



Financial Statements  
June 30, 2021

# Desert Community College District

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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 remaining fund information of Desert Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and other required supplementary schedules on pages 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of 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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2022 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
February 28, 2022



**DESERT COMMUNITY COLLEGE DISTRICT**  
43500 Monterey Avenue  
Palm Desert, CA 92260  
760.346.8041 | [www.collegeofthedesert.edu](http://www.collegeofthedesert.edu)

## **USING THIS ANNUAL REPORT**

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Desert Community College District (the District) as of June 30, 2021. 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, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Desert Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis –for State and Local Governments*, and No. 35, *Basic Financial Statements - and Management's Discussion and Analysis for Public College and Universities*. The statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. The Statement of Revenues, Expenses and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, 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.

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### **BOARD OF TRUSTEES**

Rubén Aríaztlán Pérez, Chair • Bonnie Stefan, Ed.D., Vice Chair • Fred E. Jandt, Ph.D., Clerk  
Bea Gonzalez, Member • Aurora Wilson, Member • Ireland Olson, Student Trustee

### **Superintendent/President**

Martha Garcia, Ed.D.

### **FINANCIAL HIGHLIGHTS**

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

As of June 30, 2021, the District's total net position is \$111,216,098. Total net position of the District increased \$9,787,222 from the previous year. The District's General Fund Unrestricted balance at the end of the fiscal year increased to \$23,671,042. The District continues to maintain the board recommended 7.5 % reserve for economic uncertainties.

The District's primary unrestricted funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of the Student-Centered Funding Formula (SCFF). The funding formula is made up of three primary components: Full-Time Equivalent Students (FTES), counts of low-income students, and student success outcomes as defined in statute. Under the formula, the District's calculated total revenue entitlement (Total Calculated Revenue or TCR) was = \$72,531,018. However, the State lacked sufficient funds to fully fund the calculated revenue. As a result, the district estimated a 0.6068% deficit, recognizing \$72,090,896. This was a net increase of approximately \$1.7 million over the 2019-2020 fiscal year. Total credit and non-credit FTES reported for the 2020-2021 fiscal year was 8,737.25; a decrease of 1,995.14 FTES or approximately 18.59%.

The calculated statutory cost-of-living (COLA) was 0%.

Enrollment fee: During 2020-2021, the enrollment fees charged to students were unchanged at \$46 per unit which is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

The voters within the boundaries of the Desert Community College District overwhelmingly supported the passage of Measure B, a \$346.5 million general obligation bond issue on March 2, 2004. The term of the bonds will be from August 2004 to and including 2046. The first issuance for bond sales was for \$65 million in August 2004 and refunded in June 2005 bringing the total to \$73 million. In November 2007, the District issued General Obligation Bonds, Series 2007B, in the amount of \$57,850,000. In December 2007, the District issued the final approved principle amount of General Obligation Bonds, Series 2007C, in the amount of \$223,648,444.

On November 8, 2016, the voters again provided strong support in supporting the passage of Measure CC, a \$577.8 million general obligation bond authorization to address future facility needs at the District. In June 2018, the District issued the first series in the amount of \$50 million. In August of 2020, the District issued the second series in the amount of \$60 million. These bonds will be used to fund the District's Capital Improvement Plan, which includes acquisition, construction, modernization, renovation, and equipping of certain District property and facilities, and to pay certain costs of issuance of said bonds.

### **STATEMENT OF NET POSITION**

The District's financial position, as a whole, increased during the current fiscal year ending June 30, 2021. The total net position increased \$9,787,222 from the previous year due primarily to increases in grants and contracts, noncapital.

- Cash, cash equivalents, and investments consist of cash in local banks, the County Treasury, and other investments of \$236,445,085 as of June 30, 2021, compared to \$158,291,098 as of June 30, 2020.
- Receivables consist mainly of state and federal grants, interest, lottery, enrollment fees, property taxes and State apportionment that were not yet received as of June 30, 2021, in the amount of \$22,470,149 compared to \$7,808,668 as of June 30, 2020.
- 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, 2021, amounted to \$383,699,050 compared to \$392,037,155 for fiscal year ending June 30, 2020.
- Accounts payable and accrued liabilities consist of payables to vendors, accrued payroll and benefits, and apportionment of \$17,910,839 as of June 30, 2021, compared to \$9,355,990 as of June 30, 2020. Accrued interest payable on bonds as of the end of fiscal year June 30, 2021, of \$7,082,294 compared to \$6,803,854 for fiscal year ending June 30, 2020.
- 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, 2021, of \$6,164,831 compared to \$5,198,760 at the end of fiscal year June 30, 2020. Most grant funds are earned when spent, up to the award amount.
- Current and noncurrent liabilities consist of compensated absences liability as of June 30, 2021, in the amount of \$1,883,555 compared to \$1,891,973 as of June 30, 2020, load banking liability in the amount of \$527,539 as of June 30, 2021, as compared to \$510,754 as of June 30, 2020, early retirement plan of \$3,060,274 as of June 30, 2021. The aggregate net other postemployment benefit liability was \$7,254,412 as of June 30, 2021, compared to \$5,560,283 as of June 30, 2020. The District's aggregate net pension liability is \$91,705,658 as of June 30, 2021, as compared to \$81,217,396 as of June 30, 2020.
- Bonds payable of \$440,480,634 at June 30, 2021, compared to \$384,871,241 at June 30, 2020, represent general obligation bonds issued under Proposition 39/Measures B and CC for capital improvements and expansion of the District. These bonds are discussed in greater detail in the notes to the financial statements.



Desert Community College District  
Management's Discussion and Analysis  
June 30, 2021

The Statement of Net Position as of June 30, 2021 and June 30, 2020, is summarized below.

	2021	2020, as restated	Change
<b>Assets</b>			
Cash and investments	\$ 236,445,085	\$ 158,291,098	\$ 78,153,987
Receivables	22,470,149	7,808,668	14,661,481
Other current assets	295,785	310,485	(14,700)
Capital assets, net	383,699,050	392,037,155	(8,338,105)
Total assets	<u>642,910,069</u>	<u>558,447,406</u>	<u>84,462,663</u>
Deferred Outflows of Resources	<u>46,611,854</u>	<u>42,825,770</u>	<u>3,786,084</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	31,157,964	21,358,604	9,799,360
Current portion of long-term liabilities	19,326,265	6,625,000	12,701,265
Noncurrent portion of long-term liabilities	525,585,807	467,426,647	58,159,160
Total liabilities	<u>576,070,036</u>	<u>495,410,251</u>	<u>80,659,785</u>
Deferred Inflows of Resources	<u>2,235,789</u>	<u>4,434,049</u>	<u>(2,198,260)</u>
<b>Net Position</b>			
Net investment in capital assets	41,904,598	54,210,795	(12,306,197)
Restricted	106,275,929	81,562,949	24,712,980
Unrestricted deficit	(36,964,429)	(34,344,868)	(2,619,561)
Total net position	<u>\$ 111,216,098</u>	<u>\$ 101,428,876</u>	<u>\$ 9,787,222</u>

**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 2020-2021. This rate is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

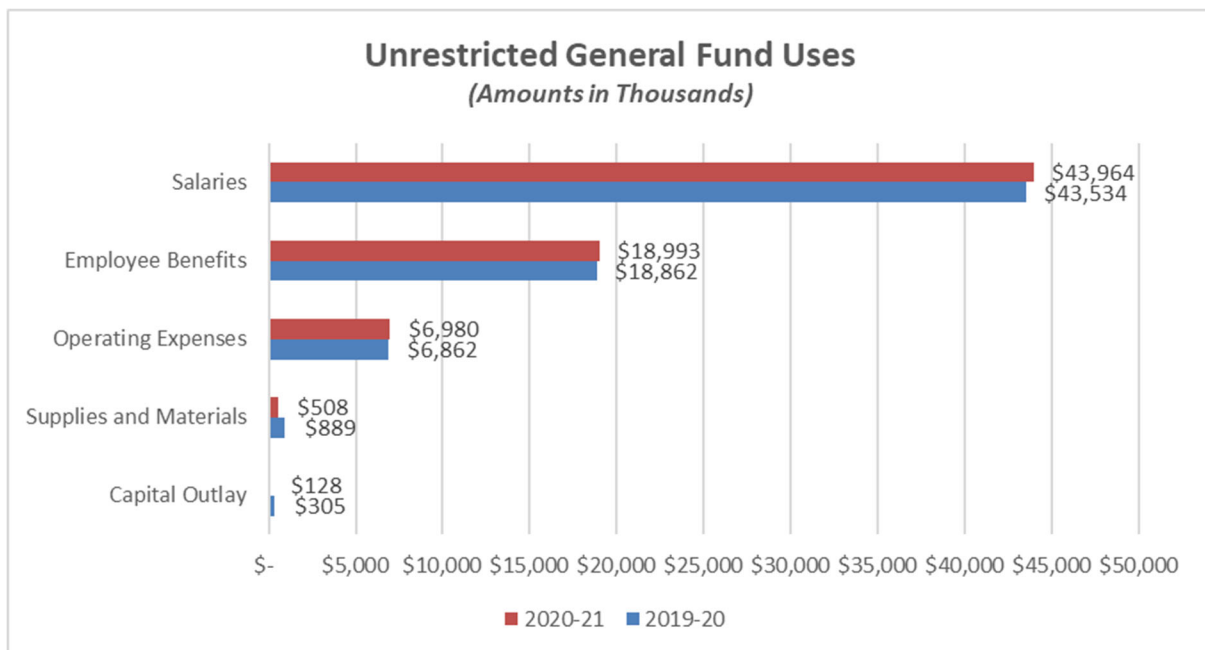
Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.

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

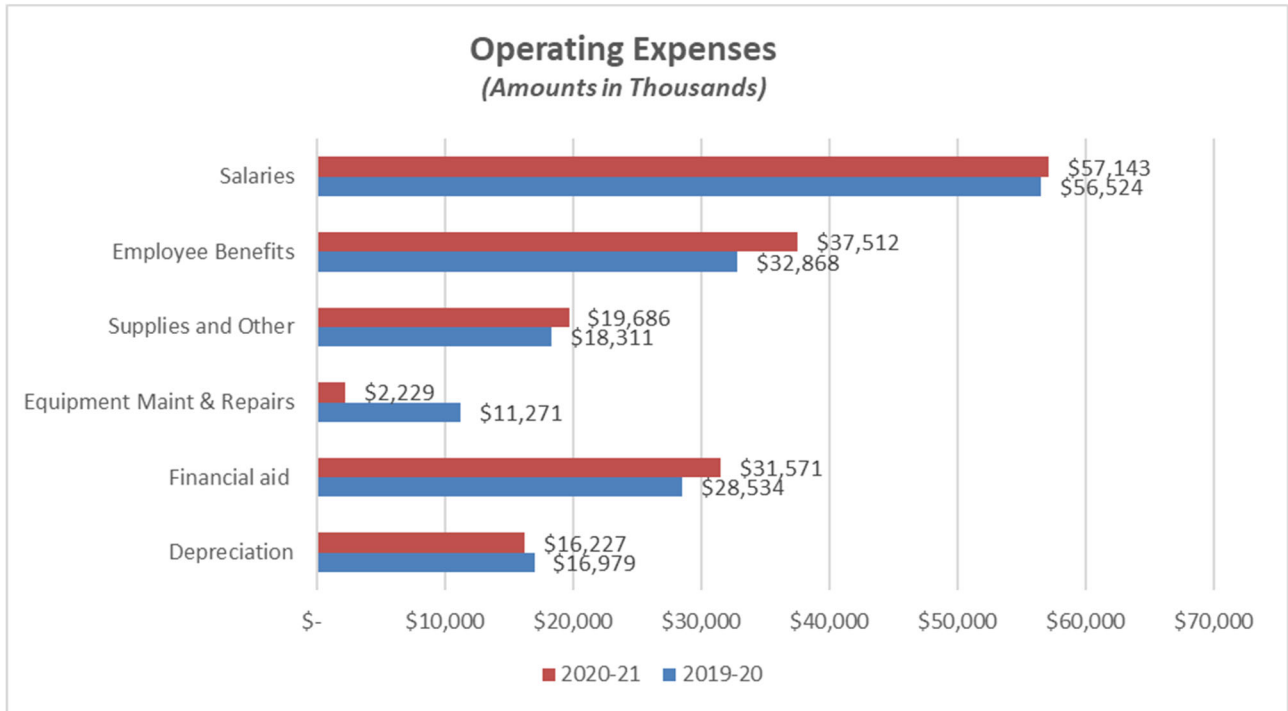
Local property taxes increased due to assessed valuations in the Coachella Valley. As noted above, decreases or increases in property tax revenue affect the District’s State apportionment revenue. The housing market has continued to strengthen throughout the Coachella Valley. Interest rates are rising, which may affect the overall housing market in the future.

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, 2021 and 2020, respectively.



The following graph reflects the Operating Expenses of the District for the years ended June 30, 2021 and 2020, respectively.



Desert Community College District  
Management's Discussion and Analysis  
June 30, 2021

The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and June 30, 2020, is summarized below.

	2021	2020, as restated	Change
<b>Operating Revenues</b>			
Tuition and fees, net	\$ 4,691,681	\$ 5,722,073	\$ (1,030,392)
Grants and contracts, noncapital	27,417,371	17,943,051	9,474,320
Other operating revenues	53,631	118,599	(64,968)
Total operating revenues	<u>32,162,683</u>	<u>23,783,723</u>	<u>8,378,960</u>
<b>Operating Expenses</b>			
Salaries and benefits	94,655,370	89,500,456	5,154,914
Supplies, services, equipment, and maintenance	21,915,402	29,654,535	(7,739,133)
Student financial aid	31,571,344	28,533,561	3,037,783
Depreciation	16,226,800	16,978,746	(751,946)
Total operating expenses	<u>164,368,916</u>	<u>164,667,298</u>	<u>(298,382)</u>
Operating loss	<u>(132,206,233)</u>	<u>(140,883,575)</u>	<u>8,677,342</u>
<b>Nonoperating Revenues (Expenses)</b>			
State apportionments, noncapital	26,674,526	29,135,029	(2,460,503)
Property taxes	80,353,497	77,432,163	2,921,334
Student financial aid grants	27,197,451	25,992,976	1,204,475
State taxes and other revenues	6,216,715	6,009,362	207,353
Net interest expense	(11,381,224)	(10,839,838)	(541,386)
Other nonoperating revenues	2,883,417	10,903,315	(8,019,898)
Total nonoperating revenue (expenses)	<u>131,944,382</u>	<u>138,633,007</u>	<u>(6,688,625)</u>
<b>Other Revenues</b>			
State and local capital income	<u>10,049,073</u>	<u>901,719</u>	<u>9,147,354</u>
Change in net position	<u>\$ 9,787,222</u>	<u>\$ (1,348,849)</u>	<u>\$ 11,136,071</u>

**STATEMENT OF FUNCTIONAL EXPENSES**

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification for year ended June 30, 2021 are as follows:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 42,714,608	\$ 1,769,225	\$ -	\$ 155,857	\$ -	\$ 44,639,690
Instructional administration	8,775,405	656,680	-	3,797	-	9,435,882
Instructional support services	4,253,360	286,270	-	18,332	-	4,557,962
Student services	13,537,250	818,497	-	14,148	-	14,369,895
Plant operations and maintenance	5,428,934	3,981,293	-	31,458	-	9,441,685
Planning, policymaking and coordinations	1,673,733	549,515	-	446	-	2,223,694
Instructional support services	13,165,742	4,785,212	-	122,868	-	18,073,822
Community services and economic development	1,354,657	1,147,105	-	2,631	-	2,504,393
Ancillary services and auxiliary operations	3,742,154	5,554,842	-	6,694	-	9,303,690
Physical property and related acquisitions	9,527	137,666	-	1,872,866	-	2,020,059
Student aid	-	-	31,571,344	-	-	31,571,344
Unallocated depreciation	-	-	-	-	16,226,800	16,226,800
<b>Total</b>	<b>\$ 94,655,370</b>	<b>\$ 19,686,305</b>	<b>\$ 31,571,344</b>	<b>\$ 2,229,097</b>	<b>\$ 16,226,800</b>	<b>\$ 164,368,916</b>

**STATEMENT OF CASH FLOWS**

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	\$ (108,134,118)	\$ (117,820,885)	\$ 9,686,767
Noncapital financing activities	106,463,080	111,348,191	(4,885,111)
Capital financing activities	79,291,163	(13,286,392)	92,577,555
Investing activities	6,576,752	1,821,849	4,754,903
Net Increase (Decrease) in Cash	84,196,877	(17,937,237)	102,134,114
Cash, Beginning of Year	119,228,860	137,166,097	(17,937,237)
Cash, End of Year	<u>\$ 203,425,737</u>	<u>\$ 119,228,860</u>	<u>\$ 84,196,877</u>

The primary cash receipts from operating activities consist of student fees and noncapital federal, state, and local grants and contracts. 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, 2021, the District had \$383,699,050 in net capital assets. Gross capital assets of \$535,468,416 consist of land, buildings, construction in progress, site improvements, equipment and vehicles, and works of art. These assets have accumulated depreciation of \$151,769,366. Net capital asset additions of \$7,888,695 occurred during 2020-2021, and depreciation expense of \$16,226,800 was recorded for the year.

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

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

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Land, works of art and construction in progress	\$ 53,213,525	\$ 3,251,994	\$ (3,481,476)	\$ 52,984,043
Buildings and improvements	452,602,230	7,429,785	-	460,032,015
Furniture and equipment	21,763,966	688,392	-	22,452,358
Subtotal	527,579,721	11,370,171	(3,481,476)	535,468,416
Accumulated depreciation	(135,542,566)	(16,226,800)	-	(151,769,366)
Total	<u>\$ 392,037,155</u>	<u>\$ (4,856,629)</u>	<u>\$ (3,481,476)</u>	<u>\$ 383,699,050</u>

**LONG-TERM LIABILITIES**

As of June 30, 2021, the District had \$440,480,634 in debt from general obligation bonds consisting of \$392,435,000 of principal and \$48,045,634 premium on debt allocated over the life of the bond. The general obligation bonds were issued to fund renovation of the Palm Desert campus buildings and infrastructure, along with land acquisition for the Eastern and Western Valley satellite campuses. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds.

Notes 7, 8, and 10 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 384,871,241	\$ 99,489,275	\$ (43,879,882)	\$ 440,480,634
Aggregate net OPEB liability	5,560,283	1,694,129	-	7,254,412
Aggregate net pension liability	81,217,396	10,488,262	-	91,705,658
Other liabilities	2,402,727	3,323,111	(254,470)	5,471,368
<b>Total long-term liabilities</b>	<b>\$ 474,051,647</b>	<b>\$ 114,994,777</b>	<b>\$ (44,134,352)</b>	<b>\$ 544,912,072</b>
Amount due within one year				<b>\$ 19,326,265</b>

**AGGREGATE NET PENSION LIABILITY**

At year end, the District has an aggregate net pension liability of \$91,705,658 versus \$81,217,396 last year, an increase of \$10,488,262 or 12.91%.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The 2020-2021 Desert Community College District budget was developed with input from the Budget Sub-committee. Revenue projections included conservative projections based on planning factors received from the Chancellor's Office and other agencies. The Budget Sub-committee continued to review and monitor changes throughout the year.

Proposition 30, The Schools and Local Public Safety Protection Act of 2012, passed in November 2012. This proposition temporarily raises the State sales and use tax by a quarter-cent for four years and the personal income taxes on those high-income earners (\$250,000 for individuals and \$500,000 for couples) for seven years to provide continuing funding for the local school districts and community colleges. Although the sales tax portion of this proposition has expired, the increased personal income tax will continue through 2030 due to the passage of proposition 55 in 2016. The Education Protection Account (EPA) is created in the General Fund to receive and disburse these temporary tax revenues.

Due to the prudent actions taken in 2019-2020, the District provided resources to students and staff while maintaining strong reserves in the Unrestricted General Fund. The semi-restricted retiree health insurance fund was established in 2005-2006 with funds from the General Fund toward the unfunded liabilities. The District invested approximately 50 % of the balances from the semi-restricted retiree health insurance fund in an irrevocable trust in 2015-2016. Management continues to closely monitor the liabilities related to retiree benefits. The Other Postemployment Benefit Trust Fund was established to ensure the commitments toward this liability are sufficient. This irrevocable fund, together with the semi-restricted internal service fund, have enough funding to cover 83.75% of the current actuarial liability as identified in the June 2020 Actuarial Report.

College of the Desert has been awarded over \$48 million in Higher Education Emergency Relief Funds (HEERF) from the federal government of which \$19.8 million will be spent on emergency grants to students of College of the Desert by the time the award funds expire in May of 2022. The remaining \$28.2 million will be spent to cover costs that have been incurred as a result of the COVID-19 pandemic. Expenditures include faculty and staff training in online instruction, additional technological hardware for students and faculty, personal protective equipment, highspeed internet service for students and faculty to transition to an online environment and additional student emergency grants to the students of College of the Desert by the time the funds expire in May of 2022.

#### ***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 88% of the total revenue within the Unrestricted General Fund. While the state and national economies recover from impacts of the COVID-19 pandemic, College of the Desert continues to prudently budget to meet the educational needs of the students in the Coachella Valley. The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State Chancellor's Office.

Capital facilities improvement expenditures continue to be possible due to the passage of General Obligation Bond Measures B and CC. During 2020-2021, these funds will accommodate the planning and construction of projects as mentioned below:

- Indio Expansion including planning and development of a new educational building adjacent to the existing facility.
- Early childhood education and daycare center adjacent to the Indio center.
- Palm Springs campus architectural, design and planning.
- Athletics facilities renovation at the Palm Desert campus.

For 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  
June 30, 2021

Assets	
Cash and cash equivalents	\$ 687,076
Investments	235,758,009
Accounts receivable	22,470,149
Prepaid expenses	295,785
Capital assets	
Nondepreciable capital assets	52,984,043
Depreciable capital assets, net of depreciation	330,715,007
Total capital assets	383,699,050
Total assets	642,910,069
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	16,551,060
Deferred outflows of resources related to OPEB	2,912,046
Deferred outflows of resources related to pensions	27,148,748
Total deferred outflows of resources	46,611,854
Liabilities	
Accounts payable	17,910,839
Accrued interest payable	7,082,294
Unearned revenue	6,164,831
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	19,326,265
Long-term liabilities other than OPEB and pensions, due in more than one year	426,625,737
Aggregate net other postemployment benefits (OPEB) liability	7,254,412
Aggregate net pension liability	91,705,658
Total liabilities	576,070,036
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	93,483
Deferred inflows of resources related to pensions	2,142,306
Total deferred inflows of resources	2,235,789
Net Position	
Net investment in capital assets	41,904,598
Restricted for	
Debt service	54,693,493
Capital projects	45,350,890
Educational programs	3,781,559
Other activities	2,449,987
Unrestricted deficit	(36,964,429)
Total Net Position	\$ 111,216,098

Desert Community College District  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2021

Operating Revenues	
Tuition and fees	\$ 10,808,508
Less: Scholarship discounts and allowances	(6,116,827)
Net tuition and fees	<u>4,691,681</u>
Grants and contracts, noncapital	
Federal	11,140,596
State	15,713,082
Local	563,693
Total grants and contracts, noncapital	<u>27,417,371</u>
Other operating revenues	53,631
Total operating revenues	<u>32,162,683</u>
Operating Expenses	
Salaries	57,143,248
Employee benefits	37,512,122
Supplies, materials, and other operating expenses and services	19,686,305
Student financial aid	31,571,344
Equipment, maintenance, and repairs	2,229,097
Depreciation	16,226,800
Total operating expenses	<u>164,368,916</u>
Operating Loss	<u>(132,206,233)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	26,674,526
Local property taxes, levied for general purposes	43,608,558
Taxes levied for other specific purposes	36,744,939
Federal and State financial aid grants	27,197,451
State taxes and other revenues	6,216,715
Investment income	453,791
Interest expense on capital related debt	(12,068,663)
Investment income on capital asset-related debt, net	233,648
Other nonoperating revenue	2,883,417
Total nonoperating revenues (expenses)	<u>131,944,382</u>
Loss Before Other Revenues	<u>(261,851)</u>
Other Revenues	
State revenues, capital	825,178
Local revenues, capital	9,223,895
Total other revenues	<u>10,049,073</u>
Change In Net Position	9,787,222
Net Position, Beginning of Year, as Restated	<u>101,428,876</u>
Net Position, End of Year	<u>\$ 111,216,098</u>

Desert Community College District  
Statement of Cash Flows  
Year Ended June 30, 2021

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Cash Flows from Operating Activities	
Tuition and fees	\$ 4,127,176
Federal, state, and local grants and contracts, noncapital	21,605,414
Payments to or on behalf of employees	(81,965,046)
Payments to vendors for supplies and services	(20,383,949)
Payments to students for scholarships and grants	(31,571,344)
Other operating receipts	53,631
Net cash flows from operating activities	<u>(108,134,118)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	25,497,954
Federal and state financial aid grants	28,784,969
Property taxes - nondebt related	43,608,558
State taxes and other apportionments	6,216,715
Other nonoperating	2,354,884
Net cash flows from noncapital financing activities	<u>106,463,080</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(8,519,449)
State revenue, capital	825,178
Local revenue, capital	9,332,032
Property taxes - related to capital debt	36,744,939
Proceeds from sale of capital debt	99,489,275
Principal paid on capital debt	(37,625,000)
Interest paid on capital debt	(21,189,460)
Interest received on capital asset-related debt	233,648
Net cash flows from capital financing activities	<u>79,291,163</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	6,042,890
Interest received from investments	533,862
Net cash flows from investing activities	<u>6,576,752</u>
Change In Cash and Cash Equivalents	84,196,877
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>119,228,860</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 203,425,737</u></u>

Desert Community College District  
Statement of Cash Flows  
Year Ended June 30, 2021

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Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	<u>\$ (132,206,233)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	16,226,800
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(5,755,015)
Prepaid expenses	14,700
Deferred outflows of resources related to OPEB	(862,185)
Deferred outflows of resources related to pensions	220,456
Accounts payable	1,796,034
Unearned revenue	(621,447)
Compensated absences	(8,418)
Load banking	16,785
Early retirement incentive	3,060,274
Aggregate net OPEB liability	1,694,129
Aggregate net pension liability	10,488,262
Deferred inflows of resources related to OPEB	(25,374)
Deferred inflows of resources related to pensions	<u>(2,172,886)</u>
Total adjustments	<u>24,072,115</u>
Net cash flows from operating activities	<u><u>\$ (108,134,118)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	\$ 687,076
Cash in county treasury	<u>202,738,661</u>
Total cash and cash equivalents	<u><u>\$ 203,425,737</u></u>
Noncash Transactions	
Recognition of deferred outflows of resources related to debt refunding	\$ 4,175,006
Amortization of deferred outflows of resources related to debt refunding	\$ 1,030,651
Amortization of debt premiums	\$ 6,254,882

Desert Community College District  
 Fiduciary Fund  
 Statement of Net Position  
 June 30, 2021

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	Retiree OPEB Trust
Assets	
Investments	\$ 4,877,696
Net Position	
Restricted for postemployment benefits other than pensions	4,877,324
Unrestricted	372
Total net position	\$ 4,877,696

Desert Community College District  
 Fiduciary Fund  
 Statement of Changes in Net Position  
 Year Ended June 30, 2021

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	Retiree OPEB Trust
Additions	
District contributions	\$ 499,991
Interest and investment income, net of expenses	1,096,130
Total additions	1,596,121
Deductions	
Employee benefits	499,991
Change in Net Position	1,096,130
Net Position - Beginning of Year, as Restated	3,781,566
Net Position - End of Year	\$ 4,877,696

**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 four offsite locations located within Riverside County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

**Note 2 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District has identified no component units.

**Basis of Accounting**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. 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 promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.



Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. 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.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

### **Investments**

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

### **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. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

### **Prepaid Expenses**

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

**Capital Assets and Depreciation**

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

**Compensated Absences and Load Banking**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 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.

**Debt Premiums**

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

**Deferred Outflows of Resources and Deferred 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 until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Unearned Revenue**

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

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$106,275,929 of restricted net position, and the fiduciary fund financial statements report \$4,877,324 of restricted net position.

**Operating and Nonoperating Revenues and Expenses**

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and other operating revenues.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

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

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

### **State Apportionments**

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

### **Property Taxes**

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

The voters of the District passed General Obligation Bonds in March 2004 and November 2016 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

### **Scholarship Discounts and Allowances**

Tuition and fee revenue is reported net of scholarship discounts and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship 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.

### **Financial Assistance Programs**

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Position. Federal financial assistance 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, and those difference could be material.

**Interfund Activity**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund 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.

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 primary government and fiduciary funds have been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

**Change in Accounting Principles**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's other trust and agency funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

### **New Accounting Pronouncements**

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 for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

### **Note 3 - Deposits and Investments**

#### **Policies and Practices**

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

**Investment in County Treasury** - In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

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

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

**Authorized Under Debt Agreements**

Investment of debt proceeds are governed by provisions of the debt agreements rather than the general provisions of the California *Government Code* or the District's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 672,076	\$ -
Cash in revolving	15,000	-
Investments	235,758,009	4,877,696
Total deposits and investments	<u>\$ 236,445,085</u>	<u>\$ 4,877,696</u>



### 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 Investment Pool, mutual funds, certificates of deposits, and municipal bonds.

### 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.

Information about the sensitivity of the fair values of the District's investments to interest rate risk and credit risk is provided by the following schedule that shows the distribution of the District's investment by maturity and credit rating:

Investment Type	Fair Value	Weighted Average Maturity in Years	Credit Rating
Money market funds	\$ 18,420	No maturity	Not rated
Mutual funds	4,877,324	No maturity	Not rated
Certificates of deposit	60,928	0.82	Not rated
Riverside County investment pool	202,739,033	1.15	Aaa-bf
Municipal bonds	32,940,000	15.34	VMIG 1
Total	\$ 240,635,705		

### Custodial Credit Risk

#### Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of approximately \$1.1 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

## Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021, the District's investment balance of approximately \$4.9 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

### Note 4 - Fair Value Measurements

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

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

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

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

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs
Mutual funds	\$ 4,877,324	\$ 4,877,324
Certificates of deposit	60,928	60,928
Municipal bonds	32,940,000	32,940,000
Total	\$ 37,878,252	\$ 37,878,252

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

**Note 5 - Accounts Receivable**

Accounts receivable as of June 30, 2021, consisted of the following:

	Primary Government
Federal Government	
Categorical aid	\$ 4,482,053
State Government	
Apportionment	8,566,141
Categorical aid	3,848,520
Lottery	768,914
Local Sources	
Property taxes	1,262,683
District foundation	197,645
Enrollment fees	1,863,841
Interest	94,084
Other local sources	1,386,268
	\$ 22,470,149

**Note 6 - Capital Assets**

Capital asset activity for the District for the fiscal year ended June 30, 2021, was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 40,087,162	\$ -	\$ -	\$ 40,087,162
Works of art	524,000	-	-	524,000
Construction in progress	12,602,363	3,251,994	(3,481,476)	12,372,881
	<u>53,213,525</u>	<u>3,251,994</u>	<u>(3,481,476)</u>	<u>52,984,043</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	139,441,965	4,481,049	-	143,923,014
Buildings and improvements	313,160,265	2,948,736	-	316,109,001
Furniture and equipment	21,763,966	688,392	-	22,452,358
	<u>474,366,196</u>	<u>8,118,177</u>	<u>-</u>	<u>482,484,373</u>
Total capital assets	<u>527,579,721</u>	<u>11,370,171</u>	<u>(3,481,476)</u>	<u>535,468,416</u>
<b>Less Accumulated Depreciation</b>				
Land improvements	(48,668,248)	(6,960,651)	-	(55,628,899)
Buildings and improvements	(74,444,223)	(7,773,009)	-	(82,217,232)
Furniture and equipment	(12,430,095)	(1,493,140)	-	(13,923,235)
	<u>(135,542,566)</u>	<u>(16,226,800)</u>	<u>-</u>	<u>(151,769,366)</u>
Net capital assets	<u>\$ 392,037,155</u>	<u>\$ (4,856,629)</u>	<u>\$ (3,481,476)</u>	<u>\$ 383,699,050</u>

**Note 7 - Long-Term Liabilities other than OPEB and Pensions**

**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	\$ 337,130,000	\$ 92,930,000	\$ (37,625,000)	\$ 392,435,000	\$ 18,665,000
Bond premium	47,741,241	6,559,275	(6,254,882)	48,045,634	-
Compensated absences	1,891,973	-	(8,418)	1,883,555	-
Load banking	510,754	16,785	-	527,539	-
Early retirement incentive	-	3,306,326	(246,052)	3,060,274	661,265
<b>Total</b>	<b>\$ 387,273,968</b>	<b>\$ 102,812,386</b>	<b>\$ (44,134,352)</b>	<b>\$ 445,952,002</b>	<b>\$ 19,326,265</b>

**Description of Long-Term Liabilities**

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences, load banking, and early retirement incentive will be paid by the fund for which the employee worked.

**General Obligation Bonds**

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.

In April 2015, the District issued 2015 General Obligation Refunding Bonds. These bonds were issued in the amount of \$38,690,000. A portion of the bond proceeds was deposited into the District's Bond Fund to be used for the District's project list. The rest of the proceeds were deposited into an escrow account to: (1) advance refund and defease portions of the District's outstanding bond obligations, (2) pay the debt service on the Refunded Bonds, including principal, and (3) pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds have a final maturity to occur on August 1, 2024, with interest rates from 2.00% to 5.00%. At June 30, 2021, the principal balance outstanding was \$21,165,000.

In February 2016, the District issued 2016 General Obligation Refunding Bonds. These bonds were issued in the amount of \$158,130,000. A portion of the bond proceeds was deposited into the District's Bond Fund to be used for the District's project list. The rest of the proceeds were deposited into an escrow account to: (1) advance refund and defease portions of the District's outstanding bond obligations, (2) pay the debt service on the Refunded Bonds, including principal, and (3) pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds have a final maturity to occur on August 1, 2037, with an interest rate of 5.00%. At June 30, 2021, the principal balance outstanding was \$157,365,000.

In April 2017, the District issued the 2017 General Obligation Refunding Bonds in the amount of \$125,305,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The net proceeds from the issuance were used to advance refund, on a crossover basis, the outstanding balance of the District's 2007 General Obligation Bonds, Series C, and pay the costs associated with the issuance of the bonds. The bonds have a final maturity to occur on August 1, 2039, with interest rates from 2.00% to 5.00%. At June 30, 2021, the principal balance outstanding was \$123,475,000.

On November 8, 2016, \$577,866,000 in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure CC. These bonds are issued in multiple series as general obligations of the District.

In June 2018, Series 2018 General Obligation Bonds in the amount of \$50,000,000 were sold. The proceeds from the sale of the bonds will generally be used to finance the construction, acquisition, furnishing, and equipping of District facilities. At June 30, 2021, the principal balance was paid in full.

In August 2020, Series 2020 General Obligation Bonds in the amount of \$60,000,000 were sold. The proceeds from the sale of the bonds will generally be used to finance the construction, acquisition, furnishing, and equipping of District facilities. The bonds have a final maturity to occur on August 1, 2042, with interest rates from 0.217% to 4.00%. At June 30, 2021, the principal balance outstanding was \$57,500,000.

In August 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of \$32,930,000. 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 net proceeds from the issuance were used to advance refund the outstanding balance of the District's Series 2018 General Obligation Bonds and pay the costs associated with the issuance of the bonds. Because the transaction qualified as a legal defeasance, the obligation for the defeased bonds has been removed from the District's financial statements. The economic gain calculated as the sum of the project fund proceeds and the net present value savings is approximately \$11,839,256. The bonds have a final maturity to occur on August 1, 2040, with interest rates from 0.265% to 2.457%. At June 30, 2021, the principal balance outstanding was \$32,930,000.

**Debt Maturity**

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
4/2015	8/1/2024	2.00%-5.00%	\$ 38,690,000	\$ 25,240,000	\$ -	\$ (4,075,000)	\$ 21,165,000
2/2016	8/1/2037	5.00%	158,130,000	157,365,000	-	-	157,365,000
4/2017	8/1/2039	2.00%-5.00%	125,305,000	124,525,000	-	(1,050,000)	123,475,000
6/2018	8/1/2020	3.00%-5.00%	50,000,000	30,000,000	-	(30,000,000)	-
8/2020	8/1/2042	0.217%-4.00%	60,000,000	-	60,000,000	(2,500,000)	57,500,000
8/2020	8/1/2040	0.265%-2.457%	32,930,000	-	32,930,000	-	32,930,000
				<u>\$ 337,130,000</u>	<u>\$ 92,930,000</u>	<u>\$ (37,625,000)</u>	<u>\$ 392,435,000</u>

**General Obligation Bond - 2015 Refunding**

The bonds mature through 2025 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 4,530,000	\$ 945,000	\$ 5,475,000
2023	5,015,000	706,375	5,721,375
2024	5,530,000	442,750	5,972,750
2025	6,090,000	152,250	6,242,250
Total	<u>\$ 21,165,000</u>	<u>\$ 2,246,375</u>	<u>\$ 23,411,375</u>

**General Obligation Bond - 2016 Refunding**

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ -	\$ 7,868,250	\$ 7,868,250
2023	-	7,868,250	7,868,250
2024	-	7,868,250	7,868,250
2025	-	7,868,250	7,868,250
2026	4,305,000	7,760,625	12,065,625
2027-2031	29,120,000	34,896,750	64,016,750
2032-2036	72,635,000	23,542,875	96,177,875
2037-2038	51,305,000	2,618,125	53,923,125
Total	\$ 157,365,000	\$ 100,291,375	\$ 257,656,375

**General Obligation Bond - 2017 Refunding**

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 1,485,000	\$ 5,642,300	\$ 7,127,300
2023	2,000,000	5,562,600	7,562,600
2024	2,500,000	5,450,100	7,950,100
2025	3,000,000	5,312,600	8,312,600
2026	5,200,000	5,107,600	10,307,600
2027-2031	35,400,000	20,788,000	56,188,000
2032-2036	25,200,000	11,968,000	37,168,000
2037-2040	48,690,000	5,876,800	54,566,800
Total	\$ 123,475,000	\$ 65,708,000	\$ 189,183,000



**General Obligation Bond – 2020 Series**

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 11,800,000	\$ 1,620,331	\$ 13,420,331
2023	5,000,000	1,343,331	6,343,331
2024	-	1,243,331	1,243,331
2025	-	1,243,331	1,243,331
2026	-	1,243,331	1,243,331
2027-2031	6,305,000	5,651,156	11,956,156
2032-2036	11,435,000	3,915,156	15,350,156
2037-2041	15,420,000	1,651,003	17,071,003
2042-2043	7,540,000	162,563	7,702,563
Total	\$ 57,500,000	\$ 18,073,533	\$ 75,573,533

**General Obligation Bond – 2020 Refunding**

The bonds mature through 2041 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 850,000	\$ 600,547	\$ 1,450,547
2023	790,000	598,058	1,388,058
2024	795,000	594,874	1,389,874
2025	795,000	590,601	1,385,601
2026	970,000	584,429	1,554,429
2027-2031	6,280,000	2,727,137	9,007,137
2032-2036	9,095,000	2,105,726	11,200,726
2037-2041	13,355,000	882,370	14,237,370
Total	\$ 32,930,000	\$ 8,683,742	\$ 41,613,742

**Early Retirement Incentive**

In September 2020, the District entered into a Supplementary Retirement Plan (SRP) to provide certain benefits to employees participating in the early retirement incentive program. The District will pay \$3,060,274 on behalf of forty-four retirees through 2026 in accordance with the following schedule:

Year Ending June 30,	
2022	\$ 661,265
2023	661,265
2024	661,265
2025	661,265
2026	415,214
Total	\$ 3,060,274

**Note 8 - Aggregate Net Other Postemployment Benefit (OPEB) Liability**

For the year ended June 30, 2021, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 6,882,867	\$ 2,912,046	\$ 93,483	\$ 742,529
Medicare Premium Payment (MPP) Program	371,545	-	-	64,041
Total	\$ 7,254,412	\$ 2,912,046	\$ 93,483	\$ 806,570

The details of each plan are as follows:

**District Plan**

**Plan Administration**

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

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

**Plan Membership**

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	27
Active employees	340
	367
Total	367

**Retiree Health Benefit OPEB Trust**

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

**Benefits Provided**

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

**Contributions**

The contribution requirements of Plan members and the District are established and may be amended by the District, the College of the Desert Faculty Association (CODFA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, CODFA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2020, the District contributed \$475,427 to the Plan of which all were used for current premiums.

**Investment**

**Investment Policy**

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board’s adopted asset allocation policy as of June 30, 2020:

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

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was -0.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability of the District**

The District’s net OPEB liability of \$6,882,867 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	\$ 10,664,062
Plan fiduciary net position	<u>(3,781,195)</u>
Net OPEB liability	<u>\$ 6,882,867</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>35.46%</u>

### Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	3.50%
Healthcare cost trend rate	4.00%

The discount rate was based on the long-term rate of return on plan assets for the first 19 years, and the municipal bond rate thereafter.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, (see the discussion of the Plan's investment policy) are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	\$ 9,039,695	\$ 3,786,916	\$ 5,252,779
Service cost	872,696	-	872,696
Interest	422,642	-	422,642
Difference between expected and actual experience	(100,903)	-	(100,903)
Contributions - employer	-	475,427	(475,427)
Expected investment income	-	264,954	(264,954)
Differences between projected and actual earnings on OPEB plan investments	-	(266,959)	266,959
Changes of assumptions	905,359	-	905,359
Benefit payments	(475,427)	(475,427)	-
Administrative expense	-	(3,716)	3,716
Net change in total OPEB liability	1,624,367	(5,721)	1,630,088
Balance, June 30, 2020	\$ 10,664,062	\$ 3,781,195	\$ 6,882,867

Changes in assumptions and other inputs reflects a change in the discount rate from 4.60% to 3.50% since the previous valuation. There were no changes in the benefit terms since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	\$ 7,644,165
Current discount rate (3.50%)	6,882,867
1% increase (4.50%)	6,070,031

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

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

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3.00%)	\$ 6,123,645
Current healthcare cost trend rate (4.00%)	6,882,867
1% increase (5.00%)	7,767,375

**Deferred Outflows/Inflows of Resources Related to OPEB**

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 499,991	\$ -
Differences between expected and actual experience	495,716	93,483
Changes of assumptions	1,785,852	-
Net difference between projected and actual earnings on OPEB plan investments	130,487	-
Total	<u>\$ 2,912,046</u>	<u>\$ 93,483</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 17,615
2023	17,618
2024	41,863
2025	53,391
Total	<u>\$ 130,487</u>

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 13.6 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 190,805
2023	190,805
2024	190,805
2025	190,805
2026	190,805
Thereafter	1,234,060
Total	<u>\$ 2,188,085</u>

### Medicare Premium Payment (MPP) Program

#### Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### Benefits Provided

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

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



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

### Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$371,545 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.0877% and 0.0826%, respectively, resulting in a net increase in the proportionate share of 0.0051%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$64,041.

### Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then

applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 410,847
Current discount rate (2.21%)	371,545
1% increase (3.21%)	338,102

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	\$ 336,893
Current Medicare costs trend rates (4.5% Part A and 5.4% Part B)	371,545
1% increase (5.5% Part A and 6.4% Part B)	411,437

**Note 9 - Risk Management****Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts and liability; theft, damage, 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, 2021, 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 2020-2021, 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 / Company Name	Type of Coverage	Limits
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	\$ 150,000,000
Schools Association for Excess Risk (SAFER)	Excess Liability	\$ 24,000,000
Statewide Association of Community Colleges (SWACC)	Property and Liability	\$ 244,750,000

**Employee Medical Benefits**

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

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

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

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

**Note 10 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 48,760,510	\$ 17,811,568	\$ 2,142,306	\$ 7,629,767
CalPERS	42,945,148	9,337,180	-	10,111,673
Total	<u>\$ 91,705,658</u>	<u>\$ 27,148,748</u>	<u>\$ 2,142,306</u>	<u>\$ 17,741,440</u>

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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

### Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer 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 Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	On or before <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required State contribution rate	10.328%	10.328%

### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor are 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 California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$4,902,859.

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

At June 30, 2021, 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	\$ 48,760,510
State's proportionate share of net pension liability associated with the District	<u>25,136,049</u>
Total	<u><u>\$ 73,896,559</u></u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0503% and 0.0467%, respectively, resulting in a net increase in the proportionate share of 0.0036%.

For the year ended June 30, 2021, the District recognized pension expense of \$7,629,767. In addition, the District recognized pension expense and revenue of \$3,521,314 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,902,859	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,909,560	767,176
Differences between projected and actual earnings on pension plan investments	1,158,269	-
Differences between expected and actual experience in the measurement of the total pension liability	86,040	1,375,130
Changes of assumptions	<u>4,754,840</u>	<u>-</u>
Total	<u><u>\$ 17,811,568</u></u>	<u><u>\$ 2,142,306</u></u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (706,769)
2023	394,644
2024	787,359
2025	<u>683,035</u>
Total	<u>\$ 1,158,269</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 2,328,340
2023	2,601,104
2024	2,431,909
2025	1,162,880
2026	626,182
Thereafter	<u>457,719</u>
Total	<u>\$ 9,608,134</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%



### Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 73,670,338
Current discount rate (7.10%)	48,760,510
1% increase (8.10%)	28,193,939

### 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, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

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

survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

### 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, 2021, are presented above, and the total District contributions were \$4,302,749.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$42,945,148. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.1400% and 0.1340%, respectively, resulting in a net increase in the proportionate share of 0.0060%.

For the year ended June 30, 2021, the District recognized pension expense of \$10,111,673. At June 30, 2021, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,302,749
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,853,019
Differences between projected and actual earnings on pension plan investments	893,982
Differences between expected and actual experience in the measurement of the total pension liability	2,129,948
Changes of assumptions	<u>157,482</u>
Total	<u><u>\$ 9,337,180</u></u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (334,546)
2023	298,404
2024	518,674
2025	<u>411,450</u>
Total	<u><u>\$ 893,982</u></u>

The deferred outflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ 2,609,781
2023	1,188,049
2024	320,237
2025	22,382
Total	<u>\$ 4,140,449</u>

#### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 61,741,482
Current discount rate (7.15%)	42,945,148
1% increase (8.15%)	27,345,135

### **Social Security**

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

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to \$2,844,460 (10.328%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

### **Note 11 - Participation in Public Entity Risk Pools and Joint Powers Authorities**

The District is a member of the SWACC, SAFER public entity risk pools, the Riverside County Superintendent of Schools' Self-Insurance Program for Employees (SIPE) and Riverside Schools Risk Management Authority (RSRMA) Joint Powers Authority JPAs. 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.

The JPAs 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 JPAs 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 12 - 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, 2021.

**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, 2021.

**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
2022	\$ 943,513
2023	898,976
2024	890,000
2025	890,000
2026	890,000
2027-2031	4,450,000
2032-2036	4,450,000
2037-2041	4,450,000
2042-2044	2,197,806
Total Minimum Lease Payments	\$ 20,060,295

**Construction Commitments**

As of June 30, 2021, the District had approximately \$13.5 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and redevelopment agency funds.

**Note 13 - Restatement of Prior Year Net Position**

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 101,192,878
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	235,998
Net Position - Beginning, as Restated	\$ 101,428,876
Fiduciary Funds	
Net Position - Beginning	\$ 4,058,510
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	(276,944)
Net Position - Beginning, as Restated	\$ 3,781,566

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and the Statement of Cash Flows to maintain consistency between periods presented.

**Note 14 - Subsequent Events**

On December 7, 2021, the District issued \$85,000,000 of Election 2016, Series 2021A-1 General Obligation Bonds. The bonds were issued to finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and to pay the costs of issuance of the New Money Bonds. The bonds will be repaid by the District through August 1, 2051, with semi-annual interest payments commencing on August 1, 2022, at rates ranging from 2.50% to 4.00%.

On December 7, 2021, the District issued \$25,000,000 of Election 2016, Series 2021A-2 General Obligation Bonds. The bonds were issued to finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and to pay the costs of issuance of the New Money Bonds. The bonds will be repaid by the District through August 1, 2037, with semi-annual interest payments commencing on August 1, 2022, at rates ranging from 2.31% to 3.00%.

On December 7, 2021, the District issued \$180,035,000 of General Obligation Refunding Bonds, Series 2021. The bonds were issued to refund a portion of the District's outstanding 2016 General Obligation Refunding Bonds, and to pay costs of issuance of the refunding bonds. The bonds will be repaid by the District through August 1, 2037, with semi-annual interest payments commencing on August 1, 2022, at rates ranging from 0.45% to 2.98%.





Required Supplementary Information  
June 30, 2021

## Desert Community College District

Desert Community College District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 872,696	\$ 746,792	\$ 512,430	\$ 457,066
Interest	422,642	371,250	297,247	410,083
Difference between expected and actual experience	(100,903)	-	-	-
Changes of assumptions	905,359	661,243	1,147,476	-
Benefit payments	(475,427)	(530,189)	(469,494)	(401,715)
Net change in total OPEB liability	1,624,367	1,249,096	1,487,659	465,434
Total OPEB Liability - Beginning	9,039,695	7,790,599	6,302,940	5,837,506
Total OPEB Liability - Ending (a)	<u>\$ 10,664,062</u>	<u>\$ 9,039,695</u>	<u>\$ 7,790,599</u>	<u>\$ 6,302,940</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 475,427	\$ 530,189	\$ 469,494	\$ 401,715
Investment income	264,954	225,134	275,919	351,417
Differences between projected and actual earnings on OPEB plan investments	(266,959)	-	-	-
Benefit payments	(475,427)	(530,189)	(469,494)	(401,715)
Administrative expense	(3,716)	(3,535)	(3,431)	(3,060)
Net change in plan fiduciary net position	(5,721)	221,599	272,488	348,357
Plan Fiduciary Net Position - Beginning	3,786,916	3,565,317	3,292,829	2,944,472
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,781,195</u>	<u>\$ 3,786,916</u>	<u>\$ 3,565,317</u>	<u>\$ 3,292,829</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 6,882,867</u>	<u>\$ 5,252,779</u>	<u>\$ 4,225,282</u>	<u>\$ 3,010,111</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	35.46%	41.89%	45.76%	52.24%
Covered Employee Payroll	<u>\$ 49,542,066</u>	<u>\$ 46,025,056</u>	<u>\$ 42,605,101</u>	<u>\$ 36,665,857</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	13.89%	11.41%	9.92%	8.21%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Desert Community College District  
 Schedule of OPEB Investment Returns  
 Year Ended June 30, 2021

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	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	-0.15%	6.22%	8.38%	11.83%

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

Desert Community College District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0877%	0.0826%	0.0800%	0.0720%
Proportionate share of the net OPEB liability	\$ 371,545	\$ 307,504	\$ 306,260	\$ 302,878
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Desert Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2021	2020	2019	2018
<b>CalSTRS</b>				
Proportion of the net pension liability	0.0503%	0.0467%	0.0446%	0.0398%
Proportionate share of the net pension liability	\$ 48,760,510	\$ 42,157,879	\$ 40,969,672	\$ 36,775,058
State's proportionate share of the net pension liability associated with the District	25,136,049	22,999,937	23,457,054	21,755,813
Total	\$ 73,896,559	\$ 65,157,816	\$ 64,426,726	\$ 58,530,871
Covered payroll	\$ 29,330,322	\$ 27,430,676	\$ 25,939,619	\$ 22,694,428
Proportionate share of the net pension liability as a percentage of its covered payroll	166.25%	153.69%	157.94%	162.04%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CalPERS</b>				
Proportion of the net pension liability	0.1400%	0.1340%	0.1250%	0.1120%
Proportionate share of the net pension liability	\$ 42,945,148	\$ 39,059,517	\$ 33,326,331	\$ 26,740,710
Covered payroll	\$ 20,211,744	\$ 18,594,380	\$ 16,665,482	\$ 13,971,429
Proportionate share of the net pension liability as a percentage of its covered payroll	212.48%	210.06%	199.97%	191.40%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Desert Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2017	2016	2015
<b>CalSTRS</b>			
Proportion of the net pension liability	0.0416%	0.0391%	0.0408%
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
Covered payroll	\$ 20,052,406	\$ 18,820,721	\$ 18,194,036
Proportionate share of the net pension liability as a percentage of its covered payroll	167.66%	140.03%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>			
Proportion of the net pension liability	0.1071%	0.1032%	0.1033%
Proportionate share of the net pension liability	\$ 21,155,192	\$ 15,215,164	\$ 11,723,145
Covered payroll	\$ 12,681,438	\$ 11,432,104	\$ 10,840,299
Proportionate share of the net pension liability as a percentage of its covered payroll	166.82%	133.09%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

Desert Community College District  
Schedule of the District Contributions for Pensions  
Year Ended June 30, 2021

	2021	2020	2019	2018
<b>CalSTRS</b>				
Contractually required contribution	\$ 4,902,859	\$ 5,015,485	\$ 4,465,714	\$ 3,743,087
Contributions in relation to the contractually required contribution	<u>(4,902,859)</u>	<u>(5,015,485)</u>	<u>(4,465,714)</u>	<u>(3,743,087)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 30,358,260</u>	<u>\$ 29,330,322</u>	<u>\$ 27,430,676</u>	<u>\$ 25,939,619</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 4,302,749	\$ 3,985,958	\$ 3,358,517	\$ 2,588,316
Contributions in relation to the contractually required contribution	<u>(4,302,749)</u>	<u>(3,985,958)</u>	<u>(3,358,517)</u>	<u>(2,588,316)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 20,786,227</u>	<u>\$ 20,211,744</u>	<u>\$ 18,594,380</u>	<u>\$ 16,665,482</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

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

Desert Community College District  
Schedule of the District Contributions for Pensions  
Year Ended June 30, 2021

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

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



## **Note 1 - Purpose of Schedules**

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 4.60% to 3.50% since the previous valuation.

### **Schedule of OPEB Investment Returns**

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

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes in Assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

### **Schedule of District Contributions for Pensions**

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



Supplementary Information  
June 30, 2021

## Desert Community College District

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

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

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**Board of Trustees as of June 30, 2021**

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Member	Office	Term Expires
Aurora Wilson	Chairperson	2022
Rubén AríAztlán Pérez	Vice Chairperson	2022
Dr. Bonnie Stefan	Clerk	2024
Dr. Fred E. Jandt	Member	2024
Bea Gonzalez	Member	2024
Ireland Olson	Student Trustee	2022

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**Administration as of June 30, 2021**

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Jeff Baker	Interim Superintendent/President
Dr. Annebelle Nery	Vice President of Instruction and Acting Vice President of Student Services
John Ramont	Vice President of Administrative Services
Tony Carrillo, Jr.	Director of Fiscal Services
Dr. Mark J. Zacovic	Interim Vice President of Human Resources and Employee Relations
Stuart Davis	Executive Director of Educational Technology

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**Auxiliary Organizations in Good Standing**

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Desert Community College Auxiliary Services  
Master Agreement dated March 1985  
Jeff Baker, Interim Superintendent/President

Desert Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 14,346,447
Federal Pell Grant Program Administrative Allowance	84.063		47,400
Federal Direct Student Loans	84.268		27,966
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		653,372
Federal Work-Study Program	84.033		83,555
Subtotal Student Financial Assistance Cluster			<u>15,158,740</u>
TRIO Cluster			
DSPS Student Support Services	84.042A		254,021
ACES Student Support Services	84.042A		333,033
Veterans Student Support Services	84.042A		198,647
Educational Talent Search Program	84.044A		307,815
Upward Bound Program	84.047A		410,371
Subtotal TRIO Cluster			<u>1,503,887</u>
Child Care Access Means Parents in School	84.335A		116,450
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		3,627,929
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		10,948,723
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		443,135
Subtotal			<u>15,019,787</u>
Passed through California Department of Education			
Adult Basic Education & ELA	84.002A	14508	238,346
Adult Secondary Education	84.002	13978	47,850
English Literacy & Civics Education	84.002A	14109	3,248
Subtotal			<u>289,444</u>
Passed through California Community Colleges Chancellor's Office Career and Technical Education, Title I-C	84.048A	20-C01-930	501,576
Passed through California Department of Rehabilitation State Vocational Rehabilitation Services Program	84.126A	31080	213,307
Total U.S. Department of Education			<u>32,803,191</u>
U.S. Department of the Treasury			
Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus Relief Fund	21.019	[1]	522,144

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

Desert Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster			
National Science Foundation			
Passed through California State University San Bernardino Centers of Research Excellence in Science and Technology (CREST)	47.041	[1]	\$ 4,222
Passed through University Enterprises Corporation at California State University San Bernardino Promoting Pre and Post-Transfer Success in STEM at Hispanic Serving Institutions	47.076	GT16174	114,255
Subtotal National Science Foundation			<u>118,477</u>
National Aeronautics and Space Administration			
Entry, Descent, and Landing Curriculum Development for Community College Students	43.008		27,205
Subtotal Research and Development Cluster			<u>145,682</u>
U.S. Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	76,015
Child Care and Development Fund (CCDF) Cluster			
Passed through California Department of Education Child Care and Development Block Grant	93.575	15136	48,045
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	106,435
COVID-19: CARES Act General Child Care and Development	93.575	15549	35,930
Subtotal Child Care and Development Fund (CCDF) Cluster			<u>190,410</u>
Total U.S. Department of Health and Human Services			<u>266,425</u>
Total Federal Financial Assistance			<u>\$ 33,737,442</u>

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

Desert Community College District  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2021

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
AEBG Consortium	\$ 938,985	\$ -	\$ 586,596	\$ 352,389	\$ 352,389
Board Financial Assistance Program (BFAP)	119,026	-	-	119,026	119,026
Cal Fresh Outreach	39,048	-	39,048	-	-
California Promise Grant	481,851	-	290,704	191,147	191,147
CalWORKS	541,774	-	168,347	373,427	373,427
Campus Safety	20,223	-	20,223	-	-
Child Development: California State Preschool Program	374,741	145,316	-	520,057	520,057
Child Development: General Childcare and Development	99,282	319,815	-	419,097	419,097
Classified Professional Growth	47,553	-	47,553	-	-
COD Innovation Development Entrepreneurship Action	90,000	-	-	90,000	-
Cooperative Agencies for Education (CARE)	173,314	-	49,565	123,749	123,749
COVID-19 Block Grant - State Portion	640,938	-	640,938	-	-
CVC-OEI Grant	153,104	-	-	153,104	153,104
Disabled Student Program and Services (DSPS)	1,147,257	-	11,768	1,135,489	1,135,489
Disaster Relief Emergency Student Financial Aid	85,433	-	-	85,433	85,433
DSN - Construction and Utilities	247,916	-	38,562	209,354	209,354
Early Action Emergency Financial Aid	1,080,601	-	-	1,080,601	1,080,601
Equal Employment Opportunity	107,849	-	27,975	79,874	79,874
EWD - Health	252,947	-	57,156	195,791	195,791
Extended Opportunity Program and Services (EOPS)	664,094	-	77,297	586,797	586,797
Financial Aid Technology	151,938	-	-	151,938	151,938
Guided Pathways	605,458	-	371,587	233,871	233,871
Hunger Free Campus	30,638	-	7,604	23,034	23,034
Mental Health Support	65,705	-	-	65,705	65,705
MESA	-	58,542	-	58,542	58,542
Nursing Assessment	258,565	-	137,008	121,557	121,557

Desert Community College District  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2021

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Retention & Enrollment	\$ 156,099	\$ -	\$ 156,099	\$ -	\$ -
Saddleback College/Rio Hondo College MOU	33,333	-	-	33,333	33,333
State Instructional Equipment/Repairs	273,342	-	232,351	40,991	40,991
Strong Workforce Program	3,475,534	-	1,622,229	1,853,305	1,853,305
Student Equity and Achievement	801,874	3,324,847	-	4,126,721	4,126,721
Student Financial Aid Administration	329,882	-	-	329,882	329,882
Student Success Completion Grant	1,833,927	-	475,803	1,358,124	1,358,124
Undocumented Resource Alliance	53,519	-	53,519	-	-
Veterans Program	35,676	-	35,676	-	-
Veterans Resource Center	161,536	-	140,794	20,742	20,742
Total state programs	<u>\$ 15,572,962</u>	<u>\$ 3,848,520</u>	<u>\$ 5,288,402</u>	<u>\$ 14,133,080</u>	<u>\$ 14,043,080</u>

Desert Community College District  
 Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance  
 Year Ended June 30, 2021

CATEGORIES	**Revised Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2020 only)</b>			
1. Noncredit*	54.85	-	54.85
2. Credit	200.69	-	200.69
<b>B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)</b>			
1. Noncredit*	-	-	-
2. Credit	0.86	-	0.86
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	316.49	-	316.49
(b) Daily Census Contact Hours	-	-	-
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	794.06	-	794.06
(b) Credit	110.55	-	110.55
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	6,195.80	-	6,195.80
(b) Daily Census Procedure Courses	1,063.95	-	1,063.95
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>8,737.25</u>	<u>-</u>	<u>8,737.25</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	59.60	-	59.60
2. Credit	543.26	-	543.26
<b>CCFS-320 Addendum</b>			
CDCP Noncredit FTES	773.20	-	773.20
<b>Centers FTES</b>			
1. Noncredit*	-	-	-
2. Credit	-	-	-

\*Including Career Development and College Preparation (CDCP) FTES.

\*\*Annual report revised as of November 9, 2021.



Desert Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2021

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 13,602,058	\$ -	\$ 13,602,058	\$ 13,602,058	\$ -	\$ 13,602,058
Other	1300	7,552,965	-	7,552,965	7,552,965	-	7,552,965
Total Instructional Salaries		21,155,023	-	21,155,023	21,155,023	-	21,155,023
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,988,665	-	4,988,665
Other	1400	-	-	-	686,425	-	686,425
Total Noninstructional Salaries		-	-	-	5,675,090	-	5,675,090
Total Academic Salaries		21,155,023	-	21,155,023	26,830,113	-	26,830,113
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	13,266,375	-	13,266,375
Other	2300	-	-	-	195,913	-	195,913
Total Noninstructional Salaries		-	-	-	13,462,288	-	13,462,288
Instructional Aides							
Regular Status	2200	1,820,852	-	1,820,852	1,820,852	-	1,820,852
Other	2400	165,121	-	165,121	165,121	-	165,121
Total Instructional Aides		1,985,973	-	1,985,973	1,985,973	-	1,985,973
Total Classified Salaries		1,985,973	-	1,985,973	15,448,261	-	15,448,261
Employee Benefits	3000	9,505,297	-	9,505,297	18,247,805	-	18,247,805
Supplies and Material	4000	-	-	-	492,932	-	492,932
Other Operating Expenses	5000	-	-	-	6,674,531	-	6,674,531
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		32,646,293	-	32,646,293	67,693,642	-	67,693,642

Desert Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2021

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		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	\$ -	\$ -	\$ -	\$ 39,349	\$ -	\$ 39,349
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	194,641	-	194,641
Objects to Exclude							
Rents and Leases	5060	-	-	-	156,220	-	156,220
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		-	-	-	-	-	-

Desert Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2021

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 2,031,760	\$ -	\$ 2,031,760
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	2,421,970	-	2,421,970
Total for ECS 84362, 50% Law		\$ 32,646,293	\$ -	\$ 32,646,293	\$ 65,271,672	\$ -	\$ 65,271,672
Percent of CEE (Instructional Salary Cost/Total CEE)		50.02%		50.02%	100.00%		100.00%
50% of Current Expense of Education					\$ 32,635,836		\$ 32,635,836

Desert Community College District  
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements  
Year Ended June 30, 2021

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2021.

Desert Community College District  
 Proposition 30 Education Protection Account (EPA) Expenditure Report  
 Year Ended June 30, 2021

Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				\$ 16,603,701
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 16,603,701	\$ -	\$ -	\$ 16,603,701
Total Expenditures for EPA		\$ 16,603,701	\$ -	\$ -	\$ 16,603,701
Revenues Less Expenditures					\$ -

Desert Community College District  
 Reconciliation of Governmental Funds to the Statement of Net Position  
 Year Ended June 30, 2021

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Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance		
General Funds	\$	27,452,601
Special Revenue Funds		2,018,945
Capital Project Funds		127,486,012
Debt Service Funds		61,775,787
Proprietary Funds		16,011,842
Internal Service Funds		390,162
Fiduciary Funds		<u>4,877,696</u>
Total fund balance - all District funds	\$	240,013,045

Amounts held in trust on behalf of others (OPEB Trust Fund)		(4,877,696)
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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		535,468,416
Accumulated depreciation is		<u>(151,769,366)</u>
Total capital assets, net		383,699,050

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources at year-end consist of:

Deferred outflows of resources related to debt refunding		16,551,060
Deferred outflows of resources related to OPEB		2,912,046
Deferred outflows of resources related to pensions		<u>27,148,748</u>

Total deferred outflows of resources		46,611,854
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.

(7,082,294)

Desert Community College District  
 Reconciliation of Governmental Funds to the Statement of Net Position  
 Year Ended June 30, 2021

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

Long-term liabilities at year end consist of:

General obligation bonds	\$ (440,480,634)
Compensated absences	(1,883,555)
Load banking	(527,539)
Early retirement incentive	(3,060,274)
Aggregate net other postemployment benefits (OPEB) liability	(7,254,412)
Aggregate net pension liability	<u>(91,705,658)</u>

Total long-term liabilities	\$ (544,912,072)
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Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB	(93,483)
Deferred inflows of resources related to pensions	<u>(2,142,306)</u>

Total deferred inflows of resources	<u>(2,235,789)</u>
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Total net position	<u><u>\$ 111,216,098</u></u>
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## **Note 1 - Purpose of Schedules**

### **District Organization**

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing.

### **Schedule of Expenditures of Federal Awards (SEFA)**

#### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

#### Summary of Significant Accounting Policies

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

#### Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

#### Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately \$196,944 and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or CFDA numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

### **Schedule of Expenditures of State Awards**

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

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

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



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

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

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

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

**Proposition 30 Education Protection Account (EPA) Expenditure Report**

This schedule provides information about the District's EPA revenue and summarizes the expenditures of EPA funds.

**Reconciliation of Governmental Funds to the Statement of Net Position**

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



Independent Auditor's Reports  
June 30, 2021

# Desert Community College District



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

Board of Trustees  
Desert Community College District  
Palm Desert, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the remaining fund information of Desert Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated February 28, 2022.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinions are 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **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 it.

#### **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 result 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.



Rancho Cucamonga, California  
February 28, 2022



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

Board of Trustees  
Desert Community College District  
Palm Desert, California

### **Report on Compliance for Each Major Federal Program**

We have audited Desert Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a significant deficiency.

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

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

*Eide Sallee LLP*

Rancho Cucamonga, California  
February 28, 2022



## Independent Auditor's Report on State Compliance

Board of Trustees  
Desert Community College District  
Palm Desert, California

### Report on State Compliance

We have audited Desert Community College District's (the District) compliance with the types of compliance requirements described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the State laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



### **Compliance Requirements Tested**

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

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance for classes with To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.

The District does not have any Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

### **Unmodified Opinion**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

The purpose of this report on State compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 California Community Colleges Chancellors Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
February 28, 2022



Schedule of Findings and Questioned Costs  
June 30, 2021

# Desert Community College District

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

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

**Identification of major programs**

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing/ Federal CFDA Number</u>
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
Dollar threshold used to distinguish between type A and type B programs	\$1,012,123
Auditee qualified as low-risk auditee?	No

**State Compliance**

Type of auditor's report issued on compliance for State programs	Unmodified
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The following finding represents a significant deficiency related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**2021-001 Closing Process**

**Criteria or Specific Requirements**

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 use fund accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Condition**

*Significant Deficiency* - The District was unable to provide fully reconciled and balanced Student Financial Aid Fund financial statements.

**Questioned costs**

No questioned costs were associated with this finding.

**Context**

Account balances associated with the Student Financial Aid Fund were not fully reconciled resulting in an unbalanced fund. The unreconciled balance was not material to the government-wide financial statements.

**Effect**

The Student Financial Aid Fund was unreconciled and unbalanced.

**Cause**

The oversight and monitoring controls over the closing process for the Student Financial Aid Fund were not operating effectively.

**Repeat Finding (Yes or No)**

No

**Recommendation**

The District should establish and implement procedures to ensure account balances related to the Student Financial Aid Fund are monitored and reconciled in a timely manner. The District's closing process should include a review process over all funds to ensure the funds are reconciled and balanced.

**Views of Responsible Official and Corrective Action Plan**

The District concurs with the finding. The District is working with the accounting software vendor to implement new procedures to improve accountability over the Fund 74 financial transactions. The new procedures will be fully implemented by March of 2022. New procedures for processing revenue and expenditures have been implemented.

The following finding represents a significant deficiency in internal control over compliance and an instance of noncompliance that is required to be reported by the Uniform Guidance.

**2021-002 Special Tests and Provisions – Return to Title IV**

**Program Name:** Student Financial Assistance Cluster

**Federal Assistance Listing Numbers:** 84.007, 84.033, 84.063, and 84.268

**Federal Agency:** U.S. Department of Education (ED)

Direct Funded by the U.S. Department of Education (ED)

**Criteria or Specific Requirements**

34 CFR section 668.173(b): Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic fund transfers initialed to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

**Condition**

*Significant Deficiency* - The District did not return Title IV funds within the 45-day requirement for 14 out of 40 calculations tested. The return of funds ranged between 91 and 148 days. All 14 of these instances were related to the Fall 2020 term.

**Questioned Costs**

No questioned costs associated with the condition identified as the funds were returned to the Department of Education.

**Context**

The District performed approximately 256 Return to Title IV calculations during the 2020-2021 fiscal year.

**Effect**

The District is noncompliant with the above reference criteria.

**Cause**

The District's internal controls did not operate effectively to ensure funds were returned within the required timeframe.

**Repeat Finding (Yes or No)**

No

**Recommendation**

The District should establish and implement effective controls to ensure the return of funds occurs within 45 days from the date the institution determines the student withdrew from all classes.

**Views of Responsible Official and Corrective Action Plan**

The District concurs with the finding. The District is establishing new procedures for return to Title IV calculations and is implementing a new schedule protocol to ensure returns are made within 45 days.

None reported.

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

**Financial Statement Findings**

None reported.

**Federal Awards Findings**

**2020-001 Activities Allowed or Unallowed**

**Recommendation**

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

**Current Status**

Implemented.

**2020-002 Reporting**

**Recommendation**

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

**Current Status**

Implemented.

**State Awards Findings**

None reported.