL DEDUCTIONS	<u>86,705</u>
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CHANGE IN NET ASSETS	9,524
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NET ASSETS, BEGINNING OF YEAR	<u>29,535</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 39,059</u></u>
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(The accompanying notes are an integral part of these financial statements)

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

1) ORGANIZATION AND NATURE OF ACTIVITIES

Reporting Entity

The Palo Verde Community College District was formed in 1947 to provide access to higher education in the eastern portion of Riverside County. The District consists of two campuses located in Blythe and Needles.

The District includes all funds, account groups, and other entities that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. For financial reporting purposes the Palo Verde College Foundation (the Foundation) is reported in the District's financial statements because of the significance of its relationship with the District. The Foundation, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to provide support to the students and faculty of the District.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments and including Statement No. 35, Basic Financial Statements and Management Discussion and Analysis of Public College and Universities, issued in June and November 1999 and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

Basis of Accounting

The accounting policies and procedures used by the District are those recommended in the "Budget and Accounting Manual for California Colleges".

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

The Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in the financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

Cash and cash equivalents

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. 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.

Accounts receivable

Accounts receivable consist primarily of accounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventory

Inventory is valued at average cost and consists of expendable bookstore textbooks and supplies. The cost is recorded as an expenditure at the time individual inventory items are sold.

Capital assets

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

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and land improvements, 5 - 10 years for equipment and vehicles and 5 years for technology.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

Compensated Absences

Compensated absence costs are accrued when earned by employees. In accordance with GASB No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

Net assets

Net Asset descriptions apply to the Statement of Net Assets and Combining Statement of Net Assets and are divided into the following classifications on the Statements:

Invested in capital assets, net of related debt: This represents the District's total investment capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific purposes.

Fund Balances

Fund balances are classified differently from Net Assets above in the governmental and non-governmental funds which are shown in Footnote No. 13.

The fund balances of the non-governmental funds are divided into the same classifications as Net Assets.

The fund balances of the governmental funds are divided into the five classifications under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as prepaid items, inventories, long-term portions of loans receivables, and the principal of endowments. It also includes the long-term amount of interfund loans.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

Fund Balances-continued

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or imposed by law or regulation, or through constitutional provision or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action by resolution of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Trustees or a District official delegated that authority by the Board of Trustees.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The State of California Community College Chancellor's office requires an unrestricted general fund reserve of 5%.

State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February 2011 will be recorded in the year computed by the State.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

Property Taxes

The property tax levy and due date is November 1. The tax lien date is March 1 and the tax collection dates are April 10 and December 10 of each year.

On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community College and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

Unapportioned Taxes and Deferred Revenue

Unapportioned Taxes not distributed to the District within 60 days after year end are recognized as income in the fiscal year in which they are received. However, a corresponding reduction in State revenue and the related deferred revenue is also recorded in order to properly reflect the District's annual base revenue.

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3) **CASH AND INVESTMENTS**

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Riverside County Treasurer for the purpose of increasing interest earnings through County investment activities. The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. Substantially all cash held by financial institutions is entirely insured or collateralized.

Cash and cash equivalents consisted of the following at June 30, 2011:

	<u>2011</u>		
	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in County Treasury	\$ 3,423,544	\$ -	\$ -
Cash held with fiscal agent (Restricted)	13,870,098	-	-
Cash on hand and in bank	45,467	238,153	43,403
Cash in revolving fund	<u>9,882</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 17,348,991</u>	<u>\$ 238,153</u>	<u>\$ 43,403</u>

Cash and cash equivalents consisted of the following at June 30, 2010:

	<u>2010</u>		
	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Cash in County Treasury	\$ 4,034,586	\$ -	\$ -
Cash held with fiscal agent (Restricted)	13,676,284	-	-
Cash on hand and in bank	172,448	122,999	39,059
Cash in revolving fund	<u>9,884</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 17,893,202</u>	<u>\$ 122,999</u>	<u>\$ 39,059</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

3) CASH AND INVESTMENTS – continued

Under provision of the District’s investment policy, and in accordance with Section 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers’ Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

Specifically identifiable investments are classified as to credit risk by three categories and summarized below as follows:

- Category 1 - includes investments that are insured or registered or for which securities are held in the District’s name and deposits insured or collateralized with securities held by the District;
- Category 2 - includes uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s trust department or agent in the District’s name and deposits collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name;
- Category 3 - includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the district’s name.

Investments consisted of the following at June 30, 2011 and 2010:

<u>2011</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Stock funds	\$ 521,743	\$ -	\$ -	\$453,183	\$521,743
Bond funds	<u>455,980</u>	<u>-</u>	<u>-</u>	<u>444,892</u>	<u>455,980</u>
	<u>\$ 977,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$898,075</u>	<u>\$977,723</u>

<u>2010</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Stock funds	\$ 425,048	\$ -	\$ -	\$443,178	\$425,048
Bond funds	<u>407,877</u>	<u>-</u>	<u>-</u>	<u>401,506</u>	<u>407,877</u>
	<u>\$ 832,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$844,684</u>	<u>\$832,925</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

4) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011 and 2010:

<u>2011</u>	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Federal	\$ 5,934	\$ -	\$ -
State	4,717,050	-	-
Other	107,720	-	-
Total accounts receivable	<u>\$4,830,704</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2010</u>	<u>District</u>	<u>Foundation</u>	<u>Fiduciary</u>
Federal	\$ 47,477	\$ -	\$ -
State	7,537,744	-	-
Other	186,014	-	-
Total accounts receivable	<u>\$7,771,235</u>	<u>\$ -</u>	<u>\$ -</u>

5) CAPITAL ASSETS

The following provides a summary of changes in capital assets, for the years ended June 30, 2011:

<u>Capital Assets</u>	<u>Balance July 1, 2010</u>	<u>Net Change in Capital Assets</u>	<u>Balance June 30, 2011</u>
Land	\$ 926,137	\$ -	\$ 926,137
Buildings	49,831,960	-	49,831,960
Site and site improvements	1,286,659	-	1,286,659
Equipment	2,473,629	93,732	2,567,361
Vehicles	145,610	-	145,610
Construction in progress	15,815,765	7,856,806	23,672,571
Total cost	<u>\$ 70,479,760</u>	<u>\$ 7,950,538</u>	<u>\$ 78,430,298</u>

<u>Accumulated Depreciation</u>	<u>Balance July 1, 2010</u>	<u>Net Change in Accumulated Depreciation</u>	<u>Balance June 30, 2011</u>
Buildings	\$ 4,763,828	\$ 1,033,322	\$ 5,797,150
Site and site improvements	407,245	43,218	450,463
Equipment	1,612,691	195,047	1,807,738
Vehicles	93,775	11,783	105,558
Total accumulated depreciation	<u>6,877,539</u>	<u>1,283,370</u>	<u>8,160,909</u>
Net capital assets	<u>\$ 63,602,221</u>	<u>\$ 6,667,168</u>	<u>\$ 70,269,389</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

5) **CAPITAL ASSETS** – continued

The following provides a summary of changes in capital assets, for the years ended June 30, 2010:

<u>Capital Assets</u>	Balance July 1, 2009	Net Change in Capital Assets	Balance June 30, 2010
Land	\$ 926,137	\$ -	\$ 926,137
Buildings	49,831,960	-	49,831,960
Site and site improvements	1,286,659	-	1,286,659
Equipment	2,457,074	16,555	2,473,629
Vehicles	145,610	-	145,610
Construction in progress	<u>2,853,213</u>	<u>12,962,552</u>	<u>15,815,765</u>
Total cost	<u>\$ 57,500,653</u>	<u>\$ 12,979,107</u>	<u>\$ 70,479,760</u>

<u>Accumulated Depreciation</u>	Balance July 1, 2009	Net Change in Accumulated Depreciation	Balance June 30, 2010
Buildings	\$ 3,730,506	\$ 1,033,322	\$ 4,763,828
Site and site improvements	364,027	43,218	407,245
Equipment	1,317,853	294,838	1,612,691
Vehicles	<u>81,692</u>	<u>12,083</u>	<u>93,775</u>
Total accumulated depreciation	<u>5,494,078</u>	<u>1,383,461</u>	<u>6,877,539</u>
Net capital assets	<u>\$ 52,006,575</u>	<u>\$ 11,595,646</u>	<u>\$ 63,602,221</u>

Construction in progress at June 30, 2011 consists primarily of the Fine and Performing Arts Complex and the Management Information Systems (See Note 7) which are near completion at June 30, 2011. Depreciation on these Buildings will commence at date of completion.

6) **LONG-TERM LIABILITIES**

The following provides a summary of change in long-term liabilities for the years ended June 30, 2011:

	Balance July 1, 2010 *(Restated)	Additions	Deductions	Balance June 30, 2011
Other postemployment benefit obligation (Note 10)	\$ 40,567	\$ 65,674	\$ -	\$ 106,241
Supplemental Employee retirement plan (SERP)	402,038	685,955	(257,292)	830,701
Loan payable - building	257,144	-	(64,286)	192,858
Certificates of participation (Note 7)	31,995,000	-	-	31,995,000
General obligation bonds payable (Note 8)	<u>5,329,879</u>	<u>-</u>	<u>(120,000)</u>	<u>5,209,879</u>
Totals	<u>\$ 38,024,628</u>	<u>\$ 751,629</u>	<u>\$ (441,578)</u>	<u>\$ 38,334,679</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

6) **LONG-TERM LIABILITIES** – continued

The following provides a summary of change in long-term liabilities for the years ended June 30, 2010:

	Balance July 1, 2009 <u>* (Restated)</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2010 <u>* (Restated)</u>
Loan payable – child care center	\$ 13,000	\$ -	\$ (13,000)	\$ -
Other postemployment benefit obligation (Note 10)	-	40,567	-	40,567
Supplemental Employee retirement plan (SERP)	313,464	208,675	(120,101)	402,038
Loan payable - building	321,428	-	(64,284)	257,144
Certificates of participation (Note 7)	31,995,000	-	-	31,995,000
General obligation bonds payable (Note 8)	5,434,879	-	(105,000)	5,329,879
Totals	<u>\$ 38,077,771</u>	<u>\$ 249,242</u>	<u>\$ (302,385)</u>	<u>\$ 38,024,628</u>

* See Prior Period Restatement Note 14, relating to Supplemental Employee Retirement Plan.

Supplemental Employee Retirement Plan (SERP)

During the year ended June 30, 2009, the District negotiated an early retirement agreement for four employees. The agreement requires five annual payments of \$78,366 through July 2013. During the year ended June 30, 2010, the District negotiated early retirement agreements for four employees. The agreement requires five annual payments of \$41,735 through July 2014. During the year ended June 30, 2011, the District negotiated early retirement agreements for eight employees. The agreement requires five annual payments of \$137,191 through July 2016. The outstanding balance owed on these agreements at June 30, 2011 amounted to \$830,701.

Additionally, subsequent to June 30, 2011 the District negotiated an early retirement agreement for two and twelve employees effective September 2011 and December 2011, respectively. These combined agreements will require future payments of \$1,287,538 over five years through July 2017.

Loan Payable – Child Care Center

The loan payable represents a \$130,000 loan with the State of California for proceeds received for the new child care development center. The loan required ten annual payments of \$13,000, with no interest, through March 2010. The loan payable for the child care development center was paid in full during the year ended June 30, 2010.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

6) **LONG-TERM LIABILITIES** – continued

Loan Payable – Building

In July 6, 2007 the District financed the purchase of a building in the amount of \$450,000. This building was previously rented by the District as existing classroom space. The District will pay \$64,286 annually for seven years with zero percent interest for a total of \$450,000. The outstanding balance of the loan at June 30, 2011 was \$192,858.

Total future maturities on loan payable – building are as follows:

<u>June 30,</u>	
2012	\$ 64,286
2013	64,286
2014	<u>64,286</u>
	<u>\$ 192,858</u>

7) **CERTIFICATES OF PARTICIPATION**

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

The District refinanced these Certificates of Participation in July 2008 taking advantage of lower interest rates. The District entered into these Certificates of Participation for working capital for construction projects, the Fine and Performing Arts Complex and Management Information Systems (See Note 5), due to the delay of payments for these projects approved by the State and the possibility that costs for some projects would exceed appropriated funds. The District's intentions for budgeting for repayment of these obligations were that upon receipt of reimbursement by the State, the monies were to be set aside in an interest bearing account. Monthly payments would be made from the interest bearing account leaving the balance to continue to earn interest; it was also the District's intention to not use the funds for backfill of general funds. However, due to the current state budget crisis, decrease in investment income earned on the State reimbursements set aside, unanticipated construction cost overruns and other District cash flow needs from those amounts; the District's forecast on budgeting for repayment of these obligations is uncertain.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

7) **CERTIFICATES OF PARTICIPATION** – continued

The annual debt requirements on these certificates payable as of June 30, 2011 are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 1,664,350	\$ 1,664,350
2013	690,000	1,664,350	2,354,350
2014	715,000	1,636,750	2,351,750
2015	745,000	1,608,150	2,353,150
2016	785,000	1,570,900	2,355,900
2017-2021	4,425,000	7,321,388	11,746,388
2022-2026	5,615,000	6,155,250	11,770,250
2027-2031	7,280,000	4,472,325	11,752,325
2032-2036	9,510,000	2,237,950	11,747,950
2037	<u>2,230,000</u>	<u>122,650</u>	<u>2,352,650</u>
Total	<u>\$ 31,995,000</u>	<u>\$ 28,454,063</u>	<u>\$ 60,449,063</u>

8) **GENERAL OBLIGATION BONDS PAYABLE**

General obligation bonds of up to \$6,000,000 were approved by election in June 2005 and are to be used to finance real property improvements to the District' Needles campus. In October 2005, the District issued the first series on these available bonds amounting to \$2,946,254. The District took a second drawdown in September 2006, amounting to \$3,053,625. The improvements on the Needles campus were completed in the Fall of 2009. The following information is provided for purposes of additional analysis only.

All debt repayments will be made by the county from property tax revenues.

The annual debt requirements on these bonds payable as of June 30, 2011 are as follows:

Year Ended <u>June 30,</u>	<u>Series 2005 Bonds</u>		<u>Series 2006 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 25,000	\$ 132,374	\$ 110,000	\$ 103,850	\$ 371,224
2013	30,000	131,499	120,000	99,450	380,949
2014	40,000	130,389	125,000	94,650	390,039
2015	45,000	128,869	140,000	89,650	403,519
2016	55,000	127,069	145,000	84,050	411,119
2017-2021	266,254	378,246	910,000	307,875	1,862,375
2022-2026	705,000	493,500	879,951	541,873	2,620,324
2027-2031	1,190,000	227,700	317,678	1,367,322	3,102,700
2032	<u>-</u>	<u>-</u>	<u>105,996</u>	<u>604,004</u>	<u>710,000</u>
Totals:	<u>\$2,356,254</u>	<u>\$1,749,646</u>	<u>\$2,853,625</u>	<u>\$3,292,724</u>	<u>\$10,252,249</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

9) EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

Plan Description

State Teachers' Retirement System (STRS)

All full-time certificated employees participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. At June 30, 2011, the District employed 118 full and part-time certificated employees with a total payroll of approximately \$4,784,508. At June 30, 2010, the District employed 127 full and part-time certificated employees with a total payroll of approximately \$5,056,750.

The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

California Public Employees Retirement System (PERS)

All full-time classified employees participate in PERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. At June 30, 2011, the District employed 58 full and part-time classified employees with a total payroll of approximately \$3,121,178. At June 30, 2010, the District employed 60 full and part-time classified employees with a total payroll of approximately \$3,060,360.

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

State Teachers' Retirement System (STRS)

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year ended June 30, 2011 and 2010 was 8.25% of annual payroll for both years. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$394,722, \$417,182 and \$438,978, respectively, and equal to 100% of the required contributions for each year.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

9) **EMPLOYEE RETIREMENT SYSTEMS** – continued

California Public Employees Retirement System (PERS)

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2010/11 was 10.71% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contribution to CalPERS for fiscal years ending June 30, 2011, 2010 and 2009 were \$334,186, \$297,132 and 286,783, respectively, and equal to 100% of the required contribution for each year.

10) **ANNUAL OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (OPEB)**

The District provides postemployment health care benefits to eligible retirees in accordance with negotiated contracts with various bargaining units of the District. The District implemented the new reporting requirements of GASB Statement No. 45, *Accounting and Financial Report by Employers for Postemployment Benefits Other Than Pensions (OPEB)* prospectively for the fiscal year ended June 30, 2010.

Plan Description

The plan is a single-employer OPEB defined benefit healthcare plan administered by the Palo Verde Community College District. The plan provides post employment medical benefits to eligible retirees and their dependents. Membership of the Plan consisted of 108 active participants and 4 retirees at June 30, 2011.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The plan is currently funded on a projected pay-as-you-go basis. Through fiscal years 2010-11 the District has contributed \$139,747 all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

10) ANNUAL OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (OPEB) – continued

The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan for the year ended June 30, 2011:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 128,619	\$ 180,314
Adjustment for change in actuarial amounts	(55,445)	-
Interest on net OPEB obligation	-	-
Amortization for current retirees	<u>(7,500)</u>	<u>-</u>
Annual OPEB costs	65,674	180,314
Contributions made	<u>-</u>	<u>(139,747)</u>
Increase/(decrease) in net OPEB obligation	65,674	40,567
Net OPEB excess, beginning of year*	<u>40,567</u>	<u>-</u>
Net OPEB (excess)/obligation, end of year	<u>\$ 106,241</u>	<u>\$ 40,567</u>

*Due to first year of GASB Statement No. 45 implementation in 2010.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and 2011 were as follows:

<u>Year Ended</u>	<u>Annual Required</u>	<u>Percentage</u>	<u>Net OPEB</u>
<u>June 30,</u>	<u>Contribution</u>	<u>Contributed</u>	<u>Obligation</u>
2011	\$ 128,619	54%	\$ 106,241
2010	\$ 128,619	109%	\$ 40,567

Schedule of Funding Progress

<u>Actuarial</u>	<u>Actuarial</u>	<u>Actuarial</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Covered</u>	<u>UAAL as a</u>
<u>Valuation</u>	<u>Value of</u>	<u>Liability</u>	<u>AAL</u>	<u>Ratio</u>	<u>Payroll (c)</u>	<u>Percentage of</u>
<u>Date</u>	<u>Assets (a)</u>	<u>(AAL)</u>	<u>(UAAL)</u>	<u>(a / b)</u>		<u>Covered Payroll</u>
		<u>Entity</u>	<u>(b - a)</u>			<u>([b - a] / c)</u>
		<u>Age (b)</u>				
<u>3/1/2010</u>	<u>\$ -</u>	<u>\$ 926,335</u>	<u>\$ 926,335</u>	<u>\$ -</u>	<u>\$ 9,223,000</u>	<u>10%</u>
<u>2/19/2007</u>	<u>\$ -</u>	<u>\$ 519,185</u>	<u>\$ 519,185</u>	<u>\$ -</u>	<u>\$ 8,880,000</u>	<u>6%</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

10) ANNUAL OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (OPEB) – continued

Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the actuarial valuation dated April 4, 2008, the Entry Age Normal cost method was used. The actuarial assumptions included a 5% investment rate of return, based on the assumed long-term return on plan assets. The inflation rate was assumed to be 3% per year. The cost trend rate used for the medical plan was 4%. The UAAL is being amortized at a level dollar method. The remaining amortization period is 30 years. There is no actuarial value of assets because those funds have not been placed in an irrevocable trust. The District has earmarked funds held in the County Treasury for funding of the OPEB obligation but has not elected to place those assets in an irrevocable trust; therefore, there is no actuarial value of plan assets.

11) JOINT POWERS AGREEMENTS

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

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

11) JOINT POWERS AGREEMENTS – continued

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 most recent available condensed audited financial information for public entity risk pools and joint powers authorities are as follows:

	(REEP) June 30, 2011	(RSIA) June 30, 2011	(SELF) June 30, 2011	(CCRC SIPE) June 30, 2011	(RSRMA) June 30, 2011
Assets	\$ 26,032,091	\$ 6,420,090	\$ 174,774,000	\$ 2,372,027	\$ 7,417,623
Liabilities	12,075,323	5,073,944	141,524,000	625,094	723,903
Fund Equity	<u>\$ 13,956,768</u>	<u>\$ 1,346,146</u>	<u>\$ 33,250,000</u>	<u>\$ 1,746,933</u>	<u>\$ 6,693,720</u>
Revenue	185,398,835	7,758,415	7,095,000	429,695	18,843,394
Expenses	180,785,858	6,964,156	12,425,000	896,008	18,875,156
Net non-operating Income/(expense)	<u>2,533,497</u>	<u>(795,623)</u>	<u>2,070,000</u>	<u>30,986</u>	<u>37,654</u>
Net Increase (Decrease) In Fund Equity	<u>\$ 7,146,474</u>	<u>\$ (1,364)</u>	<u>\$ (3,260,000)</u>	<u>\$ (435,327)</u>	<u>\$ 5,892</u>

12) TRANS DEBT

On July 29, 2010 the District entered into another TRANS debt in the amount of \$1,810,000 with a premium of \$17,503, issuance costs of (\$7,558) and underwriter's discount of (\$8,080) for a total of \$1,811,865 with an interest rate of 2%. The funds were provided by the County of Riverside to provide additional cash flows during the year July 1, 2010 through June 30, 2011. This TRANS debt was repaid in two payments in January and April 2011. On April 27, 2011 the District entered into another TRANS debt in the amount of \$1,745,000 with a premium of \$18,811, issuance costs of (\$12,182) and underwriter's discount of (\$10,542) for a total of \$1,741,087 with an interest rate of 2% maturing August 15 and November 15, 2011. The funds were provided by the County of Riverside to provide additional cash flows during the year July 1, 2011 through June 30, 2012. The TRANS debt outstanding at June 30, 2011 amounted to \$1,741,087.

Additionally, in July 26, 2011 the District entered into another TRANS debt in the amount of \$2,150,000 with a premium of \$27,563, issuance costs of (\$10,026) and underwriter's discount of (\$9,902) for a total of \$2,157,635 with an interest rate of 2% maturing January 15 and April 15, 2012. The funds were provided by the County of Riverside to provide interim funds for the payment of operating expenses of the District for the fiscal year beginning July 1, 2011 and ending June 30, 2012 in anticipation of the receipt of taxes, revenues, cash receipts and other moneys which are received by the District. The TRANS debt outstanding at June 30, 2010 in the amount of \$1,141,175 was paid in full in August 2010.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

13) FUND BALANCES

June 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
FUND BALANCES									
Governmental funds									
Restricted:									
Bond purposes	\$ -	\$ -	\$ 13,870,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,870,098
Debt service	-	378,541	-	-	-	-	-	-	378,541
Grants and contracts	78,872	-	-	-	-	-	-	-	78,872
Redevelopment purposes	-	-	2,671,004	-	-	-	-	-	2,671,004
Committed:									
5% required reserve	620,206	-	-	-	-	-	-	-	620,206
Assigned:									
Capital projects	-	-	296,342	-	-	-	-	-	296,342
Contracts	-	-	-	-	55,304	-	-	-	55,304
Subsequent year's budget	1,058,251	-	-	-	-	-	-	-	1,058,251
Unassigned	(1,195,633)	-	-	-	-	-	-	-	(1,195,633)
Non-Governmental funds									
Invested in capital assets, net of related debt									
	-	-	-	-	-	-	-	38,081,531	38,081,531
Restricted for:									
Capital projects	-	-	-	-	-	-	-	(5,209,879)	(5,209,879)
Debt service	-	-	-	-	-	-	-	-	-
Grants and contracts	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	397,924	321,646	(1,369,618)	(650,048)
TOTAL FUND BALANCES	\$ 561,696	\$ 378,541	\$ 16,837,444	\$ -	\$ 55,304	\$ 397,924	\$ 321,646	\$ 31,502,034	\$ 50,054,589

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

13) FUND BALANCES - continued

June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
FUND BALANCES									
Governmental funds									
Restricted:									
Bond purposes	\$ -	\$ -	\$13,676,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,676,284
Debt service	-	325,493	-	-	-	-	-	-	325,493
Grants and contracts	183,885	-	-	-	-	-	-	-	183,885
Redevelopment purposes	-	-	3,684,188	-	-	-	-	-	3,684,188
Committed:									
5% required reserve	912,220	-	-	-	-	-	-	-	912,220
Assigned:									
Capital projects	-	-	1,708,816	-	-	-	-	-	1,708,816
Contracts	-	-	-	-	41,227	-	-	-	41,227
Subsequent year's budget	425,012	-	-	-	-	-	-	-	425,012
Unassigned	(92,551)	-	-	-	-	-	-	-	(92,551)
Non-Governmental funds									
Invested in capital assets, net of related debt									
	-	-	-	-	-	-	-	31,350,077	31,350,077
Restricted for:									
Capital projects	-	-	-	-	-	-	-	(5,329,879)	(5,329,879)
Debt service	-	-	-	-	-	-	-	-	-
Grants and contracts	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	406,593	442,787	(878,187)	(28,807)
TOTAL FUND BALANCES	\$ 1,428,566	\$ 325,493	\$ 19,069,288	\$ -	\$ 41,227	\$ 406,593	\$ 442,787	\$ 25,142,011	\$ 46,855,965

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

14) PRIOR YEAR RESTATEMENT

During the June 30, 2011 audit, it was noted that in addition to the early retirement agreements entered into during fiscal year 2011, two additional agreements were previously negotiated during the years ended June 30, 2010 and 2009 for four employees in each year (See Note 6). These 2010 and 2009 early retirement agreements were not previously recorded as liabilities of the District in the prior audited financial statements as these agreements were not identified during the preparation of these prior financial statements.

A prior year restatement was made at July 1, 2010 to increase liabilities and decrease net assets by \$313,464 to properly reflect these previously unrecorded 2009 agreements. The 2010 financial statements have been restated to properly reflect these previously unrecorded 2010 agreements of \$208,675, offset by \$120,101 of payments on these liabilities.

15) CONTINGENCIES

The District is currently involved in claims relating to an employee matter and various construction claims on the Fine and Performing Arts Project, and intends to vigorously contest these claims. While the ultimate liability, if any, arising from these claims cannot be predicted with certainty, the District believes that the resolution of these matters will not likely have a material effect on the District's financial statements.

16) SUBSEQUENT EVENTS

The District has evaluated all potential subsequent events as of November 30, 2011, when the financial statements were authorized and available to be issued. Other than those identified in Notes 6 and 12 to the financial statements, no other subsequent events or transactions were identified after June 30, 2011 or as of November 30, 2011 that require additional disclosure to the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

17) FUNCTIONAL EXPENSES:

Functional expenses for the District only, for the year ended June 30, 2011 and 2010, consisted of the following:

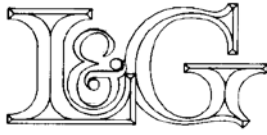
2011

	Salaries	Employee Benefits	Supplies, Material & Other Expenses & Services	Financial Aid	Depreciation	Total
Instructional Activities	\$ 4,163,439	\$ 1,289,963	\$ 1,124,295	\$ -	\$ -	\$ 6,577,697
Academic Support	948,209	331,420	194,281	-	-	1,473,910
Administration & Records	286,522	123,156	9,854	69,975	-	489,507
Student Services	1,334,198	596,079	317,512	-	-	2,247,789
Operation & Maintenance of Plant	424,297	202,548	707,781	-	-	1,334,626
Planning, Policy & Coord.	430,384	226,688	266,058	-	-	923,130
Institutional Support Services	1,110,285	452,756	505,029	-	-	2,068,070
Community Services & Economic Development	209,396	86,293	37,371	-	-	333,060
Ancillary Services & Auxiliary Operations	61,686	30,236	378,219	-	-	470,141
Physical Property & Related Acquisitions	-	-	8,434,240	-	-	8,434,240
Transfers, Student Aid & Other Outgo	-	-	-	1,703,577	-	1,703,577
GASB 35 adjustment	-	491,431	(8,134,824)	-	1,283,370	(6,360,023)
Total	<u>\$ 8,968,416</u>	<u>\$ 3,830,570</u>	<u>\$ 3,839,816</u>	<u>\$ 1,773,552</u>	<u>\$ 1,283,370</u>	<u>\$ 19,695,724</u>

2010

Instructional Activities	\$ 4,473,923	\$ 1,197,207	\$ 1,440,066	\$ -	\$ -	\$ 7,111,196
Academic Support	726,491	270,533	250,919	-	-	1,247,943
Administration & Records	253,793	104,420	6,094	-	-	364,307
Student Services	1,456,154	514,633	221,782	99,140	-	2,291,709
Operation & Maintenance of Plant	411,254	181,047	795,239	-	-	1,387,540
Planning, Policy & Coord.	356,373	207,857	138,145	-	-	702,375
Institutional Support Services	1,023,390	526,806	527,006	-	-	2,077,202
Community Services & Economic Development	175,196	75,779	45,395	-	-	296,370
Ancillary Services & Auxiliary Operations	61,352	26,431	311,991	-	-	399,774
Physical Property & Related Acquisitions	-	-	13,175,671	-	-	13,175,671
Transfers, Student Aid & Other Outgo	26,115	371	3,414	1,607,164	-	1,637,064
GASB 35 adjustment	-	93,099	(13,161,391)	-	1,383,461	(11,684,831)
Total	<u>\$ 8,964,041</u>	<u>\$ 3,198,183</u>	<u>\$ 3,754,331</u>	<u>\$ 1,706,304</u>	<u>\$ 1,383,461</u>	<u>\$ 19,006,320</u>

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Palo Verde Community College District
Blythe, California

We have audited the basic financial statements of Palo Verde Community College District for the years ended June 30, 2011 and 2010, and have issued our report thereon dated November 30, 2011. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the standards identified by the California Community Colleges Contracted District Audit Manual, issued by the California State Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the business-type activities and discretely presented component unit of Palo Verde Community College District, which collectively comprise the District's basic financial statements. The accompanying supplementary information, listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District.

The information in the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects in relation to the basic financial statements taken as a whole.

Lund & Guttry

November 30, 2011

PALO VERDE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT

JUNE 30 2011

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 702,080	\$ 378,541	\$ 1,561,687
Cash and cash equivalents - restricted	-	-	13,870,098
Accounts receivable, net	2,885,965	-	1,917,777
Due from other funds	138,721	-	1,100,000
Prepaid expenses	227,191	-	101,371
Inventory	-	-	-
Total Current Assets	<u>3,953,957</u>	<u>378,541</u>	<u>18,550,933</u>
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	<u><u>\$ 3,953,957</u></u>	<u><u>\$ 378,541</u></u>	<u><u>\$ 18,550,933</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 551,099	\$ -	\$ 1,713,489
TRANS debt	1,741,087	-	-
Due to other funds	1,100,075	-	-
Compensated absences	-	-	-
Supplemental employee retirement plan - current portion	-	-	-
Loan payable - building	-	-	-
Bonds Payable - current portion	-	-	-
Total Current liabilities	<u>3,392,261</u>	<u>-</u>	<u>1,713,489</u>
Non-Current Liabilities:			
Net other postemployment benefit obligation	-	-	-
Supplemental employee retirement plan	-	-	-
Loan payable - building	-	-	-
Bonds payable	-	-	-
Certificates of participation	-	-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,392,261</u>	<u>-</u>	<u>1,713,489</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Capital projects	-	-	16,837,444
Debt service	-	378,541	-
Grants and contracts	78,872	-	-
Unrestricted	482,824	-	-
TOTAL NET ASSETS	<u>561,696</u>	<u>378,541</u>	<u>16,837,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,953,957</u></u>	<u><u>\$ 378,541</u></u>	<u><u>\$ 18,550,933</u></u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ 46,491	\$ 436,361	\$ 353,733	\$ -	\$ 3,478,893
-	-	-	-	-	13,870,098
-	24,057	1,633	1,272	-	4,830,704
-	-	-	75	(1,238,796)	-
-	-	-	-	-	328,562
-	-	51,908	-	-	51,908
-	70,548	489,902	355,080	(1,238,796)	22,560,165
-	-	-	-	70,269,389	70,269,389
<u>\$ -</u>	<u>\$ 70,548</u>	<u>\$ 489,902</u>	<u>\$ 355,080</u>	<u>\$ 69,030,593</u>	<u>\$ 92,829,554</u>
\$ -	\$ 1,637	\$ 298	\$ -	\$ -	\$ 2,266,523
-	-	-	-	-	1,741,087
-	13,607	91,680	33,434	(1,238,796)	-
-	-	-	-	432,676	432,676
-	-	-	-	120,101	120,101
-	-	-	-	64,286	64,286
-	-	-	-	135,000	135,000
-	15,244	91,978	33,434	(486,733)	4,759,673
-	-	-	-	106,241	106,241
-	-	-	-	710,600	710,600
-	-	-	-	128,572	128,572
-	-	-	-	5,074,879	5,074,879
-	-	-	-	31,995,000	31,995,000
-	-	-	-	38,015,292	38,015,292
-	15,244	91,978	33,434	37,528,559	42,774,965
-	-	-	-	38,081,531	38,081,531
-	-	-	-	(5,209,879)	11,627,565
-	-	-	-	-	378,541
-	55,304	-	-	-	134,176
-	-	397,924	321,646	(1,369,618)	(167,224)
-	55,304	397,924	321,646	31,502,034	50,054,589
<u>\$ -</u>	<u>\$ 70,548</u>	<u>\$ 489,902</u>	<u>\$ 355,080</u>	<u>\$ 69,030,593</u>	<u>\$ 92,829,554</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS - DISTRICT

JUNE 30 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 915,507	\$ 325,493	\$ 2,075,402
Cash and cash equivalents - restricted	-	-	13,676,284
Accounts receivable, net	2,627,800	-	5,072,165
Due from other funds	137,259	-	750,000
Prepaid expenses	-	-	202,742
Inventory	-	-	-
Total Current Assets	<u>3,680,566</u>	<u>325,493</u>	<u>21,776,593</u>
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	<u><u>\$ 3,680,566</u></u>	<u><u>\$ 325,493</u></u>	<u><u>\$ 21,776,593</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 360,825	\$ -	\$ 2,707,305
TRANS debt	1,141,175	-	-
Due to other funds	750,000	-	-
Compensated absences	-	-	-
Supplemental employee retirement plan - current portion	-	-	-
Loan payable - building	-	-	-
Bonds payable - current portion	-	-	-
Total Current liabilities	<u>2,252,000</u>	<u>-</u>	<u>2,707,305</u>
Non-Current Liabilities:			
Net other postemployment benefit obligation	-	-	-
Supplemental employee retirement plan	-	-	-
Loan payable - building	-	-	-
Bonds payable	-	-	-
Certificates of participation	-	-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,252,000</u>	<u>-</u>	<u>2,707,305</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Capital projects	-	-	19,069,288
Debt service	-	325,493	-
Grants and contracts	183,885	-	-
Unrestricted	<u>1,244,681</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>1,428,566</u>	<u>325,493</u>	<u>19,069,288</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,680,566</u></u>	<u><u>\$ 325,493</u></u>	<u><u>\$ 21,776,593</u></u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total (Restated) (Note 14)
\$ -	\$ 20,942	\$ 431,690	\$ 447,884	\$ -	\$ 4,216,918
-	-	-	-	-	13,676,284
-	21,511	1,730	48,029	-	7,771,235
-	-	-	-	(887,259)	-
-	-	-	-	-	202,742
-	-	57,600	-	-	57,600
-	42,453	491,020	495,913	(887,259)	25,924,779
-	-	-	-	63,602,221	63,602,221
<u>\$ -</u>	<u>\$ 42,453</u>	<u>\$ 491,020</u>	<u>\$ 495,913</u>	<u>\$ 62,714,962</u>	<u>\$ 89,527,000</u>
\$ -	\$ 1,226	\$ 294	\$ -	\$ -	\$ 3,069,650
-	-	-	-	-	1,141,175
-	-	84,133	53,126	(887,259)	-
-	-	-	-	435,582	435,582
-	-	-	-	120,101	120,101
-	-	-	-	64,286	64,286
-	-	-	-	120,000	120,000
-	1,226	84,427	53,126	(147,290)	4,950,794
-	-	-	-	40,567	40,567
-	-	-	-	281,937	281,937
-	-	-	-	192,858	192,858
-	-	-	-	5,209,879	5,209,879
-	-	-	-	31,995,000	31,995,000
-	-	-	-	37,720,241	37,720,241
-	1,226	84,427	53,126	37,572,951	42,671,035
-	-	-	-	31,350,077	31,350,077
-	-	-	-	(5,329,879)	13,739,409
-	-	-	-	-	325,493
-	41,227	-	-	-	225,112
-	-	406,593	442,787	(878,187)	1,215,874
-	41,227	406,593	442,787	25,142,011	46,855,965
<u>\$ -</u>	<u>\$ 42,453</u>	<u>\$ 491,020</u>	<u>\$ 495,913</u>	<u>\$ 62,714,962</u>	<u>\$ 89,527,000</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
OPERATING REVENUES			
Enrollment, tuition and other fees (gross)	\$ 1,217,441	\$ -	\$ -
Less: Scholarship discounts and allowances	<u>(973,154)</u>	<u>-</u>	<u>-</u>
Net enrollment, tuition and other fees	244,287	-	-
Grants and contracts, non-capital			
Federal	447,859	-	-
State	1,362,469	-	-
Local	<u>124,543</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>2,179,158</u>	<u>-</u>	<u>-</u>
Salaries	8,697,336	-	-
Employee benefits	3,091,343	-	-
Supplies, materials and other operating expenses and services	2,701,150	120,000	8,312,990
Financial aid	181,706	-	-
Utilities	545,750	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>15,217,285</u>	<u>120,000</u>	<u>8,312,990</u>
TOTAL OPERATING INCOME (LOSS)	(A) <u>(13,038,127)</u>	<u>(120,000)</u>	<u>(8,312,990)</u>

(A) GASB 35 financial statement presentation considers state apportionment and local property taxes as "non-operating revenues" (see the following page)

Continued

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ 13,201	\$ -	\$ -	\$ -	\$ 1,230,642
-	-	-	-	-	(973,154)
-	13,201	-	-	-	257,488
1,591,846	38,043	-	-	-	2,077,748
-	293,264	-	-	-	1,655,733
-	-	338,599	7,115	-	470,257
<u>1,591,846</u>	<u>344,508</u>	<u>338,599</u>	<u>7,115</u>	<u>-</u>	<u>4,461,226</u>
-	209,396	61,684	-	-	8,968,416
-	86,293	29,995	131,508	491,431	3,830,570
-	24,992	257,380	-	(8,134,824)	3,281,688
1,591,846	-	-	-	-	1,773,552
-	12,378	-	-	-	558,128
-	-	-	-	1,283,370	1,283,370
<u>1,591,846</u>	<u>333,059</u>	<u>349,059</u>	<u>131,508</u>	<u>(6,360,023)</u>	<u>19,695,724</u>
-	11,449	(10,460)	(124,393)	6,360,023	(15,234,498)

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT -(continued)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
NON-OPERATING REVENUE (EXPENSES)			
State apportionments, non-capital	\$ 10,690,537	\$ -	\$ -
Local property taxes	1,198,854	406,626	-
State taxes and other revenues	357,419	4,705	-
Investment income, net	10,331	1,836	75,397
Interest expense	<u>(85,884)</u>	<u>(240,119)</u>	<u>(1,664,350)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,171,257</u>	<u>173,048</u>	<u>(1,588,953)</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)			
Other financing sources	-	-	-
State apportionments, capital	<u>-</u>	<u>-</u>	<u>7,670,099</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>-</u>	<u>-</u>	<u>7,670,099</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(866,870)</u>	<u>53,048</u>	<u>(2,231,844)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,428,566</u>	<u>325,493</u>	<u>19,069,288</u>
NET ASSETS, END OF YEAR	<u>\$ 561,696</u>	<u>\$ 378,541</u>	<u>\$ 16,837,444</u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,690,537
-	-	-	-	-	1,605,480
-	2,249	-	-	-	364,373
-	379	1,791	3,252	-	92,986
-	-	-	-	-	(1,990,353)
-	2,628	1,791	3,252	-	10,763,023
-	-	-	-	-	-
-	-	-	-	-	7,670,099
-	-	-	-	-	7,670,099
-	14,077	(8,669)	(121,141)	6,360,023	3,198,624
-	41,227	406,593	442,787	25,142,011	46,855,965
<u>\$ -</u>	<u>\$ 55,304</u>	<u>\$ 397,924</u>	<u>\$ 321,646</u>	<u>\$ 31,502,034</u>	<u>\$ 50,054,589</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
OPERATING REVENUES			
Enrollment, tuition and other fees (gross)	\$ 1,061,261	\$ -	\$ -
Less: Scholarship discounts and allowances	<u>(793,104)</u>	<u>-</u>	<u>-</u>
Net enrollment, tuition and other fees	268,157	-	-
Grants and contracts, non-capital			
Federal	620,148	-	-
State	1,327,350	-	-
Local	<u>229,138</u>	<u>-</u>	<u>500</u>
TOTAL OPERATING REVENUES	<u>2,444,793</u>	<u>-</u>	<u>500</u>
Salaries	8,731,143	-	-
Employee benefits	2,949,748	-	-
Supplies, materials and other operating expenses and services	2,585,929	105,000	13,166,591
Financial aid	210,326	-	-
Utilities	723,070	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>15,200,216</u>	<u>105,000</u>	<u>13,166,591</u>
TOTAL OPERATING INCOME (LOSS)	(A) <u>(12,755,423)</u>	<u>(105,000)</u>	<u>(13,166,091)</u>

(A) GASB 35 financial statement presentation considers state apportionment and local property taxes as "non-operating revenues" (see the following page)

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,061,261
-	-	-	-	-	(793,104)
-	-	-	-	-	268,157
1,495,978	31,804	-	-	-	2,147,930
-	273,112	-	-	-	1,600,462
-	8,081	363,905	204,362	-	805,986
<u>1,495,978</u>	<u>312,997</u>	<u>363,905</u>	<u>204,362</u>	<u>-</u>	<u>4,822,535</u>
-	175,196	57,702	-	-	8,964,041
-	75,779	26,431	53,126	93,099	3,198,183
-	33,378	289,737	-	(13,161,391)	3,019,244
1,495,978	-	-	-	-	1,706,304
-	12,017	-	-	-	735,087
-	-	-	-	1,383,461	1,383,461
<u>1,495,978</u>	<u>296,370</u>	<u>373,870</u>	<u>53,126</u>	<u>(11,684,831)</u>	<u>19,006,320</u>
-	16,627	(9,965)	151,236	11,684,831	(14,183,785)

PALO VERDE COMMUNITY COLLEGE DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - DISTRICT -(continued)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
NON-OPERATING REVENUE (EXPENSES)			
State apportionments, non-capital	\$10,657,111	\$ -	\$ 1,363,430
Local property taxes	1,126,823	307,855	-
State taxes and other revenues	282,910	3,760	-
Investment income, net	187	3,253	116,098
Interest expense	<u>(53,173)</u>	<u>(244,539)</u>	<u>(1,664,350)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,013,858</u>	<u>70,329</u>	<u>(184,822)</u>
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)			
Other financing sources	750,000	-	(750,000)
State apportionments, capital	<u>-</u>	<u>-</u>	<u>9,835,348</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>750,000</u>	<u>-</u>	<u>9,085,348</u>
INCREASE (DECREASE) IN NET ASSETS	<u>8,435</u>	<u>(34,671)</u>	<u>(4,265,565)</u>
NET ASSETS, BEGINNING OF YEAR	1,420,131	360,164	23,334,853
PRIOR YEAR RESTATEMENT	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR - RESTATED	<u>1,420,131</u>	<u>360,164</u>	<u>23,334,853</u>
NET ASSETS, END OF YEAR	<u>\$ 1,428,566</u>	<u>\$ 325,493</u>	<u>\$19,069,288</u>

Student Financial Aid Fund	Child Development Fund	Bookstore Fund	Self - Insurance Fund	GASB 35 Adjustments	Total (Restated) (Note 14)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,020,541
-	-	-	-	-	1,434,678
-	1,698	-	-	-	288,368
-	317	2,693	-	-	122,548
-	-	-	(38,893)	-	(2,000,955)
-	2,015	2,693	(38,893)	-	11,865,180
(2)	-	-	-	-	(2)
-	-	-	-	-	9,835,348
(2)	-	-	-	-	9,835,346
(2)	18,642	(7,272)	112,343	11,684,831	7,516,741
2	22,585	413,865	330,444	13,770,644	39,652,688
-	-	-	-	(313,464)	(313,464)
2	22,585	413,865	330,444	13,457,180	39,339,224
<u>\$ -</u>	<u>\$ 41,227</u>	<u>\$ 406,593</u>	<u>\$ 442,787</u>	<u>\$ 25,142,011</u>	<u>\$ 46,855,965</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

BOARD OF TRUSTEES AND ORGANIZATION

JUNE 30, 2011

BOARD OF TRUSTEES AND ORGANIZATION

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Edmundo Gonzales	President	2012
Millie Rodriguez	Vice-President	2012
Jerry Lewis	Clerk of the Board	2014
Lincoln Edmond	Trustee	2012
Ted Arneson	Trustee	2014
Samuel Burton	Trustee	2014
George Thomas	Trustee	2014
Jeneane Quist	Student Trustee	2011

ADMINISTRATION

James Hottois	Superintendent/President
Geri Butler	Vice-President of Administrative Services
Diana Rodriguez	Vice-President of Student Services
William Smith	Vice-President of Instructional Services

ORGANIZATION

The Palo Verde Community College was established in 1947 and became a separate district in 1973. The District is located in the eastern portion of Riverside County. The District annexed the City of Needles during 1999. There were no other changes to the boundaries of the District during the year. The District operates a campus in Blythe, California and a campus in Needles, California. The District relocated to its newly constructed campus in Blythe in August, 2001.

The District provides the first two years of instruction transferable to accredited four-year colleges and universities, as well as vocational and technical education.

PALO VERDE COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

1) PURPOSE OF SCHEDULES

a. Schedule of Workload Measures for State General Apportionment

This schedule shows the basis of apportionment of the District's annual source of funding.

b. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements.

c. Schedule of Expenditures of Federal Awards

This schedule provides financial information relating to Federal financial assistance programs administered by the District.

PALO VERDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

ANNUALIZED ATTENDANCE OF IN-STATE STUDENTS AS OF JUNE 30, 2011

CATEGORIES

A. Credit Full-Time Equivalent Student (FTES)

1. Weekly census	558.09
2. Daily census (including summer)	110.33
3. Actual hours of attendance	392.11
4. Independent Study/Work experience	<u>660.85</u>
 TOTAL	 1,721.38

B. Noncredit FTES

1. Actual hours of attendance	69.79
2. Daily census (including summer)	-

C. Student Headcount

1. Fall Session – 2010	3,863
2. Spring Session – 2011	3,455

D. Gross square footage

1. Palo Verde College	151,957
2. Needles Center	<u>26,657</u>
Total	178,614

PALO VERDE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bookstore Fund</u>	<u>Associated Students Trust Fund</u>
June 30, 2011 Annual Financial and Budget Report (CCFS-311) ending fund balance	\$ 421,153	\$ 16,769,228	\$ 383,656	\$ 1,724
Adjustments increasing (decreasing)				
Revenue understated (overstated)	-	100,316	-	-
Expenses overstated (understated)	<u>140,543</u>	<u>(32,100)</u>	<u>14,268</u>	<u>-</u>
June 30, 2011 audited financial statements ending fund balance	<u>\$ 561,696</u>	<u>\$ 16,837,444</u>	<u>\$ 397,924</u>	<u>\$ 1,724 (A)</u>

All other fund balances as reported on Form CCFS-311 were in agreement to the audited financial statements.

(A) Note: Fund balance for the fiduciary trust funds on the CCFS-311 report does not match the balance on the financial statements because the CCFS-311 report does not require all expendable trust funds to be reported. The reconciliation of the above fund balance to the financial statemnt totals is as follows:

Associated Students Trust Fund	1,724
Student Clubs and Scholarships	<u>41,679</u>
Total per financial statements	<u>\$ 43,403</u>



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Trustees
Palo Verde Community College District
Blythe, California

Compliance

We have audited the compliance of Palo Verde Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

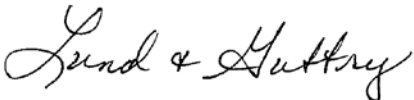
Internal Control Over Compliance

The management of Palo Verde Community College District is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

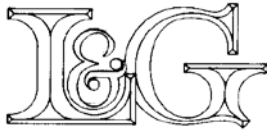
A deficiency in the District’s internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, Board of Trustees and various county, state and federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.



November 30, 2011



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

Board of Trustees
Palo Verde Community College District
Blythe, California

We have audited the basic financial statements of Palo Verde Community College District as of and for the year ended June 30, 2011 and have issued our report thereon dated November 30, 2011. 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.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

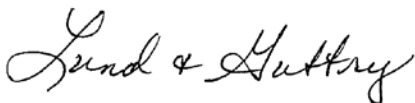
In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified two deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items #11-7 and #11-8.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.

A handwritten signature in cursive script that reads "Lind & Guttery".

November 30, 2011



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Palo Verde Community College District
Blythe, California

We have audited the basic financial statements of Palo Verde Community College District for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. Our audit was made in accordance with governmental auditing standards generally accepted in the United States of America and issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- A) The District's salaries of classroom instructors is equal to or exceeds 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- B) Instructional service agreements, if any, were reviewed to be certain that requirements were met in order to claim Full-Time Equivalent Students (FTES).
- C) A separate and complete tabulation is maintained for each course section in which the student attendance is reported for state support. Credit student head count data has been collected pursuant to definitions in the California Community Colleges Management Information Systems Data Element Dictionary. Also, gross square footage and FTES is less than 100% leased space.
- D) The District only claims State apportionment for credit courses for students that are residents of California at the time of registration.
- E) The District only claims, for apportionment purposes, the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).
- F) The District only claimed FTES for concurrent enrollment of K-12 pupils who met all of the requirements of the Education Code and the California Code of Regulations.

- G) The District computes its annual appropriation limit in accordance with Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980. The appropriation limit, appropriations subject to limit, State aid apportionments, subventions included within property tax proceeds and amounts excluded from the appropriations subject to limit are reported in accordance with Section 7908(c) of the Government Code.
- H) For purposes of determining the District's share of annual apportionments, enrollment fee reports were reviewed to verify that the total amount the students should have paid for enrollment fees are being reported.
- I) The District expended CalWORKs Program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students.
- J) For District apportionment claim purposes, all courses being submitted are open to enrollment by the general public.
- K) The District only charges mandatory student fees for which it is under express statutory authority and no fees charged are in conflict or inconsistent with existing law, and are not inconsistent with the purposes for which the District has been established.
- L) The District only expends Economic and Workforce Development (EWD) grants to develop and deliver services to meet the needs identified in regional economic development plans.
- M) The District only expends Extended Opportunity Programs and Services (EOPS), Disabled Student Programs and Services (DSPS) and Cooperative Agencies Resources for Education (CARE) funds to provide services that are specifically designed to supplement the college's existing support programs and to help eligible students complete their educational goal.
- N) The District provides eligible persons, preference (priority of service) and information regarding benefits and services obtainable through entities and service providers and ensures eligible persons are informed of their employment-related rights and benefits for veterans and qualified spouses for federal Department of Labor funded qualified job training programs.
- O) The District tracks To Be Arranged (TBA) hour student participation carefully and don't claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course.

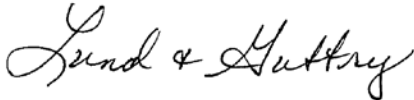
Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

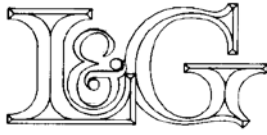
In our opinion, except for five findings described in the accompanying schedule of findings and questioned costs (#11-1, #11-2, #11-3, #11-4, #11-5 and #11-6), the Palo Verde Community College District complied, in all material respects, with the aforementioned requirements.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lund & Guttry".

November 30, 2011



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INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

Board of Trustees
Palo Verde College District
Blythe, California

We have audited the basic financial statements of the Palo Verde Community College District for the year ended June 30, 2011 and have issued our report thereon dated November 30, 2011. These financial statements are the responsibility of the Palo Verde Community College District's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Palo Verde Community College District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements, including the State Financial Assistance schedule. The information in those schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of management, Board of Trustees and various county, state and federal regulating agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record.

November 30, 2011

PALO VERDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

FOR THE YEAR ENDED JUNE 30, 2011

	Federal Catalog <u>Number</u>	Program <u>Expenditures</u>
<u>FEDERAL PROGRAMS:</u>		
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid		
Pell Grant Program	84.063	\$ 1,541,404
College Work Study	84.033	17,900
Supplemental Education Opportunity Grant program	84.007	<u>32,542</u>
Student Financial Aid totals		<u>1,591,846</u>
Developing a Virtual Campus through Assisted Distance Education Programs and Services	84.031A	345,890
Disabled Student Support Services (TRIO)	84.042A	93,451
Passed through the California Department of Education		
ARRA State Fiscal Stabilization Fund	84.394	<u>8,518</u>
Total U.S. Department of Education		<u>2,039,705</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the California Department of Education		
Child Care Food program	10.558	35,795
Child Care Food Program	10.558	<u>2,248</u>
Total U.S. Department of Agriculture		<u>38,043</u>
Total federal programs		<u>\$2,077,748</u>

PALO VERDE COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

FOR THE YEAR ENDED JUNE 30, 2011

STATE PROGRAMS:

General Fund

Basic Skills & Immigration	\$ 90,000
California Grants	71,714
CalWORKs	118,763
Cooperative Agencies & Resources for Education	38,383
Disables Student Program and Services	144,120
Extended Opportunity Program and Services	261,841
Faculty & Staff Diversity	3,725
Matriculation Credit	158,802
Matriculation Non-Credit	19,473
Solar Energy Generation Project	56,881
State Fiscal Stabilization Fund	8,518
Strengthening Career Technical Education	59,499
Student Financial Aid Administration	137,337
TANF	26,442
VATEA	<u>166,971</u>
Fund totals	1,362,469

Child Development Fund

Child Development Apportionment	<u>293,264</u>
---------------------------------	----------------

Total state programs \$1,655,733

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of Palo Verde Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the presentation of, the basic financial statements.

Note B – Significant Accounting Policies

See Footnote 1 of the financial statements.

PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditors' report issued on the financial statements is unqualified.
2. Internal control over financial reporting identified two deficiencies.
3. There were no significant deficiencies that are considered to be a material weakness.
4. There are no instances of noncompliance material to the financial statements.

Federal Awards

1. The auditors' report issued on compliance for the major programs is unqualified.
2. Internal control over the major programs identified no significant deficiencies.
3. There are no significant deficiencies that are considered to be a material weakness.
4. There are no audit findings that should be disclosed in accordance with Section 510(a) of Circular A-133.

Major Programs

CFDA No. 84.063
Pell Grant Program

CFDA No. 84.042A
TRIO – Disabled Student Support Services

1. The dollar threshold that was used to distinguish between type A and type B programs was \$300,000.
2. Palo Verde Community College District qualified as a low-risk auditee.

PALO VERDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2011.

STATE COMPLIANCE

There were six findings relating to State compliance for the year ended June 30, 2011.

Finding #11-1

The California Education Code Section 84362, commonly known as the 50 percent law, requires that a minimum of 50 percent of the District's Current Expenses of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors". During the course of the audit, it was noted that the District's salaries of classroom instructors was only 43.28% of the District's current expense of education.

Recommendation:

We recommend that the District develop a plan of action to meet the requirements of Section 84362 of the Education Code requiring salaries of classroom instructors to meet or exceed 50 percent of the District's current education expense.

Response:

Management agrees with this finding and is implementing the procedures necessary to meet the requirements of the State. The District has also requested an exemption from Section 84362 of the Education Code. All requirements of the Education Code for filing an application for exemption have been met and the financial impact of this finding to the District is unknown at this time. This is the first year the District has filed for an exemption from the 50 percent law.

Finding #11-2

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit (GANN). Each limit is adjusted annually for changes in price index, population and, if applicable, other factors. CCR Section 58303 indicates that the District's adopted budget shall also include the appropriations limit and the total annual appropriations subject to limitations. It was noted during our audit that management's calculation of the appropriation limit did not agree with the amounts reported to the Chancellor's office. The amount reported to the Chancellor's office was correct however. Furthermore it was noted that management was not consistent in the way the State Subventions and Local Property Tax appropriations subject to limit were calculated.

Recommendation

We recommend that the District review the GANN limit worksheet before and after entering on the CCFS-311 report to ensure all data is accurate and consistent with District calculations before submitting to the Chancellor's office.

Response

Management agrees with this finding and as of the date of this report has implemented the procedures necessary to meet the State requirements as they apply to the GANN Limit Worksheet. A corrected CCFS – 311 report has also been submitted to correct these differences as of the date of this report.

PALO VERDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

STATE COMPLIANCE – (continued)

Finding #11-3

Per Finding #11-1 Section 84362 of the Education Code requires that the District's salaries of classroom instructors is equal to or exceed 50 percent of the District's current expense of education. One requirement of this Code is that all instructors whose salaries are included in salaries of classroom instructors met certain minimum qualifications in their area of expertise at the time they were hired. During our audit it was noted that one out of ten instructors tested did not have any documentation in their personnel file demonstrating that they met certain minimum qualifications. Through review of their resume, degree and work history it was obvious they had certain qualifications, however it was not clear if those qualifications were necessary for their area of expertise.

Recommendation:

We recommend that the District review personnel files for all instructors whose salaries are included in salaries of classroom instructors and ensure that they document each instructor has met certain minimum qualifications in their area of expertise.

Response:

Management agrees with this finding and as of the date of this report has documented that the instructor tested, has the minimum qualification requirements included in their personnel file. Management has also implemented procedures to ensure that all instructors whose salaries are included in salaries of classroom instructors have met certain minimum qualifications and documented accordingly in their personnel files.

Finding #11-4

Section 84752 of the Education Code requires that the District's arrangements, commonly referred to as "instructional service agreements" (ISA), with public and private entities also meet the 50 percent law in as it relates to instructors. The law requires instructors under ISA to also meet certain minimum qualifications in their area of expertise, they must report to the Dean of Instruction and their class curriculum must meet the District approved education program. During our audit it was noted that two out of ten instructors tested did not have any documentation in their personnel file demonstrating that they met certain minimum qualifications. Through review of their resume, degree and work history it was obvious they had certain qualifications, however it was not clear if those qualifications were necessary for their area of expertise. Also, three instructors out of the ten tested did not have any documentation on file demonstrating that their curriculum met District approved education programs and it was not clear if these instructors were required to report directly to the Dean of Instruction.

Recommendation:

We recommend that the District review personnel files for all instructors whose salaries are included in salaries of classroom instructors and ensure that they document each instructor has met certain minimum qualifications in their area of expertise and that they are required to report directly to the Dean of Instruction. We also recommend that the Instructors curriculum be matched against District approved education programs.

PALO VERDE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

STATE COMPLIANCE – (continued)

Finding #11-4

Response:

Management agrees with this finding and as of the date of this report has documented that the instructors tested, have the minimum qualification requirements included in their personnel file. Management has also implemented procedures to ensure that all instructors whose salaries are included in salaries of classroom instructors have met certain minimum qualifications and report directly to the Dean of Instruction and documented accordingly in their personnel files.

Finding #11-5

Section 76002(a) of the Education Code specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the District pursuant to Sections 48800 and 76001 in the District's report of full-time equivalent students (FTES). During our testing of the State Compliance Requirements as it relates to concurrent enrollment of K-12 students in community college credit courses we noted that one student's file was not completed as required by Section 76002 of the Education Code. At the time the student's application was reviewed and approved, the student was underage requiring a parental approval signature for which none was provided. A second form containing a parental signature was on file and therefore the District is still in compliance with the reporting requirements as it pertains to its report of full-time equivalent students.

Recommendation

We recommend that the District review all K-12 special student applications for concurrent enrollment and ensure that the necessary information is completed before approving the student's application and giving them access to register for classes.

Response

Management agrees with this finding and as of the date of this report has requested a complete application from the student whose application was missing the parent's signature. Additionally, the District has implemented procedures to ensure that all K-12 applications are reviewed and completed before approval.

Finding #11-6

Assembly Bill number AB 540 of Section 68130.5 of the California Education Code requires that a person, other than a nonimmigrant alien as defined, who has attended high school in California for 3 or more years, who has graduated from a California high school or attained the equivalent thereof, who has registered at or attends an accredited institution of higher education in California, and who, if he or she is an alien without lawful immigration status, has filed an affidavit as specified, be exempted from paying nonresident tuition at the California Community Colleges and the California State University. It was noted during our audit that although the District collects a "California Nonresident Tuition Exemption" form from students requesting exemption from nonresident tuition under AB 540, the District does not verify the information provided by the student. Furthermore out of the ten students tested under AB 540 one application for exemption could not be located by District personnel.

Recommendation

We recommend that the District implement a system to validate all information provided in the California Nonresident Tuition Exemption form in accordance with AB 540 State Law.

PALO VERDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

STATE COMPLIANCE – (continued)

Finding #11-6

Response

Management agrees with this finding and is in the process of implementing procedures to ensure all data provided in the California Nonresident Tuition Exemption form is verified and supported when the student registers at the District.

INTERNAL CONTROL

There were two findings relating to internal control for the year ended June 30, 2011.

Finding #11-7

Auditing and accounting standards state that an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards, specifically GASB #35. The District's personnel could not prepare full disclosure financial statements. Under the standards, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

Recommendation

We recommend that the District continue to evaluate the benefits of preparing, reviewing and approving their own full disclosure financial statements in conformity with Government Auditing Standards at yearend against the cost of doing so, internally or through an independent CPA

Response

Management agrees with this finding and has evaluated the cost benefits of preparing, reviewing and approving their own full disclosure financial statements and has opted to utilize the auditor to prepare full disclosure financial statements in conformity with GASB #35.

Finding #11-8

During our audit, we made a few adjustments to the CCFS-311 report for a combined net increase of approximately \$223,000 on the Statement of Revenues, Expenses and Changes in Net Assets. The adjustments consisted primarily of recording additional State capital reimbursements of \$115,088, recording additional capital outlay expense previously included in prepaid expenses of \$32,100, reconciling final cash with fiscal agent activity for investment activity of \$14,772, reducing accounts payable and utility expense for unsubstantiated amounts of \$149,368 and adjusting bookstore inventory by \$14,268 to the proper balances on hand.

Recommendation

We recommend that the District closely review all financial data included in the CCFS-311 report and make the necessary adjustments at yearend before submitting for the audit and to the required agencies.

Response

Management agrees with this finding and has implemented procedures to review all data provided to ensure that the correct amounts are include in the CCFS-311 report before submission to the corresponding agencies.

PALO VERDE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL COMPLIANCE

There were no findings relating to Federal compliance for the year ended June 30, 2010.

STATE COMPLIANCE

There were two findings relating to State compliance for the year ended June 30, 2010.

Finding #10-1

The California Education Code Section 14020 states that a student must demonstrate that they have a verified disability and can benefit from general education classes, activities, and services offered through the Community College system in order to qualify for services provided under the Disabled Student Programs and Services (DSPS). It furthermore states that classes are to be provided only when they facilitate the student's measurable progress towards their educational goals. During our audit of DSPS students, it was noted that four out of ten students tested did not have either a verified disability report on file or the application for the program was incomplete. One student had a DSPS coordinator observable disability report on file, however the code is specific in which the disability has to be verified by an independent professional or in conjunction with other State Agencies.

This compliance finding was corrected in the current year.

Finding #10-2

Section 76002(a) of the Education Code specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Sections 48800 and 76001 in the district's report of full-time equivalent students (FTES). During our testing of the State Compliance Requirements as it relates to concurrent enrollment of K-12 students in community college credit courses we noted that one student's file was not completed as required by Section 76002 of the Education Code. At the time the student's application was reviewed and approved, the student was underage requiring a parental approval signature for which none was provided. A second form containing a parental signature was on file and therefore the District is still in compliance with the reporting requirements as it pertains to its report of full-time equivalent students.

This compliance finding was not corrected in the current year (See Finding #11-5)

INTERNAL CONTROL

There were two findings relating to internal control for the year ended June 30, 2010.

Finding #10-3

Auditing and accounting standards state that an auditor cannot be a component of the District's internal control system. It states that the District is responsible for the preparation, review and approval of its financial statements and related footnote disclosures in conformity with Government Auditing Standards specifically GASB #35. The District's personnel could not prepare full disclosure financial statements. Under the standard, this is defined as an inadequate design of the District's internal controls over the financial statements being audited.

This internal control finding was not corrected in the current year. (See Finding #11-7)

PALO VERDE COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

INTERNAL CONTROL – (continued)

Finding #10-4

During our audit, we made various adjustments to the CCFS-311 report for a combined net decrease of approximately \$588,000 on the Statement of Revenues, Expenses and Changes in Net Assets. Three adjustments were made to record additional state capital reimbursements and other receivables at June 30, 2010 for a combined increase of \$1,213,326. Two adjustments were made to record fair market losses for the year (\$74,765) and to record a LAIF drawdown that was recorded as revenue (\$1,500,000), for a combined decrease of (\$1,574,765). Two additional adjustments were made to record additional capital outlay expenditures for a decrease of (\$94,830). Finally, one adjustment was made to adjust bookstore inventory for a decrease of (\$131,517).

This internal control finding was not corrected in the current year. (See Finding #11-8)