DESERT COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

DESERT COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2017

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Desert Community College District
Palm Desert, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Desert Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15 and the other Required Supplementary Information listed in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek Trine Day & Co. LLP

Riverside, California
December 14, 2017

COLLEGE of the DESERT

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Desert Community College District (the District) as of June 30, 2017. The report consists of three basic financial statements: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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FINANCIAL HIGHLIGHTS

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

As of June 30, 2017, the District's total net position is $79,193,772. Total net position of the District increased $1,257,993 from the previous year. The District's General Fund Unrestricted balance at the end of the fiscal year decreased to $14,265,098. The District continues to maintain the board recommended 7.5 percent reserve for economic uncertainties.

The District's primary unrestricted funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2016-2017 fiscal year, total funded credit and non-credit FTES were 9,121.33 with no unfunded credit FTES.

Cost-of-living and growth adjustment: The calculated statutory cost-of-living (COLA) was zero percent. Growth funding of $308,359 and a base revenue increase of $647,171 was included.

Enrollment fee: During 2016-2017, the enrollment fees charged to students were unchanged at $46 per unit which is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

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

On November 8, 2016, the voters again provided strong support in supporting the passage of Measure CC, a $577.8 million dollar general obligation bond authorization to address future facility needs at the District. No bonds from this authorization are expected to be issued until late 2018.

STATEMENT OF NET POSITION

The District's financial position, as a whole, increased during the current fiscal year ending June 30, 2017. The total net position increased $1,257,933 from the previous year due primarily to increases in State apportionment revenues due to increased FTES, as well as increased State and Federal grants.

The District was given a growth target of 4.82 percent. The District achieved a growth rate of 0.752 percent which included adjustments which led to an increase in our base of $308,359. The District continues to monitor growth and utilizes conservative fiscal projections. In addition, a base increase of $647,171 was included in the District's general apportionment.

- Cash, cash equivalents, and investments in current assets consist of cash in the County Treasury and in local banks of $82,531,396 as of June 30, 2017, compared to $92,077,415 as of June 30, 2016.

- Receivables consist mainly of State and Federal grants, interest, lottery, and State apportionment that were not yet received as of June 30, 2017, in the amount of $4,882,460 compared to $4,223,647 as of June 30, 2016.

- Noncurrent restricted investments consist of unspent general obligation bond proceeds for capital improvements and expansion of the District, as well as a deposit held with the State of California on property under eminent domain proceedings. The fair market value of unspent general obligation bond proceeds in noncurrent restricted investments as of June 30, 2017, is $66,801,854 compared to $66,484,958 as of June 30, 2016. The increase resulted from investments that were moved from the County Treasurer to a qualified investment.

- Capital assets, net, are the net value of land, buildings, construction, machinery, equipment, vehicles, and works of art, less accumulated depreciation. The breakdown of this total net value can be found in the notes to the financial statements. Net capital assets as of June 30, 2017, amounted to $337,462,006 compared to $338,139,472 for fiscal year ending June 30, 2016.

- Accounts payable and accrued liabilities consist of payables to vendors, accrued payroll, and benefits of $10,554,969 as of June 30, 2017, compared to $8,268,886 as of June 30, 2016. Accrued interest payable on bonds as of the end of fiscal year June 30, 2017, of $5,148,191 compared to $3,835,239 for fiscal year ending June 30, 2016.

- Unearned revenue relates to Federal, State, and local program funds received, but not yet earned, as of the end of the fiscal year June 30, 2017, of $4,445,614 compared to $3,090,585 at the end of fiscal year June 30, 2016. Most grant funds are earned when spent, up to the award amount.

- Current and noncurrent liabilities consist of compensated absences as of June 30, 2017, in the amount of $1,030,423 compared to $886,481 for June 30, 2016, PARS supplemental early retirement plan of $1,257,530 as of June 30, 2017, compared to $1,814,857 for June 30, 2016, and the net other postemployment benefit obligation of $593,608 as of June 30, 2017, compared to $236,797 for June 30, 2016. The District's aggregate net pension obligation is $54,774,883 as of June 30, 2017, as compared to $41,569,560 for June 30, 2016.

- Bonds payable of $317,955,000 at June 30, 2017, compared to $329,879,471 at June 30, 2016, represent general obligation bonds issued under Proposition 39/Measure B for capital improvements and expansion of the District. These bonds are discussed in greater detail in the notes to the financial statements.

The Statement of Net Position as of June 30, 2017 and June 30, 2016, is summarized below.

(Amounts in thousands)	2017	2016	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and investments	$ 82,531	$ 92,077	$ (9,546)	-10%
Accounts receivable	4,883	4,224	659	16%
Other current assets	583	632	(49)	-8%
Total Current Assets	87,997	96,933	(8,936)	-9%
Noncurrent Assets				
Deposits	9,579	-	9,579	100%
Investments	66,802	66,485	317	0%
Capital assets (net)	337,462	338,139	(677)	0%
Total Noncurrent Assets	413,843	404,624	9,219	2%
Total Assets	501,840	501,557	283	0%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	15,975	9,972	6,003	60%
Deferred outflows of resources related to pensions	13,660	9,146	4,514	49%
Total Deferred Outflows of Resources	29,635	19,118	10,517	55%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	20,153	15,201	4,952	33%
Current portion of long-term debt	3,577	6,107	(2,530)	-41%
Total Current Liabilities	23,730	21,308	2,422	11%
Long-Term Debt	426,206	411,743	14,463	4%
Total Liabilities	449,936	433,051	16,885	4%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	2,345	9,688	(7,343)	-76%
NET POSITION				
Net investment in capital assets	42,408	39,208	3,200	8%
Restricted	54,379	58,848	(4,469)	-8%
Unrestricted	(17,593)	(20,120)	2,527	-13%
Total Net Position	$ 79,194	$ 77,936	$ 1,258	2%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the District, including fees such as health fees, parking fees, and other student fees. Regular enrollment fees remained at $46 per unit in 2016-2017. This rate is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

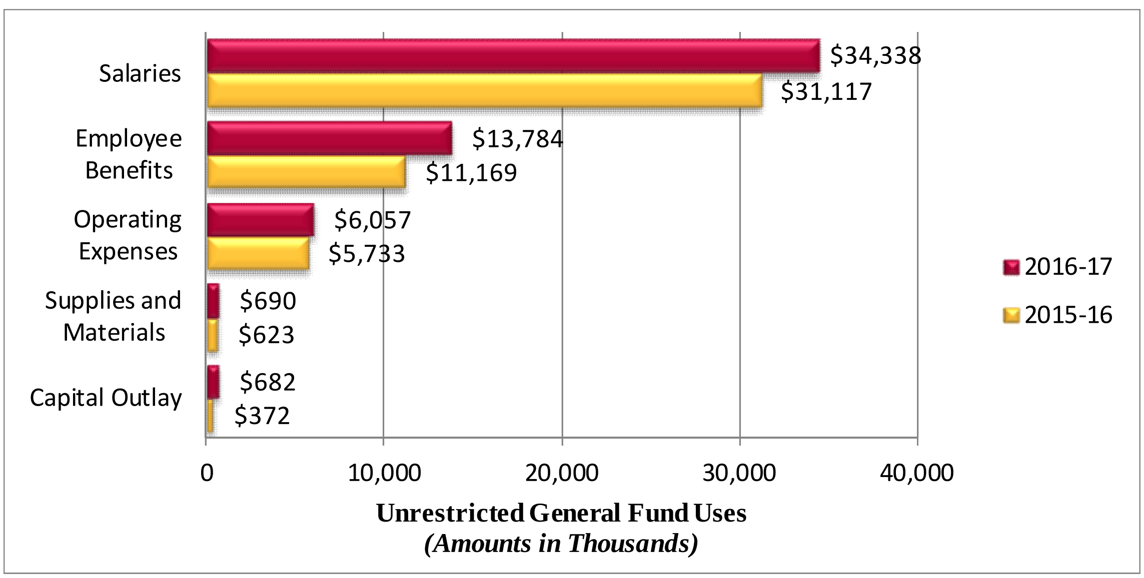
Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.

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

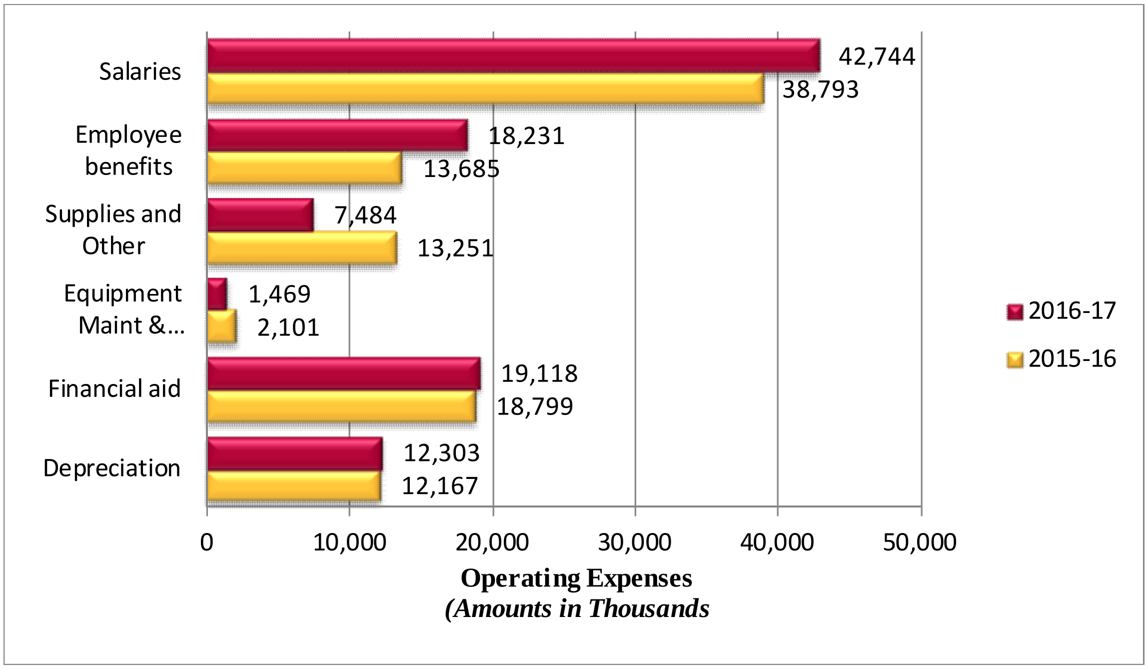
Local property taxes increased due to assessed valuations in the Coachella Valley. As noted above, decreases or increases in property tax revenue affect the District's State apportionment revenue. The housing market has shown improvement in the Coachella Valley, as well as in California. Interest rates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

State revenue in the Unrestricted General Fund consists primarily of one-time mandate reimbursements, the STRS on behalf payments, and State lottery revenue.

The following graph reflects the expenditures of the Unrestricted General Fund for the years ended June 30, 2017 and 2016, respectively.



The following graph reflects the Operating Expenses of the District for the years ended June 30, 2017 and 2016, respectively.



The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and June 30, 2016, is summarized below.

(Amounts in thousands)	2017	2016	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	$ 5,728	$ 5,314	$ 414	8%
Other operating revenue	266	191	75	39%
Total Operating Revenues	5,994	5,505	489	9%
Operating Expenses				
Salaries and benefits	60,975	52,478	8,497	16%
Supplies and maintenance	7,484	13,250	(5,766)	-44%
Student financial aid	19,118	18,799	319	2%
Equipment and maintenance	1,469	2,101	(632)	-30%
Depreciation	12,303	12,167	136	1%
Total Operating Expenses	101,349	98,795	2,554	3%
Loss on Operations	(95,355)	(93,290)	(2,065)	2%
Nonoperating Revenues (Expenses)				
State apportionments	10,080	10,412	(332)	-3%
Property taxes	51,709	50,120	1,589	3%
Grants and contracts	25,878	26,428	(550)	-2%
State revenues	5,416	8,269	(2,853)	-35%
Net interest expense	(12,723)	(12,915)	192	-1%
Other nonoperating revenues	10,515	9,973	542	5%
Total Nonoperating Revenue	90,875	92,287	(1,412)	-2%
Other Revenues				
State capital income	5,738	5,255	483	9%
Net Change in Net Position	$ 1,258	$ 4,252	$ (2,994)	-70%

STATEMENT OF FUNCTIONAL EXPENSES

(Amounts in thousands)	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment Maintenance and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 20,096	$ 7,092	$ 1,786	$ -	$ -	$ -	$ 28,974
Academic support	6,445	3,948	1,088	-	-	-	11,481
Student services	5,859	2,105	797	-	-	-	8,761
Plant operations and maintenance	1,831	962	2,373	-	-	-	5,166
Instructional support services	5,131	2,855	653	298	-	-	8,937
Community services and economic development	466	196	677	-	-	-	1,339
Ancillary services and auxiliary operations	2,916	1,073	92	-	-	-	4,081
Physical property and related acquisitions	-	-	18	1,171	-	-	1,189
Student aid	-	-	-	-	19,118	-	19,118
Unallocated depreciation	-	-	-	-	-	12,303	12,303
Total	$ 42,744	$ 18,231	$ 7,484	$ 1,469	$ 19,118	$ 12,303	$ 101,349

STATEMENT OF CASH FLOWS

(Amounts in thousands)	2017	2016	Increase (Decrease)	Percent Change
Cash Provided by (Used in)				
Operating activities	$ (79,763)	$ (87,429)	$ 7,666	-9%
Noncapital financing activities	88,257	90,406	(2,149)	-2%
Capital financing activities	(18,607)	3,016	(21,623)	-717%
Investing activities	567	(22,233)	22,800	-103%
Net Decrease in Cash	(9,546)	(16,240)	6,694	-41%
Cash, Beginning of Year	92,077	108,317	(16,240)	-15%
Cash, End of Year	$ 82,531	$ 92,077	$ (9,546)	-10%

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

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

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

Cash from investing activities is interest on investments.

CAPITAL ASSETS

As of June 30, 2017, the District had over $337.5 million in net capital assets. Total capital assets of approximately $429.6 million consist of land, buildings, construction in progress, site improvements, equipment and vehicles, and works of art. These assets have accumulated depreciation of approximately $92.2 million. Net capital asset additions of approximately $11.8 million occurred during 2016-2017, and depreciation expense of approximately $12.3 million was recorded for the year.

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

(Amounts in thousands)	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land, works of art, and construction in progress	$ 38,953	$ 5,992	$ (211)	$ 44,734
Buildings and improvements	364,895	4,073	-	368,968
Furniture and equipment	14,146	1,772	-	15,918
Subtotal	417,994	11,837	(211)	429,620
Accumulated depreciation	(79,855)	(12,303)	-	(92,158)
	$ 338,139	$ (466)	$ (211)	$ 337,462

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

DEBT ADMINISTRATION

As of June 30, 2017, the District had $371.7 million in debt from general obligation bonds consisting of $317.9 million of debt and $53.8 million premium on debt allocated over the life of the bond. The general obligation bonds were issued to fund renovation of the Palm Desert campus buildings and infrastructure, along with construction of 12 new buildings and a new permanent site for the Eastern and Western Valley satellite campuses. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds.

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

(Amounts in thousands)	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 372,983	$ 149,279	$ (150,551)	$ 371,711
Compensated absences	887	143	-	1,030
PARS supplemental early retirement plan	1,815	-	(557)	1,258
Load banking	360	55	-	415
Other postemployment benefits obligation	236	664	(306)	594
Aggregate net pension obligation	41,570	13,205	-	54,775
Total Long-Term Debt	$ 417,851	$ 163,346	$ (151,414)	$ 429,783
Amount due within one year				$ 3,577

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2016-2017 Desert Community College District budget was developed with input from the Budget Sub-Committee. Revenue projections included conservative projections received from the Chancellor's Office and other agencies. The Budget Sub-Committee continued to review and monitor changes throughout the year.

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

Due to the prudent actions taken in 2012-2013, the District provided resources to students and staff while maintaining a 7.5 percent Unrestricted General Fund. The semi-restricted retiree health insurance fund was established in 2005-2006 with funds from the General Fund toward the unfunded liabilities. The District invested approximately 50 percent of the balances from the semi-restricted retiree health insurance fund in an irrevocable trust in 2015-2016. Management continues to closely monitor the liabilities related to retiree benefits. The Other Postemployment Benefit Trust Fund was established to ensure the commitments toward this liability are sufficient. This irrevocable fund, together with the semi-restricted internal service fund, have enough funding to cover the current actuarial liability as identified in the June 2016 Actuarial Report.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DESERT COMMUNITY COLLEGE DISTRICT

The District's economic position is closely tied to the State of California as State apportionments and property taxes represent approximately 65 percent of the total revenue within the Unrestricted General Fund. The State economy continues to improve and has provided additional funding. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State Chancellor's Office.

Capital improvement expenditures continue to be possible due to the passage of General Obligation Bond Measure B. During 2017-2018, these funds will accommodate the planning and construction of projects as mentioned below:

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 720,989
Investments	81,810,407
Accounts receivable	4,882,460
Prepaid expenses	580,945
Other current assets	1,756
Total Current Assets	87,996,557
Noncurrent Assets	
Deposits	9,579,000
Restricted investments - noncurrent portion	66,801,854
Nondepreciable capital assets	44,733,881
Depreciable capital assets, net of depreciation	292,728,125
Total Noncurrent Assets	413,842,860
TOTAL ASSETS	501,839,417
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	15,974,597
Deferred outflows of resources related to pensions	13,660,157
Total Deferred Outflows of Resources	29,634,754
LIABILITIES	
Current Liabilities	
Accounts payable	10,554,969
Interest payable	5,148,191
Due to fiduciary funds	3,957
Unearned revenue	4,445,614
Bonds payable - current portion	3,020,000
PARS supplemental early retirement plan - current portion	557,327
Total Current Liabilities	23,730,058
Noncurrent Liabilities	
Compensated absences liability	1,030,423
Load banking liability	415,142
Bonds payable - noncurrent portion	314,935,000
Bond premium	53,756,392
Other postemployment benefits (OPEB) obligation	593,608
PARS supplemental early retirement plan - noncurrent portion	700,203
Aggregate net pension obligation	54,774,883
Total Noncurrent Liabilities	426,205,651
TOTAL LIABILITIES	449,935,709
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	2,344,690
NET POSITION	
Net investment in capital assets	42,407,580
Restricted for:	
Debt service	17,426,211
Capital projects	35,176,945
Educational programs	1,776,209
Unrestricted	(17,593,173)
TOTAL NET POSITION	$ 79,193,772

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Student Tuition and Fees	$ 13,076,666
Less: Scholarship discount and allowance	(7,348,684)
Net tuition and fees	5,727,982
Other Operating Revenues	265,905
TOTAL OPERATING REVENUES	5,993,887
OPERATING EXPENSES	
Salaries	42,744,073
Employee benefits	18,230,805
Supplies, materials, and other operating expenses and services	7,483,363
Student financial aid	19,118,330
Equipment, maintenance, and repairs	1,469,007
Depreciation	12,303,336
TOTAL OPERATING EXPENSES	101,348,914
OPERATING LOSS	(95,355,027)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	10,079,944
Local property taxes, levied for general purposes	35,912,061
Taxes levied for other specific purposes	15,797,419
Federal grants	19,245,071
State grants	6,633,220
Other State revenues	5,416,481
Investment income	884,342
Interest expense on capital related debt	(13,683,962)
Investment income on capital asset-related debt, net	75,778
Transfer to fiduciary funds	(20,000)
Other nonoperating revenue	10,534,553
TOTAL NONOPERATING REVENUES (EXPENSES)	90,874,907
LOSS BEFORE OTHER REVENUES	(4,480,120)
OTHER REVENUES	
State revenues, capital	5,738,113
CHANGE IN NET POSITION	1,257,993
NET POSITION, BEGINNING OF YEAR	77,935,779
NET POSITION, END OF YEAR	$ 79,193,772

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 6,438,408
Payments to vendors for supplies and services	(7,660,118)
Payments to or on behalf of employees	(59,689,111)
Payments to students for scholarships and grants	(19,118,330)
Other operating receipts	265,905
Net Cash Flows From Operating Activities	(79,763,246)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	10,655,561
Grant and contracts	26,768,410
Property taxes - nondebt related	35,912,061
State taxes and other apportionments	5,748,675
Other nonoperating	9,172,479
Net Cash Flows From Noncapital Financing Activities	88,257,186
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(20,573,422)
State revenue, capital projects	5,738,113
Property taxes - related to capital debt	15,797,419
Principal paid on capital debt	(150,550,668)
Proceeds from capital debt	149,279,224
Interest paid on capital debt	(18,373,849)
Interest received on capital debt	75,778
Net Cash Flows From Capital Financing Activities	(18,607,405)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(316,896)
Interest received from investments	884,342
Net Cash Flows From Investing Activities	567,446
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,546,019)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	92,077,415
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 82,531,396

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (95,355,027)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	12,303,336
Changes in Assets, Liabilities, Deferred Inflows, and Deferred Outflows of Resources:	
Accounts receivable	(224,550)
Prepaid expenses	49,105
Accounts payable and accrued liabilities	1,651,908
Unearned revenue	464,910
Compensated absences liability	143,942
Load banking	55,108
Deferred outflows of resources related to pension	(4,513,708)
Deferred inflows of resources related to pension	(7,343,077)
PARS supplemental early retirement plan	(557,327)
Other postemployment benefit (OPEB) obligation	356,811
Aggregate net pension obligation	13,205,323
Total Adjustments	15,591,781
Net Cash Flows From Operating Activities	$ (79,763,246)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 720,989
Cash in county treasury	81,810,407
Total Cash and Cash Equivalents	$ 82,531,396
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 2,093,191

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	$ -	$ 133,347
Investments	3,293,178	124,471
Accounts receivable	-	117
Due from primary government	-	3,957
Total Assets	3,293,178	261,892
LIABILITIES		
Accounts payable	-	21,313
NET POSITION		
Restricted for postemployment benefits other than pensions	3,293,178	-
Unrestricted	-	240,579
Total Net Position	$ 3,293,178	$ 240,579

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

DESERT COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Local revenues	$ 351,416	$ 101,375
DEDUCTIONS		
Classified salaries	-	21,726
Employee benefits	-	7,609
Books and supplies	-	95,802
Services and operating expenditures	3,059	946
Capital outlay	-	3,987
Total Deductions	3,059	130,070
OTHER FINANCING SOURCES		
Transfer from primary government	-	20,000
CHANGE IN NET POSITION	348,357	(8,695)
NET POSITION, BEGINNING OF YEAR, AS RESTATED (See NOTE 16)	2,944,821	249,274
NET POSITION, END OF YEAR	$ 3,293,178	$ 240,579

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

NOTE 1 - ORGANIZATION

Desert Community College District (the District) was established in 1958 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District is a single college with three offsite locations located in the Palm Springs Mecca, Indio, Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Financial Reporting Entity

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by laws to be set aside by the District for the purpose of satisfying certain requirements.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded. Management has analyzed these accounts and believes all accounts are fully collectible.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Compensated Absences

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

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

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, PARS supplemental early retirement plan, load banking, net OPEB obligations, and the aggregate net pension obligation with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

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

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $54,379,365 of restricted net position.

State Apportionments

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

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

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Inter-Fund Activity

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

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2017.

As the result of implementing GASB Statement No. 74, the District has restated the beginning net position of the Fiduciary Funds Statement of Net Position, effectively increasing the District's Fiduciary Net Position as of July 1, 2016, by $2,944,821. The increase results from accounting for the District's OPEB Trust account within the District's Fiduciary accounts.

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

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

The District has implemented the provisions of this Statement as of June 30, 2017.

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

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

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

The District has implemented the provisions of this Statement as of June 30, 2017.

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

The District has implemented the provisions of this Statement as of June 30, 2017.

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

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

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

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

Primary government	$ 149,333,250
Fiduciary funds	3,550,996
Total Deposits and Investments	$ 152,884,246

Cash on hand and in banks	$ 839,336
Cash in revolving	15,000
Cash in county	81,874,423
Investments	70,155,487
Total Deposits and Investments	$ 152,884,246

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the Riverside County Pooled Investment Fund and certificate of deposits evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $81,874,423 with the Riverside County Pooled Investment Fund with a weighted maturity of 412 days. In addition, the District also has an investment of $66,801,854 in Federated Investors Tax Free Obligations with a weighted maturity of 1,460 days. Also, the District has investments of $60,804 and $3,292,829 in Certificates of Deposits and Mutual Funds, respectively, that have maturities over three months, but less than one year at time of purchase.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Riverside County Pooled Investment Fund, Certificates of Deposits, and Federated Investors Tax Free Obligations are not required to be rated. The District's investment in the Riverside County Pooled Investment Fund and Federated Investors Tax Free Obligations was rated AAA and A-1, respectively, by Moody's Investors Services. The District's investments in Certificates of Deposits and Mutual Funds have not been rated as of June 30, 2017.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District had $505,084 exposed to custodial credit risk.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Uncategorized
Riverside County Pooled Investment Fund	$ 81,705,035	$ -	$ -	$81,705,035
Federated Inv Tax Free Obligations	66,801,854	66,801,854	-	-
Mutual Funds	3,292,829	-	3,292,829	-
Certificates of Deposits	60,804	60,804	-	-
Total	$ 151,860,522	$ 66,862,658	$ 3,292,829	$ 81,705,035

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 972,032	$ -
State Government		
Categorical aid	770,851	-
Lottery	397,298	-
Other State sources	104,308	-
Local Sources		
Property taxes	974,127	-
District Foundation	425,348	-
Enrollment fees	681,144	-
Interest	177,587	117
Other local sources	379,765	-
Total	$ 4,882,460	$ 117

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 12,292,301	$ -	$ -	$ 12,292,301
Construction in progress	26,137,158	5,991,770	211,348	31,917,580
Works of art	524,000	-	-	524,000
Total Capital Assets Not Being Depreciated	38,953,459	5,991,770	211,348	44,733,881
Capital Assets Being Depreciated				
Land improvements	95,024,728	2,511,677	-	97,536,405
Buildings and improvements	269,870,289	1,561,860	-	271,432,149
Furniture and equipment	14,146,052	1,771,911	-	15,917,963
Total Capital Assets Being Depreciated	379,041,069	5,845,448	-	384,886,517
Total Capital Assets	417,994,528	11,837,218	211,348	429,620,398
Less Accumulated Depreciation				
Land improvements	26,979,832	4,654,915	-	31,634,747
Buildings and improvements	45,732,378	6,414,519	-	52,146,897
Furniture and equipment	7,142,846	1,233,902	-	8,376,748
Total Accumulated Depreciation	79,855,056	12,303,336	-	92,158,392
Net Capital Assets	$ 338,139,472	$ (466,118)	$ 211,348	$ 337,462,006

Depreciation expense for the year was $12,303,336

Interest expense related to capital debt for the year ended June 30, 2017, was $15,489,486. Of this amount, $1,805,524 was capitalized.

The District has placed a deposit of $9,579,000 with the State of California for purchase of land under eminent domain for a future site location. This deposit has not been reflected in the above schedule, but has been included as a noncurrent asset in the Statement of Net Position.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	Primary Government	Fiduciary Funds
Apportionment	$ 8,142,252	$ -
Construction	1,676,477	-
Accrued payroll	193,984	1,820
Other	542,256	19,493
Total	$ 10,554,969	$ 21,313

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	Primary Government
Federal financial assistance	$ 88,043
State categorical aid	2,215,730
Enrollment fees	1,415,476
Other local	726,365
Total	$ 4,445,614

NOTE 9 - INTER-FUND TRANSACTIONS

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

Inter-fund receivable and payable balances arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. Inter-fund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2017, the amount owed by the primary government to the fiduciary funds was $3,957.

Inter-Fund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2017 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $20,000.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
General obligation bonds	$ 329,879,471	$ 132,493,375	$ 144,417,846	$ 317,955,000	$ 3,020,000
Premium on debt	43,103,365	16,785,849	6,132,822	53,756,392	-
Total Bonds Payable	372,982,836	149,279,224	150,550,668	371,711,392	3,020,000
Other Liabilities					
Compensated absences	886,481	143,942	-	1,030,423	-
PARS supplemental early retirement plan	1,814,857	-	557,327	1,257,530	557,327
Load banking	360,034	55,108	-	415,142	-
Other postemployment benefits obligation	236,797	663,073	306,262	593,608	-
Aggregate net pension obligation	41,569,560	13,205,323	-	54,774,883	-
Total Other Obligations	44,867,729	14,067,446	863,589	58,071,586	557,327
Total Long-Term Obligations	$ 417,850,565	$ 163,346,670	$ 151,414,257	$ 429,782,978	$ 3,577,327

Description of Debt

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

The compensated absences liability will be paid by the fund for which the employee worked. At June 30, 2017, the balance outstanding was $1,030,423.

The District has entered into two PARS Supplemental Early Retirement Plans for employees retiring as of June 30, 2014 and June 30, 2015. The District will pay the liability over five-year periods for each agreement from the unrestricted General Fund. The outstanding balance as of June 30, 2017, was $1,257,530.

The load banking liability will be paid by the fund for which the employee worked. At June 30, 2017, the balance outstanding was $415,142.

The net OPEB obligation will be paid out of the Self Insurance Fund. See Note 11 for additional information on the District's OPEB obligation.

The aggregate net pension obligation will be paid by the fund for which the employee is currently working. See Note 13 for additional information on the aggregate net pension obligation.

Bonded Debt

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

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

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

In February 2016, the District issued 2016 General Obligation Refunding Bonds. These bonds were issued in the amount of $158,130,000. A portion of the bond proceeds was deposited into the District's Bond Fund to be used for the District's project list. The rest of the proceeds were deposited into an escrow account to: (1) advance refund and defease portions of the District's outstanding bond obligations, (2) pay the debt service on the Refunded Bonds, including principal, and (3) pay all legal, financial, and contingent costs in connection with the issuance of the bonds.

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

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Accreted Interest	Redeemed	Bonds Outstanding June 30, 2017
2007 C	12/2007	8/1/2046	3.30%-5.50%	$ 223,648,444	$ 133,744,471	$ -	$ 7,188,375	$ 140,932,846	$ -
2015 Refunding	4/2015	8/1/2024	2.00%-5.00%	38,690,000	38,005,000	-	-	2,720,000	35,285,000
2016 Refunding	2/2016	8/1/2037	5.00%	158,130,000	158,130,000	-	-	765,000	157,365,000
2017 Refunding	4/2017	8/1/2039	2.00%-5.00%	125,305,000	-	125,305,000	-	-	125,305,000
					$ 329,879,471	$ 125,305,000	$ 7,188,375	$ 144,417,846	$ 317,955,000

General Obligation Bond - 2015 Refunding

The bonds mature through 2025 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 3,020,000	$ 1,588,300	$ 4,608,300
2019	3,330,000	1,476,400	4,806,400
2020	3,695,000	1,335,900	5,030,900
2021	4,075,000	1,160,125	5,235,125
2022	4,530,000	945,000	5,475,000
2023-2025	16,635,000	1,301,375	17,936,375
Total	$ 35,285,000	$ 7,807,100	$ 43,092,100

General Obligation Bond - 2016 Refunding

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ -	$ 7,868,250	$ 7,868,250
2019	-	7,868,250	7,868,250
2020	-	7,868,250	7,868,250
2021	-	7,868,250	7,868,250
2022	-	7,868,250	7,868,250
2023-2027	9,075,000	38,899,125	47,974,125
2028-2032	31,930,000	33,370,500	65,300,500
2033-2037	89,650,000	19,485,750	109,135,750
2038	26,710,000	667,750	27,377,750
Total	$ 157,365,000	$ 131,764,375	$ 289,129,375

General Obligation Bond - 2017 Refunding

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ -	$ 4,253,903	$ 4,253,903
2019	180,000	5,733,800	5,913,800
2020	600,000	5,723,000	6,323,000
2021	1,050,000	5,693,000	6,743,000
2022	1,485,000	5,642,300	7,127,300
2023-2027	18,500,000	26,265,500	44,765,500
2028-2032	38,800,000	18,933,000	57,733,000
2033-2037	16,000,000	10,938,000	26,938,000
2038-2040	48,690,000	3,929,200	52,619,200
Total	$ 125,305,000	$ 87,111,703	$ 212,416,703

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $655,850, and contributions made by the District during the year were $306,262. Interest on the net OPEB obligation and adjustments to the annual required contribution were $16,576 and $(9,353), respectively, which resulted in an increase to the net OPEB obligation of $356,811. As of June 30, 2017, the net OPEB obligation was $593,608. See Note 11 for additional information regarding the net OPEB obligation and the postemployment benefits plan.

PARS Supplemental Early Retirement Plan

The District will pay the obligation as follows:

Fiscal Year	Principal
2018	$ 557,327
2019	557,327
2020	142,876
Total	$ 1,257,530

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to $54,774,883. See Note 13 for additional information.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan administration. The Desert Community College District Governing Board administers the Postemployment Benefits Plan (the Plan), a single-employer defined benefit plan, that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested in the District's Management.

Plan membership. At June 30, 2017, Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefit payments	27
Active Plan members	320
	347

Benefits provided. The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The District has entered into an agreement with Self-Insured Schools of California (SISC) Investment Trust to be used for the funding and payments of the District's obligations under the employee benefit plans that provide retiree health and other postemployment benefits.

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

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2016-2017, the District contributed $306,262 to the Plan, all of which was used for current premiums. Plan members are not required to contribute to the Plan. The District did not make any contributions to an irrevocable trust in the current year.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by Desert Community College's Governing Board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target
Domestic equity	50%
Fixed income	50%
Total	100%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.05 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB of the District

The component of the net OPEB liability of the District as June 30, 2017, was as follows:

Total Actuarial Accrued OPEB liability	$ 6,198,636
Plan fiduciary net position	3,293,178
District's net OPEB liability	$ 2,905,458
Plan fiduciary net position as a percentage of the total OPEB liability	53%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	7.00 percent
Health care cost trend rates	4.00 percent

The actuarial assumptions used in the June 1, 2016, valuation were based on the results of an actuarial experience study as of July 1, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	2.0%
Fixed income	4.3%

Discount rate. The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount and health care cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and health care cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

NOTE 12 - RISK MANAGEMENT

Property and Liability Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2017, the District contracted with SWACC Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016-2017, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool, as a member of the Riverside Schools Risk Management Authority (RSRMA) JPA. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

Employee Medical Benefits

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

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

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

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 33,619,691	$ 7,062,159	$ 1,705,942	$ 3,264,611
CalPERS	21,155,192	6,597,998	638,748	2,879,238
Total	$ 54,774,883	$ 13,660,157	$ 2,344,690	$ 6,143,849

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were $2,854,959.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 33,619,691
State's proportionate share of net pension liability associated with the District	19,139,091
Total	$ 52,758,782

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.0416 percent and 0.0391 percent, respectively, resulting in a net increase in the proportionate share of 0.0025 percent.

For the year ended June 30, 2017, the District recognized pension expense of $3,264,611. In addition, the District recognized pension expense and revenue of $1,849,995 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,854,959	$ -
Net change in proportionate share of net pension liability	1,534,451	885,828
Difference between projected and actual earnings on the pension plan investments	2,672,749	-
Difference between expected and actual experience in the measurement of the total pension liability	-	820,114
Total	$ 7,062,159	$ 1,705,942

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 58,311
2019	58,311
2020	1,553,678
2021	1,002,449
Total	$ 2,672,749

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (71,100)
2019	(71,100)
2020	(71,100)
2021	(71,100)
2022	(71,097)
Thereafter	184,006
Total	$ (171,491)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 48,386,318
Current discount rate (7.60%)	33,619,691
1% increase (8.60%)	21,355,390

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the total District contributions were $1,940,352.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $21,155,192. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.1071 percent and 0.1032 percent, respectively, resulting in a net increase in the proportionate share of 0.0039 percent.

For the year ended June 30, 2017, the District recognized pension expense of $2,879,238. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,940,352	$ -
Net change in proportionate share of net pension liability	465,164	3,160
Difference between projected and actual earnings on the pension plan investments	3,282,606	-
Difference between expected and actual experience in the measurement of the total pension liability	909,876	-
Changes of assumptions	-	635,588
Total	$ 6,597,998	$ 638,748

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

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

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 460,428
2019	460,429
2020	1,505,017
2021	856,732
Total	$ 3,282,606

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 259,798
2019	240,116
2020	236,378
Total	$ 736,292

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 31,563,664
Current discount rate (7.65%)	21,155,192
1% increase (8.65%)	12,488,090

Tax Deferred Annuity/Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2017, which amounted to $2,093,191 (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

Related Party Transactions

The District receives contributions directly and indirectly from the Desert Community College District Auxiliary Services (the Auxiliary), a nonprofit public benefit corporation, with the express purpose of promoting and assisting the educational programs of the District. As of June 30, 2017, the District recorded a receivable in the General Fund of approximately $108,414 from the Auxiliary for payroll, supplies, and program support.

The District receives contributions directly and indirectly throughout the year from the College of the Desert Foundation (the Foundation). The Foundation entered into various pledge commitments to the District for various purposes. As of June 30, 2017, the District recorded a receivable in the General Fund of approximately $425,348 from the Association for supplies.

Operating Leases

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

Year Ending June 30,		Lease Payment
2018		$ 230,115
2019		222,547
2020		220,000
	Total Minimum Lease Payments	$ 672,662

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
West Valley Campus Palm Springs	$ 37,942,925	June 2021
Palm Springs - Temporary Modular Campus	5,500,000	January 2018
Indio Campus Expansion	514,670	December 2020
Central Campus Redevelopment	35,833,595	August 2019
Childcare Playground	537,423	May 2018
Groundwater Well Refurbishment	1,500,000	August 2018
Indio Kiosk	931,000	February 2018
	$ 82,759,613	

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

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's beginning fiduciary net position has been restated as of July 1, 2016.

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the fiduciary funds by $2,944,821.

Fiduciary Funds	
Net Position - Beginning of year	$ 249,274
Restatement of the District's OPEB Plan Fiduciary Net Position for implementation of GASB Statement No. 74	2,944,821
Net Position - Beginning of year, as restated	$ 3,194,095

REQUIRED SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Total Net OPEB Liability*	
Annual required contribution	$ 655,850
Interest on net OPEB obligation	16,576
Adjustment to annual required contribution	(9,353)
Pay as you go contribution	(306,262)
Net Changes in Total OPEB Liability	356,811
Total Net OPEB Liability - Beginning	236,797
Total Net OPEB Liability - Ending	$ 593,608
Plan Fiduciary Net Position**	
Net investment income	$ 351,416
Administrative expense	(3,059)
Net Change in Plan Fiduciary Net Position	348,357
Plan Fiduciary Net Position - Beginning	2,944,821
Plan Fiduciary Net Position - Ending	$ 3,293,178

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

* The Total Net OPEB Liability was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Actuarially determined contribution	$ 655,850
Contributions in relations to the actuarially determined contribution	(306,262)
Contribution deficiency (excess)	$ 349,588
Covered-employee payroll	$ 24,251,360
Contribution as a percentage of covered-employee payroll	1.26%

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

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Annual money-weighted rate of return, net of investment expense	12.05%

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

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
6/11/2012	$ -	$ 5,015,091	$ 5,015,091	0%	$ 23,459,007	21%
4/1/2014	-	5,785,872	5,785,872	0%	23,735,378	24%
6/1/2016	2,951,765	6,198,636	3,246,871	48%	24,251,360	13%

* Entry age normal cost method.

See accompanying note to required supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0416%	0.0391%	0.0408%
District's proportionate share of the net pension liability	$ 33,619,691	$ 26,354,396	$ 23,870,639
State's proportionate share of the net pension liability associated with the District	19,139,091	13,938,570	14,414,123
Total	$ 52,758,782	$ 40,292,966	$ 38,284,762
District's covered-employee payroll	$ 20,052,406	$ 18,820,721	$ 18,194,036
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.66%	140.03%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1071%	0.1032%	0.1033%
District's proportionate share of the net pension liability	$ 21,155,192	$ 15,215,164	$ 11,723,145
District's covered-employee payroll	$ 12,681,438	$ 11,432,104	$ 10,840,299
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 2,854,959	$ 2,152,267	$ 1,671,280
Contributions in relation to the contractually required contribution	(2,854,959)	(2,152,267)	(1,671,280)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 22,694,428	$ 20,052,406	$ 18,820,721
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 1,940,352	$ 1,502,370	$ 1,345,673
Contributions in relation to the contractually required contribution	(1,940,352)	(1,502,370)	(1,345,673)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 13,971,429	$ 12,681,438	$ 11,432,104
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of June 1, 2016, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	24 years
Asset Valuation method	5-year smoothed market
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	7.0 percent
Retirement age	Because plan assets are primarily short term, no smoothing formula was used.
Mortality	Certificated: 2009 CalSTRS Retirement Plans Classified: Hired before 2013: 2009 CalPERS Retirement Rates for School Employees Hired after 2012: 2009 CalPERS 2%@60 Retirement Rates for Miscellaneous Employees adjusted to reflect a minimum retirement age of 52

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of OPEB Investment Returns

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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

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

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2017

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

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mrs. Aurora Wilson	Chairperson	2018
Ms. Becky Broughton	Vice Chairperson	2018
Dr. Bonnie Stefan	Clerk	2020
Dr. Fred Jandt	Member	2020
Mrs. Mary Jane Sanchez-Fulton	Member	2020

ADMINISTRATION

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

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant	84.063		$ 15,657,547
Federal Pell Grant Administrative Allowance	84.063		24,255
Federal Work Study	84.033		455,346
Federal Work Study Administrative Allowance	84.033		11,106
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		232,575
FSEOG Administrative Allowance	84.007		11,075
Total Student Financial Assistance Cluster			16,391,904
TRIO Cluster			
College of the Desert DSPS Student Support Services	84.042A		219,083
College of the Desert ACES Student Support Services	84.042A		322,964
College of the Desert Educational Talent Search	84.044A		112,406
College of the Desert Veterans Student Support Services	84.042A		259,633
Upward Bound	84.047A		399,138
Total TRIO Cluster			1,313,224
Title V Student Learning, Success, and Assessment Focusing on Hispanic, Low Income, and First Generation Students	84.031S		8,143
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-C	84.048	16-C01-013	340,595
Career and Technical Education Transitions	84.048A	16-112-013	43,748
Passed through the California Department of Rehabilitation			
State Vocational Rehabilitation Services Program	84.126A	30094	188,195
Total U.S. Department of Education			18,285,809
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	04370-CACFP-33-CC-IC	83,461
Total U.S. Department of Agriculture			83,461

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

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through the Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training	17.282	TC-26434-14-60-A-6	$ 608,875
Total U.S. Department of Labor			608,875
NATIONAL SCIENCE FOUNDATION			
Passed through California State University of San Bernardino			
Centers of Research Excellence in Science and Technology (CREST)*	47.041	9741	2,287
Total National Science Foundation			2,287
US DEPARTMENT OF VETERAN AFFAIRS			
Vocational Rehabilitation for Disabled Veterans	64.116		2,260
Total U.S. Department of Veteran Affairs			2,260
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families Cluster			
Passed through the Riverside County Department of Public Social Services			
Greater Avenues for Independence	93.558	CW-02044-06	15,743
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	34,613
Total Temporary Assistance for Needy Families Cluster			50,356
Passed through the California Department of Education			
Child Care and Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	15136	66,735
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	145,288
Total Child Care and Development Fund Cluster			212,023
Total U.S. Department of Health and Human Services			262,379
Total Federal Expenditures			$ 19,245,071

[1] Pass-Through Entity Identifying Number not available.
* Research and Development grant

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
AEBG Consortium	$ 442,500	$ 793,083	$ 1,235,583
AEBG Data and Accountability	-	340,780	340,780
Alternative and Renewable Fuel and Vehicle Technology Training	191,920	-	191,920
Basic Skills	89,259	-	89,259
Board Financial Assistance Program (BFAP)	114,952	124,602	239,554
CALWorks	248,668	-	248,668
Cooperative Agencies and Resources for Education	126,824	-	126,824
CTE Data Unlocked Initiative	50,000	-	50,000
Disabled Students Programs and Services (DSPS)	790,384	3,208	793,592
EWD - Advanced Transportation	300,000	152,639	452,639
EWD - Health	300,000	80,009	380,009
Extended Opportunities, Programs and Services (EOPS)	537,066	-	537,066
Math, Engineering and Science Achievement (MESA)	70,337	-	70,337
Nursing Enrollment Growth	228,000	-	228,000
Prop 39 Clean Energy Act	122,222	-	122,222
Student Financial Aid Administration	255,909	-	255,909
Student Support and Success Program - Credit	1,271,961	616,350	1,888,311
Student Support and Success Program - Equity	1,276,703	157,948	1,434,651
Student Support and Success Program - Noncredit	216,113	76,656	292,769
Strong Workforce Program	1,086,638	-	1,086,638
Strong Workforce Program - Regional	117,875	-	117,875
CODE - Cyber Patriot Summer Camp Program	2,999	-	2,999
Temporary Assistance to Needy Families (TANF)	34,612	-	34,612
Full-Time Student Success	556,054	89,436	645,490
Total			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 1,235,583	$ -	$ 744,149	$ 491,434	$ 491,434
340,780	-	340,780	-	-
-	116,321	-	116,321	116,321
213,861	-	26,642	187,219	187,219
114,952	-	-	114,952	114,952
248,668	-	-	248,668	248,668
126,824	-	-	126,824	126,824
50,000	-	33,243	16,757	16,757
793,592	-	-	793,592	793,592
92,908	215,134	-	308,042	308,042
-	302,780	-	302,780	302,780
537,066	-	-	537,066	537,066
30,300	40,037	-	70,337	70,337
196,080	31,920	-	228,000	228,000
57,512	64,659	-	122,171	122,171
255,909	-		255,909	255,909
1,888,311	-	67,461	1,820,850	1,820,850
1,434,651	-	-	1,434,651	1,434,651
292,769	-	113,563	179,206	179,206
1,086,638	-	703,459	383,179	383,179
117,875	-	75,657	42,218	42,218
999	-	-	999	999
34,612	-	-	34,612	34,612
645,490	-	110,776	534,714	534,714
$ 9,795,380	$ 770,851	$ 2,215,730	$ 8,350,501	$ 8,350,501

DESERT COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	28.41	-	28.41
2. Credit	12.68	-	12.68
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit	-	-	-
2. Credit	583.65	-	583.65
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,030.29	-	6,030.29
(b) Daily Census Contact Hours	509.88	-	509.88
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	750.66	-	750.66
(b) Credit	170.73	-	170.73
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	786.92	-	786.92
(b) Daily Census Contact Hours	248.11	-	248.11
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	9,121.33	-	9,121.33
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	751.03	-	751.03
2. Credit	1,039.10	-	1,039.10

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 10,033,792	$ -	$ 10,033,792	$ 10,033,792	$ -	$ 10,033,792
Other	1300	7,693,082	-	7,693,082	7,693,082	-	7,693,082
Total Instructional Salaries		17,726,874	-	17,726,874	17,726,874	-	17,726,874
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,266,599	-	4,266,599
Other	1400	-	-	-	509,583	-	509,583
Total Noninstructional Salaries		-	-	-	4,776,182	-	4,776,182
Total Academic Salaries		17,726,874	-	17,726,874	22,503,056	-	22,503,056
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	9,298,311	-	9,298,311
Other	2300	-	-	-	387,085	-	387,085
Total Noninstructional Salaries		-	-	-	9,685,396	-	9,685,396
Instructional Aides							
Regular Status	2200	900,058	-	900,058	900,058	-	900,058
Other	2400	-	-	-	-	-	-
Total Instructional Aides		900,058	-	900,058	900,058	-	900,058
Total Classified Salaries		900,058	-	900,058	10,585,454	-	10,585,454
Employee Benefits	3000	7,102,271	-	7,102,271	13,265,083	-	13,265,083
Supplies and Material	4000	-	-	-	607,186	-	607,186
Other Operating Expenses	5000	-	-	-	5,605,145	-	5,605,145
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		25,729,203	-	25,729,203	52,565,924	-	52,565,924

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 246,143	$ -	$ 246,143
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	355,589	-	355,589
Objects to Exclude							
Rents and Leases	5060	-	-	-	317,955	-	317,955
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,491,731	$ -	$ 1,491,731
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	1,491,731	-	1,491,731
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	2,411,418	-	2,411,418
Total for ECS 84362, 50 Percent Law		$ 25,729,203	$ -	$ 25,729,203	$ 50,154,506	$ -	$ 50,154,506
Percent of CEE (Instructional Salary Cost/Total CEE)		51.30%		51.30%	100.00%		100.00%
50% of Current Expense of Education					$ 25,077,253		$ 25,077,253

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2017

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

	General Fund	Capital Outlay Fund
FUND BALANCE		
Balance, June 30, 2017, (CCFS-311)	$ 16,268,114	$ 34,711,436
Adjustments:		
Accounts payable	(338,338)	465,509
Accounts receivable	(105,519)	-
Unearned revenue	117,627	-
Balance, June 30, 2017, Audited	$ 15,941,884	$ 35,176,945

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2017

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 6,981,223
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 6,981,223	-	-	$ 6,981,223
Total Expenditures for EPA		$ 6,981,223	-	-	$ 6,981,223
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

DESERT COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 15,941,884	
Special Revenue Funds	99,423	
Capital Project Funds	102,254,911	
Debt Service Funds	17,426,211	
Internal Service Funds	4,055,147	
Fiduciary Funds	16,295	
Total Fund Balance - All District Funds		**$ 139,793,871**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	429,620,398	
Accumulated depreciation is	(92,158,392)	337,462,006
The District has deposited monies with the State of California for purchase of land under eminent domain. These monies have been recorded as a noncurrent asset on the government-wide statements.		9,579,000
The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense.		15,974,597
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	4,795,311	
Net change in proportionate share of net pension liability	1,999,615	
Differences between projected and actual earnings on pension plan investments	5,955,355	
Differences between expected and actual experience in the measurement of the total pension liability	909,876	
Total Deferred Outflows of Resources Related to Pensions		13,660,157
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(888,988)	
Differences between projected and actual earnings on pension plan investments		
Differences between expected and actual experience in the measurement of the total pension liability	(820,114)	
Changes in assumptions	(635,588)	
Total Deferred Inflows of Resources Related to Pensions		(2,344,690)
Contributions to pension plans made subsequent to the measurement date were recognized as expenditures on the modified accrual basis, but are not recognized on the accrual basis.		
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(5,148,191)

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2017

Long-term obligations at year end consist of:		
Bonds payable	$ (317,955,000)	
Bond premiums	(53,756,392)	
Compensated absences	(1,030,423)	
Load banking	(415,142)	
PARS supplemental early retirement plan	(1,257,530)	
OPEB obligation	(593,608)	
Aggregate net pension obligation	(54,774,883)	$ (429,782,978)
Total Net Position		**$ 79,193,772**

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

Board of Trustees
Desert Community College District
Palm Desert, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of Desert Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 14, 2017.

Desert Community College District's Response to Finding

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek Trine Day & Co LLP

Riverside, California
December 14, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Board of Trustees
Desert Community College District
Palm Desert, California

Report on Compliance for Each Major Federal Program

We have audited Desert Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek Trine Day & Co LLP

Riverside, California
December 14, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Desert Community College District
Palm Desert, California

Report on State Compliance

We have audited Desert Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding.

The District did not offer an Intersession Extension Program.

The District did not offer any To Be Arranged (TBA) Hours courses.

The District did not receive any funding for Proposition 1D and 51 State Bond Funded Projects.

The compliance tests within these sections were not applicable.

Vavrinek Trine Day & Co. LLP

Riverside, California
December 14, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DESERT COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.033, 84.007	Student Financial Assistance Cluster
84.042A, 84.044A, 84.047A	TRIO Cluster

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2017

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

2017-001 Financial Reconciliation and District Closing Process

Criteria or Specific Requirement

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

Condition

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

- Accounts receivable balance relating to Federal revenue was overstated and required adjustment.
- Prepaid expenses were recorded to accounts receivable and required reclassification to conform with GAAP.
- Contracts were accrued for as an accounts payable for work that had not been completed, which is not in conformity with GAAP. Contract accruals did not reflect expenses incurred by the District and, therefore, do not meet the criteria for recognition of a liability or obligation to the District.
- Apportionment calculation was incorrect and resulted in an overstatement of Education Protection Act revenue.
- Capital asset balance was not reconciled timely.

Questioned Costs

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

Context

The District maintains individual funds with asset and liability balances subject to the reconciliation process. The net impact to the individual funds is included on page 79 of this report.

Effect

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

Cause

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

Recommendation

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

Management's Response and Corrective Action Plan

The District concurs with the finding.

For many years, the District has relied on external consultants to close the books at year end and reconcile fixed assets. This was needed because the District did not have adequate staffing to complete these important tasks. This year, the audit has resulted in several account adjustments that were related to outdated and incorrect practices that have proliferated for many years, but had not been identified in previous audits.

Over the past two years, the District has been able to add staff to the accounting team. This will allow the District to transition closing and asset reconciliation activities to qualified internal staff, and move away from the reliance on external consultants. This will allow for more direct control over the timing of specific closing activities. Additionally, the District is currently reviewing and revising key processes and procedures to ensure proper controls over the posting of closing entries.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

DESERT COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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

2016-001 Finding

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.