

Financial Statements
June 30, 2025

Desert Community College District

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Independent Auditor's Report

To the Board of Trustees
Desert Community College District
Palm Desert, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, discretely presented component unit, and fiduciary activities of Desert Community College District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, and fiduciary activities of Desert Community College District, as of June 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Restatement

As discussed in Note 14 to the financial statements, the blended component unit and discretely presented component unit were not included in the June 30, 2024 financial statements of the District. Accordingly, Desert Community College District Auxiliary Services and College of the Desert Foundation are now properly presented as a blended component unit and discretely presented component unit, respectively, in the June 30, 2025 financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and other required supplementary schedules as listed in the table of contents on pages 72 through 79 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by 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), and other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Ontario, California
February 12, 2026



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Palm Desert, CA 92260
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USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the Desert Community College District (the District) as of June 30, 2025. 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, 2025. 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, deferred outflows of resources and long-term liabilities and deferred inflows of resources. 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.

BOARD OF TRUSTEES

Bonnie Stefan, Ed.D., Chair • Bea Gonzalez, Vice Chair • Rubén AríAztlán Pérez, Clerk
Joel L. Kinnamon, Ed.D., Member • Ron Oden, Member • Isaac Zarco, Student Trustee

Superintendent/President

Laura L. Hope

FINANCIAL HIGHLIGHTS

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

As of June 30, 2025, the District's total net position is \$248,396,622. Total net position of the District increased \$42,721,992 from the previous year. The District's General Fund Unrestricted balance at the end of the fiscal year increased to \$39,026,575. The District continues to maintain the board recommended 16.67% 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 \$92,278,337. This was a net decrease of approximately \$362 thousand over the 2023-2024 fiscal year. Total credit and non-credit FTES reported for the 2024-2025 fiscal year was 10,344.92; an increase of 1,098.48 or approximately 12%.

The calculated statutory cost-of-living (COLA) was 1.07%.

Enrollment fee: During 2024-2025, 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 principal 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. In November 2021, the District issued the third and fourth series in the amount of \$85 million and \$25 million, respectively. In February 2024, the District issued the fifth series in the amount of \$200 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.

THE DISTRICT AS A WHOLE

Statement of Net Position

The District's financial position, as a whole, increased during the current fiscal year ending June 30, 2025. The total net position increased to \$248,396,622 from the previous year due primarily to increases in property taxes and state and local capital income.

- Cash, cash equivalents, and investments consist of cash in local banks, the County Treasury, and other investments of \$511,354,021 as of June 30, 2025, compared to \$526,241,254 as of June 30, 2024.
- Receivables consist mainly of state and federal grants, interest, lottery, enrollment fees, property taxes, State apportionment, Employee Retention Credit (ERC) subsidy receivable, lease receivables that were not yet received as of June 30, 2025, in the amount of \$39,598,655 compared to \$49,681,964 as of June 30, 2024.
- Net capital assets are the net value of land, buildings, construction, machinery, equipment, vehicles, works of art, right-to-use leased assets, and right-to-use subscription-based IT assets less accumulated depreciation and amortization. The breakdown of this total net value can be found in the notes to the financial statements. Net capital assets, as of June 30, 2025, amounted to \$487,746,760 compared to \$441,472,344 for fiscal year ending June 30, 2024.
- Accounts payable and accrued liabilities consist of payables to vendors, accrued payroll and benefits of \$29,218,741 as of June 30, 2025, compared to \$25,031,230 as of June 30, 2024. Accrued interest payable on bonds as of the end of fiscal year June 30, 2025, of \$9,431,808 compared to \$9,633,307 for fiscal year ending June 30, 2024.
- 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, 2025, of \$18,134,712 compared to \$18,430,319 at the end of fiscal year June 30, 2024. Most grant funds are earned when spent, up to the award amount.
- Current and noncurrent portions of long-term liabilities consist of leases as of June 30, 2025, in the amount of \$715,330 compared to \$753,530 as of June 30, 2024, subscription-based IT arrangements as of June 30, 2025, in the amount of \$2,209,030 compared to \$533,112 as of June 30, 2024, compensated absences liability as of June 30, 2025, in the amount of \$20,044,188 compared to the \$2,854,993 as of June 30, 2024, and the early retirement plan of \$415,214 as of June 30, 2025, compared to the \$1,076,479 as of June 30, 2024. The aggregate net other postemployment benefit liability was \$4,248,630 as of June 30, 2025, compared to \$4,437,134 as of June 30, 2024. The District's aggregate net pension liability is \$80,156,336 as of June 30, 2025, as compared to \$83,478,841 as of June 30, 2024.
- Bonds payable of \$668,567,090 at June 30, 2025, compared to \$696,236,816 at June 30, 2024, represent general obligation bonds issued under Proposition 39/Measures B and CC for capital improvements and expansion of the District. These bonds are discussed in greater detail in the notes to the financial statements.

The Statement of Net Position as of June 30, 2025 and June 30, 2024, is summarized below.

Table 1

	<u>2025</u>	<u>2024*</u>	<u>Change</u>
Assets			
Cash and investments	\$ 511,354,021	\$ 526,241,254	\$ (14,887,233)
Receivables	39,598,655	49,681,964	(10,083,309)
Other current assets	2,640,654	-	2,640,654
Capital assets, net	<u>487,746,760</u>	<u>441,472,344</u>	<u>46,274,416</u>
Total assets	<u>1,041,340,090</u>	<u>1,017,395,562</u>	<u>23,944,528</u>
Deferred Outflows of Resources	<u>54,938,743</u>	<u>58,674,705</u>	<u>(3,735,962)</u>
Liabilities			
Accounts payable and accrued liabilities	56,785,261	53,094,856	3,690,405
Current portion of long-term liabilities	29,920,617	25,788,103	4,132,514
Noncurrent portion of long-term liabilities	<u>746,435,201</u>	<u>763,582,802</u>	<u>(17,147,601)</u>
Total liabilities	<u>833,141,079</u>	<u>842,465,761</u>	<u>(9,324,682)</u>
Deferred Inflows of Resources	<u>14,741,132</u>	<u>14,969,777</u>	<u>(228,645)</u>
Net Position			
Net investment in capital assets	96,430,328	64,736,731	31,693,597
Restricted	162,820,503	153,428,179	9,392,324
Unrestricted (deficit)	<u>(10,854,209)</u>	<u>469,819</u>	<u>(11,324,028)</u>
Total net position	<u>\$ 248,396,622</u>	<u>\$ 218,634,729</u>	<u>\$ 29,761,893</u>

*Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. Amounts have been restated for the effects of the change within reporting entity. See Note 14 for further information.

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 2024-2025. This rate is established by the State for all community colleges. Enrollment fees are included in the calculation of general apportionment.

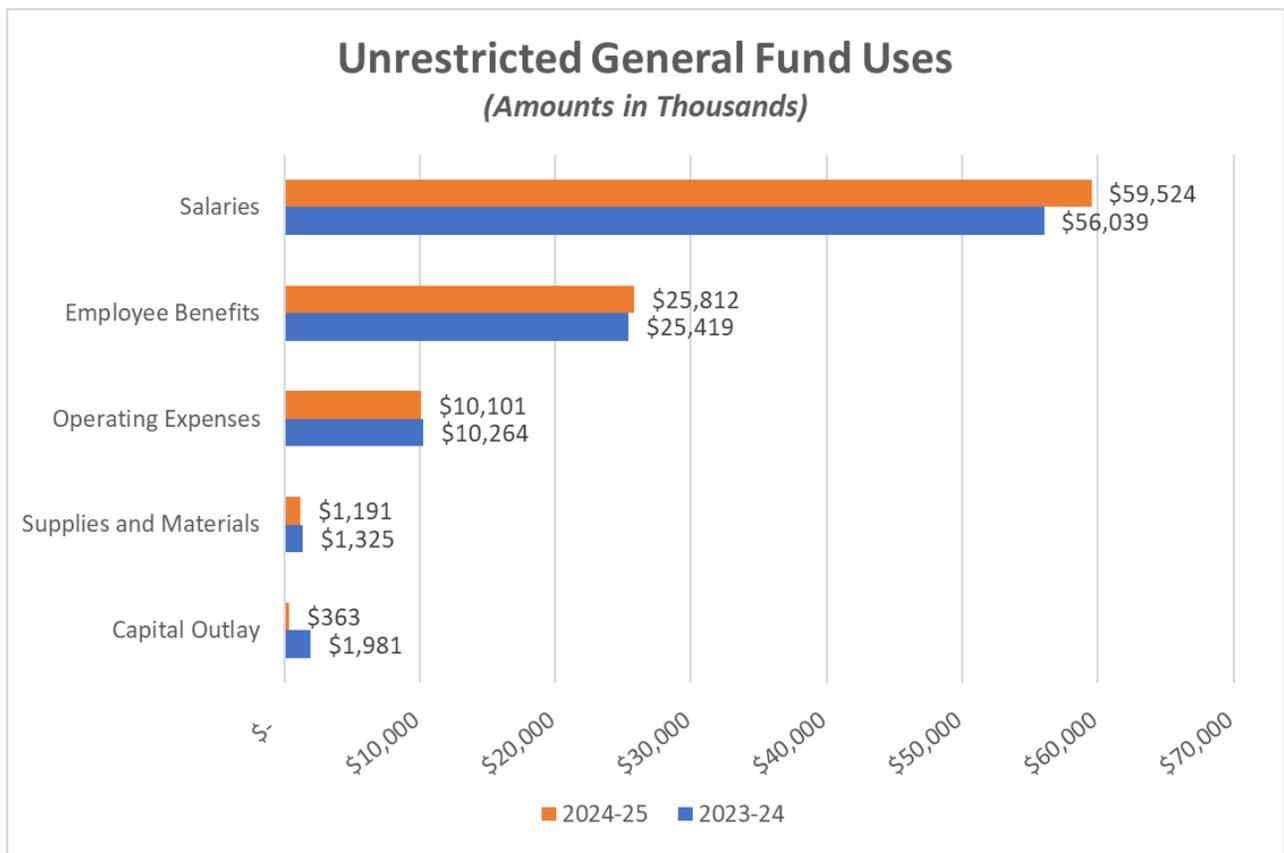
Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.

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.

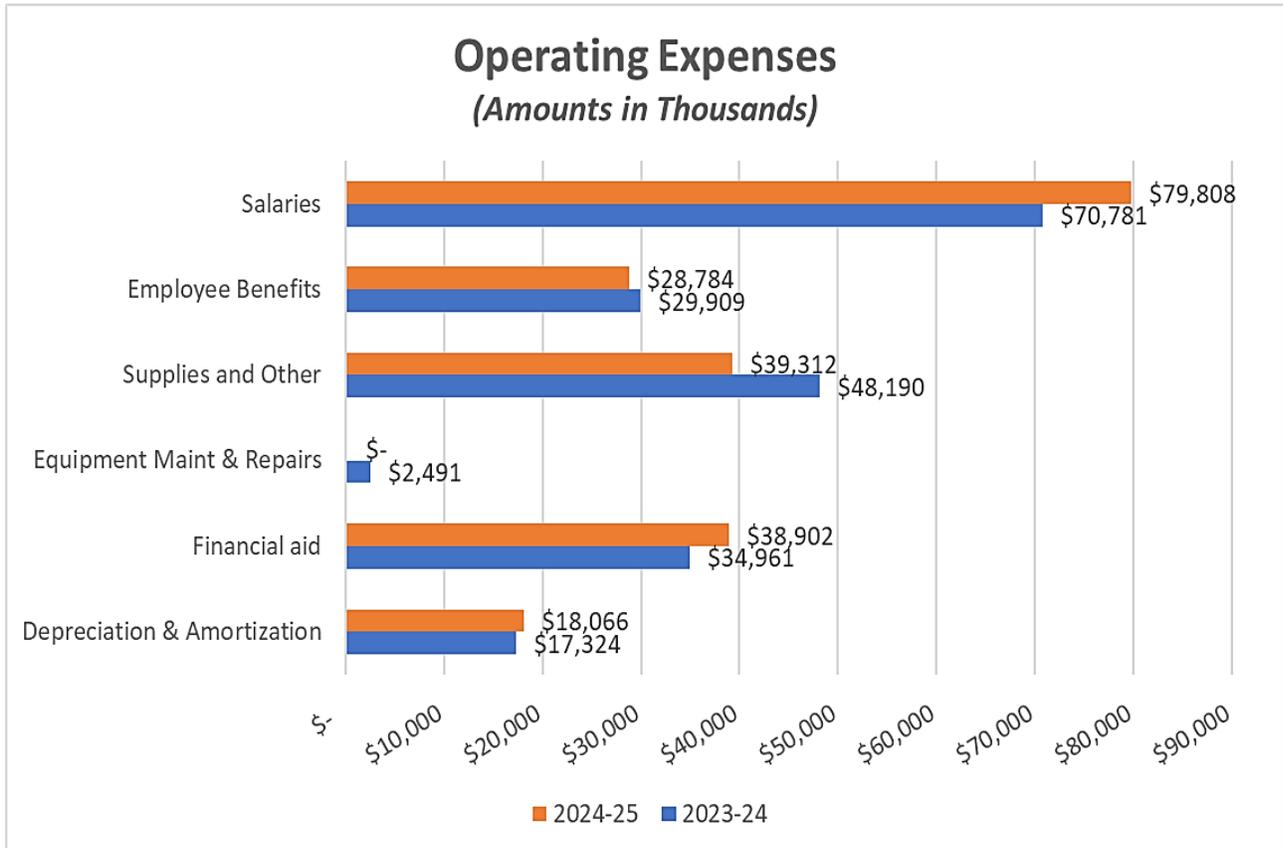
Local property taxes increased due to assessed valuations in the Coachella Valley. As noted above, decreases or increases in property tax revenue affect the District’s State apportionment revenue. The housing market has continued to strengthen throughout the Coachella Valley. Interest rates are rising, 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, 2025 and 2024, respectively.



The following graph reflects the Operating Expenses of the District for the years ended June 30, 2025 and 2024, respectively.



The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

Table 2

	2025	2024*	Change
Operating Revenues			
Tuition and fees, net	\$ 6,978,454	\$ 7,176,634	\$ (198,180)
Grants and contracts, noncapital	33,989,285	33,814,483	174,802
Auxiliary enterprise sales and changes	325,974	362,881	(36,907)
Total operating revenues	41,293,713	41,353,998	(60,285)
Operating Expenses			
Salaries and benefits	108,592,539	100,690,560	7,901,979
Supplies, services, equipment, and maintenance	39,476,923	50,680,402	(11,203,479)
Student financial aid	38,902,179	34,961,226	3,940,953
Depreciation and amortization	17,900,774	17,323,791	576,983
Total operating expenses	204,872,415	203,655,979	1,216,436
Operating loss	(163,578,702)	(162,301,981)	(1,276,721)
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	21,554,651	25,577,075	(4,022,424)
Property taxes	119,511,243	111,715,572	7,795,671
Student financial aid grants	30,550,710	29,249,442	1,301,268
State taxes and other revenues	2,958,736	4,654,496	(1,695,760)
Net interest income	5,287,941	1,013,080	4,274,861
Other nonoperating revenues	5,412,021	14,362,475	(8,950,454)
Total nonoperating revenues (expenses)	185,275,302	186,572,140	(1,296,838)
Other Revenues and (Losses)			
State and local capital income	21,031,246	16,826,121	4,205,125
Loss on disposal of capital assets	(5,854)	-	(5,854)
Total other revenues and (losses)	21,025,392	16,826,121	4,199,271
Change in net position	\$ 42,721,992	\$ 41,096,280	\$ 1,625,712

* Expenses have not been restated for the effects of the implementation of GASB Statement No. 101. Amounts have been restated for the effects of the change within reporting entity. See Note 14 for further information.

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 the year ended June 30, 2025 are as follows:

Table 3

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation and Amortization	Total
Instructional activities	\$ 52,466,921	\$ 2,928,040	\$ -	\$ -	\$ 55,394,961
Instructional administration	9,299,976	751,250	-	-	10,051,226
Institutional support services	13,939,728	15,961,542	-	-	29,901,270
Student services	14,083,561	1,865,997	-	-	15,949,558
Plant operations and maintenance	5,715,468	6,362,620	-	-	12,078,088
Planning, policymaking and coordinations	1,271,378	1,608,458	-	-	2,879,836
Instructional support services	2,270,420	507,952	-	-	2,778,372
Community services and economic development	3,579,982	1,135,237	-	-	4,715,219
Ancillary services and auxiliary operations	5,965,105	5,668,319	-	-	11,633,424
Physical property and related acquisitions	-	2,687,508	-	-	2,687,508
Student aid	-	-	38,902,179	-	38,902,179
Unallocated depreciation and amortization	-	-	-	17,900,774	17,900,774
Total	\$ 108,592,539	\$ 39,476,923	\$ 38,902,179	\$ 17,900,774	\$ 204,872,415

Statement of Cash Flows

Table 4

	2025	2024*	Change
Net Cash Flows from			
Operating activities	\$ (149,559,245)	\$ (147,665,197)	\$ (1,894,048)
Noncapital financing activities	141,409,459	116,924,972	24,484,487
Capital financing activities	(32,306,488)	175,803,903	(208,110,391)
Investing activities	24,860,949	14,615,080	10,245,869
Change in Cash and Cash Equivalents	(15,595,325)	159,678,758	(175,274,083)
Cash and Cash Equivalents, Beginning of Year, as restated	491,825,824	332,147,066	159,678,758
Cash and Cash Equivalents, End of Year	<u>\$ 476,230,499</u>	<u>\$ 491,825,824</u>	<u>\$ (15,595,325)</u>

* Cash flows from operating activities for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. Amounts have been restated for the effects of the change within reporting entity. See Note 14 for further information.

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 AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2025, the District had \$487,746,760 in net capital assets. Gross capital assets of \$707,238,855 consist of land, buildings, construction in progress, site improvements, equipment and vehicles, works of art, right-to-use leased assets and right-to-use subscription based IT assets. These assets have accumulated depreciation and amortization of \$219,492,095. Capital asset additions of \$64,181,044 occurred during 2024-2025, and depreciation and amortization expense of \$17,900,774 was recorded for the year.

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

Note 7 in the financial statements provides additional information on capital assets. A summary of capital and assets is presented below.

Table 5

	Balance July 1, 2024, as restated*	Additions	Deductions	Balance, June 30, 2025
Capital Assets				
Land, works of art and construction in progress	\$ 120,132,113	\$ 57,132,309	\$ -	\$ 177,264,422
Buildings and improvements	308,411,563	(12,463,419)	-	295,948,144
Furniture and equipment	11,687,748	(12,279)	(5,854)	11,669,615
Right-to-use leased assets	707,808	(52,259)	-	655,549
Right-to-use subscription IT assets	533,112	1,675,918	-	2,209,030
Total capital assets, net	\$ 441,472,344	\$ 46,280,270	\$ (5,854)	\$ 487,746,760

*Amounts reported as of July 1, 2024 have been restated for the effects of the change within reporting entity. See Note 14 for further information.

Long-Term Liabilities

As of June 30, 2025, the District had \$668,567,090 in debt from general obligation bonds consisting of \$640,515,000 of principal and \$28,052,090 of 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 8, 9, and 11 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

Table 6

	Balance, July 1, 2024*	Additions/ Restatements	Deductions	Balance June 30, 2025
General obligation bonds	\$ 696,236,816	\$ -	\$ (27,669,726)	\$ 668,567,090
Lease liability	753,530	318,062	(356,262)	715,330
Aggregate net OPEB liability	4,437,134	-	(188,504)	4,248,630
Aggregate net pension liability	83,478,841	-	(3,322,505)	80,156,336
Subscription-based IT arrangements	533,112	2,457,364	(781,446)	2,209,030
Compensated absences	2,854,993	17,189,195	-	20,044,188
Other liabilities	1,076,479	-	(661,265)	415,214
Total long-term liabilities	\$ 789,370,905	\$ 19,964,621	\$ (32,979,708)	\$ 776,355,818
Amount due within one year				\$ 29,920,617

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

AGGREGATE NET PENSION LIABILITY

At year end, the District has an aggregate net pension liability of \$80,156,336 versus \$83,478,841 last year, a decrease of \$3,322,505 or 4%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2024-2025 Desert Community College District budget was developed with input from Fiscal Services and the VP of Administrative Services. Revenue projections included conservative projections based on positive trends in FTES, planning factors received from the Chancellor's Office, School Services of California, 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.

The District continues to be fiscally responsible, while providing the necessary resources to students and staff and also 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 the current actuarial liability as identified in the June 2024 Actuarial Report.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE DESERT COMMUNITY COLLEGE DISTRICT

The District's economic position is closely tied to the State of California as State apportionments and property taxes represent approximately 92% of the total revenue within the Unrestricted General Fund. While the state and national economies recover from the 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 without deficit spending. 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. In February 2024, College of the Desert issued a new round of General Obligation Bond Measure CC, Election 2016, Series 2024. These funds will accommodate the planning and construction of projects as mentioned below:

- Indio Expansion and Renovation.
- Palm Springs campus architectural, design and planning.
- Athletics facilities renovation at the Palm Desert campus.
- Roadrunner Motors automotive facility in Cathedral City.
- Science Building renovation.

For new construction, the Desert Community College District focuses on conservation, building 'smart' facilities with the latest energy management, indoor environmental quality, and water reduction technologies. These features, in conjunction with others, can contribute to the achievement of Leadership in Energy and Environmental Design (LEED) and other building certifications.

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, 2025

Assets	
Cash and cash equivalents	\$ 4,298,231
Investments	507,055,790
Accounts receivable	18,554,322
Student receivables	6,439,207
Prepaid expenses	2,640,654
Long-term receivable	10,687,497
Lease receivables	3,804,795
Interest receivable	112,834
Capital assets not being depreciated or amortized	177,264,422
Capital assets, net of accumulated depreciation and amortization	<u>310,482,338</u>
Total assets	<u>1,041,340,090</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	22,848,245
Deferred outflows of resources related to OPEB	2,285,323
Deferred outflows of resources related to pensions	<u>29,805,175</u>
Total deferred outflows of resources	<u>54,938,743</u>
Liabilities	
Accounts payable	29,218,741
Accrued interest payable	9,431,808
Unearned revenue	18,134,712
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	29,920,617
Long-term liabilities other than OPEB and pensions, due in more than one year	662,030,235
Aggregate net other postemployment benefits (OPEB) liability	4,248,630
Aggregate net pension liability	<u>80,156,336</u>
Total liabilities	<u>833,141,079</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to leases	3,467,131
Deferred inflows of resources related to OPEB	3,409,962
Deferred inflows of resources related to pensions	<u>7,864,039</u>
Total deferred inflows of resources	<u>14,741,132</u>
Net Position	
Net investment in capital assets	96,430,328
Restricted for	
Debt service	95,507,824
Capital projects	56,085,036
Educational programs	4,112,130
Other activities	7,115,513
Unrestricted deficit	<u>(10,854,209)</u>
Total net position	<u>\$ 248,396,622</u>

Desert Community College District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

Operating Revenues	
Tuition and fees	\$ 14,902,263
Less: Scholarship discounts and allowances	(7,923,809)
Net tuition and fees	<u>6,978,454</u>
Grants and contracts, noncapital	
Federal	3,615,348
State	29,391,646
Local	982,291
Total grants and contracts, noncapital	<u>33,989,285</u>
Auxiliary enterprise sales and charges	<u>325,974</u>
Total operating revenues	<u>41,293,713</u>
Operating Expenses	
Salaries	79,807,998
Employee benefits	28,784,541
Supplies, materials, and other operating expenses and services	39,476,923
Student financial aid	38,902,179
Depreciation and amortization	17,900,774
Total operating expenses	<u>204,872,415</u>
Operating Loss	<u>(163,578,702)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	21,554,651
Local property taxes, levied for general purposes	68,627,367
Taxes levied for other specific purposes	50,883,876
Federal and State financial aid grants	30,550,710
State taxes and other revenues	2,958,736
Investment income, net	22,944,373
Interest expense on capital related debt	(22,445,203)
Investment income on capital asset-related debt, net	4,788,771
Other nonoperating revenues	5,412,021
Total nonoperating revenues (expenses)	<u>185,275,302</u>
Income Before Other Revenues and (Losses)	<u>21,696,600</u>
Other Revenues and (Losses)	
State revenues, capital	7,046,286
Local revenues, capital	13,984,960
Loss on disposal of capital assets	(5,854)
Total other revenues and (losses)	<u>21,025,392</u>
Change In Net Position	42,721,992
Net Position, Beginning of Year, as previously reported	216,675,393
Adjustments (Note 14)	(11,000,763)
Net Position, Beginning of Year, as restated	<u>205,674,630</u>
Net Position, End of Year	<u>\$ 248,396,622</u>

Desert Community College District
Statement of Cash Flows
Year Ended June 30, 2025

Operating Activities	
Tuition and fees	\$ 5,146,187
Federal, state, and local grants and contracts, noncapital	36,240,154
Payments to or on behalf of employees	(107,715,860)
Payments to vendors for supplies and services	(44,653,521)
Payments to students for scholarships and grants	(38,902,179)
Other operating receipts	<u>325,974</u>
Net cash flows from operating activities	<u>(149,559,245)</u>
Noncapital Financing Activities	
State apportionments	24,794,507
Federal and state financial aid grants	29,492,050
Property taxes - nondebt related	68,627,367
State taxes and other apportionments	3,002,942
Other nonoperating payments	<u>15,492,593</u>
Net cash flows from noncapital financing activities	<u>141,409,459</u>
Capital Financing Activities	
Purchase of capital assets	(59,179,185)
State revenue, capital	7,046,286
Local revenue, capital	13,984,960
Property taxes - related to capital debt	50,883,876
Principal paid on capital debt	(25,612,708)
Interest paid on capital debt	(22,878,134)
Interest received on capital asset-related debt	<u>3,448,417</u>
Net cash flows from capital financing activities	<u>(32,306,488)</u>
Investing Activities	
Sale of investments	708,092
Change in fair value of investment	6,883,949
Interest received from investments	<u>17,268,908</u>
Net cash flows from investing activities	<u>24,860,949</u>
Change In Cash and Cash Equivalents	(15,595,325)
Cash and Cash Equivalents, Beginning of Year, as restated	<u>491,825,824</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 476,230,499</u></u>

Desert Community College District
Statement of Cash Flows
Year Ended June 30, 2025

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	<u>\$ (163,578,702)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	17,900,774
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	1,111,173
Student receivables	(1,424,466)
Lease and interest receivable	76,219
Prepaid expenses	(2,640,654)
Deferred outflows of resources related to OPEB	231,265
Deferred outflows of resources related to pensions	541,403
Accounts payable	(2,367,487)
Unearned revenue	763,053
Compensated absences	4,229,096
Early retirement incentive	(661,265)
Aggregate net OPEB liability	(188,504)
Aggregate net pension liability	(3,322,505)
Deferred inflows of resources related to leases	(107,377)
Deferred inflows of resources related to OPEB	50,529
Deferred inflows of resources related to pensions	<u>(171,797)</u>
Total adjustments	<u>14,019,457</u>
Net cash flows from operating activities	<u><u>\$ (149,559,245)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	\$ 4,298,231
Cash in county treasury	<u>471,932,268</u>
Total cash and cash equivalents	<u><u>\$ 476,230,499</u></u>
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	\$ 2,963,294
Amortization of debt premiums	\$ 3,194,726
Recognition of lease liabilities arising from obtaining right-to-use leased assets	\$ 318,062
Recognition of right-to-use subscription-based IT arrangement liabilities arising from obtaining right-to-use subscription IT assets	\$ 2,457,364

Desert Community College District
College of the Desert Foundation - Statement of Financial Position
June 30, 2025

Assets	
Current assets	
Cash and cash equivalents	\$ 7,296,485
Unconditional promises to give	200,000
Accounts receivable - related party	4,573
Accrued interest receivable	79,214
Student emergency funds held by District	5,000
Other assets	3,810
	<u>7,589,082</u>
Total current assets	<u>7,589,082</u>
Noncurrent assets	
Investments	61,747,711
Investments related to deferred gifts	75,494
Beneficial interest in assets held by the Foundation for California Community Colleges	458,463
Unconditional promises to give - net of amortized discount	72,977
Equipment, net of accumulated depreciation	41,155
	<u>62,395,800</u>
Total noncurrent assets	<u>62,395,800</u>
Total assets	<u><u>\$ 69,984,882</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 11,312
Accrued expenses	55,786
Accounts payable - related party	603,738
Deferred revenue	2,030
	<u>672,866</u>
Total current liabilities	<u>672,866</u>
Net assets	
Without donor restrictions	
Undesignated	3,571,379
Board designated	21,442,537
	<u>25,013,916</u>
Total without donor restrictions	25,013,916
With donor restrictions	<u>44,298,100</u>
Total net assets	<u>69,312,016</u>
Total liabilities and net assets	<u><u>\$ 69,984,882</u></u>

Desert Community College District
College of the Desert Foundation - Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants	\$ -	\$ 338,450	\$ 338,450
Pass through scholarship donations	-	6,500	6,500
Gross special events revenue			
Sponsorships and ticket sales	395,552	202,824	598,376
In-kind contributions	32,145	-	32,145
Less cost of direct benefits to donors	(222,954)	-	(222,954)
Net special events revenue	204,743	202,824	407,567
Donated facilities (in-kind)	102,416	-	102,416
Annual giving	22,907	31,607	54,514
Leadership giving	196,024	301,237	497,261
Business engagement giving	129,539	2,106	131,645
Major gifts	-	235,522	235,522
Planned giving	588,688	508,121	1,096,809
Management services	584,849	(584,849)	-
Gift fee	15,496	(15,496)	-
Assets released from restrictions	1,287,944	(1,287,944)	-
Total revenues	3,132,606	(261,922)	2,870,684
Expenses			
Program	3,190,738	-	3,190,738
Management and general	296,200	-	296,200
Fundraising	190,973	-	190,973
Total expenses	3,677,911	-	3,677,911
Other income and gains			
Net investment income	3,015,433	3,746,374	6,761,807
Change in value of deferred gifts	-	1,118	1,118
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	51,451	51,451
Total other income and gains	3,015,433	3,798,943	6,814,376
Change in Net Assets	2,470,128	3,537,021	6,007,149
Net Assets, Beginning of Year	22,543,788	40,761,079	63,304,867
Net Assets, End of Year	\$ 25,013,916	\$ 44,298,100	\$ 69,312,016

Desert Community College District
College of the Desert Foundation - Statement of Cash Flows
Year Ended June 30, 2025

Operating Activities	
Change in net assets	\$ 6,007,149
Adjustments to reconcile change in net assets to net cash flows provided by (used for) operating activities	
Depreciation	4,573
Amortization of discount on unconditional promises to give	(7,023)
Unrealized gain on investments	(1,983,518)
Realized gain on investments	(3,332,632)
Contributions received through deferred gifts	(26,820)
Change in value of investments related to deferred gifts	(1,118)
Contributions restricted for long-term purposes	(395,759)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	21,750
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(51,451)
Changes in assets and liabilities	
Unconditional promises to give	7,988
Accounts receivable - related party	4,393
Accrued interest receivable	81,050
Other assets	(1,310)
Accounts payable	(14,600)
Accrued expenses	(25,189)
Accounts payable - related party	308,285
Deferred revenue	1,140
Net Cash Flows provided by Operating Activities	<u>596,908</u>
Investing Activities	
Sale of investments	61,580,276
Purchase of investments	(63,584,921)
Purchase of equipment	(45,728)
Net Cash Flows used for Investing Activities	<u>(2,050,373)</u>
Financing Activities	
Collections of contributions restricted for long-term purposes	<u>395,759</u>
Net Change in Cash and Cash Equivalents	(1,057,706)
Cash and Cash Equivalents Beginning of Year	<u>8,354,191</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 7,296,485</u></u>

Desert Community College District
 Fiduciary Fund
 Statement of Net Position
 June 30, 2025

	Retiree OPEB Trust
Assets	
Investments	\$ 5,881,064
Accounts receivable	4
Total assets	\$ 5,881,068
Net Position	
Restricted for postemployment benefits other than pensions	\$ 5,881,068

Desert Community College District
 Fiduciary Fund
 Statement of Changes in Net Position
 Year Ended June 30, 2025

	Retiree OPEB Trust
Additions	
District contributions	\$ 503,265
Interest and investment income, net of fees	487,579
Net realized and unrealized gains	5
Total additions	990,849
Deductions	
Employee benefits	503,265
Administrative expenses	5,577
Total deductions	508,842
Change in Net Position	482,007
Net Position - Beginning of Year	5,399,061
Net Position - End of Year	\$ 5,881,068

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 basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District.

The financial reporting entity consists of the primary government (the District), as well as its component units, College of the Desert Foundation (the Foundation) and Desert Community College District Auxiliary Services (the Auxiliary).

College of the Desert Foundation

The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundation. The Board of Directors for the Foundation is elected independent of any District's Board of Trustee's appointments. The Board of Directors is responsible for approving the Foundation budget and accounting and finance related activities. The financial activities of the Foundation have been discretely presented. The Foundation's separate financial statements may be requested through the Foundation.

Desert Community College District Auxiliary Services

The Auxiliary is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Law of the State of California. The Auxiliary was incorporated in the State of California in July 1985 pursuant to California Assembly Bill No. 2627, Chapter 858, Community Colleges Auxiliary Organizations, with the express purpose of promoting and assisting the educational programs of Desert Community College District (the District) in accordance with the mission, policies, and priorities of the District. The members of the Auxiliary's Board of Directors are composed of members from the District administration. The Auxiliary met the criterion for inclusion as a "blended" component unit and is consolidated within the financial statements of the District.

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. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities. Nonexchange 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 California 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 are 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 collectibility of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded. Management has analyzed these accounts and believes all amounts are fully collectible.

Prepaid Expenses

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

Long-Term Receivable

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes for eligible employers. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extending the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. At June 30, 2025, the District reported a balance \$10,687,497 in long term receivable related to the credit. Management has analyzed these accounts and believes all amounts are fully collectible.

Lease Receivables

The District recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, works of art, buildings, building and land improvements, equipment, rights-to-use leased buildings and equipment and rights-to-use subscription IT assets. 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 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, 20 to 50 years; equipment, 5 to 10 years; vehicles, 5 to 10 years. Works of art are considered inexhaustible and are not depreciated.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the effective interest method.

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, 2025.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the Statement of Net Position. Compensated absences include vacation leave, load banking leave, and sick leave. The District offers load banking leave to eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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 not paid for any sick leave balance at termination of employment or at any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. 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. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

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

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

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription-Based IT Arrangements (SBITA) Liabilities

SBITA liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments is discounted based on a borrowing rate determined by the District.

Pensions

For purposes of measuring the aggregate 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 aggregate net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability 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 expenses. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements 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 general obligation bonds, lease liability, subscription-based IT arrangements, compensated absences, early retirement incentive, aggregate net OPEB liability, and 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 and amortization, 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 financial statements report \$162,820,503 of restricted net position, and the fiduciary fund financial statements report \$5,881,068 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, noncapital 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.

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 by the County of Riverside 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* 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 differences 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 fund has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary fund 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 fund have been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary fund are not eliminated in the consolidation process.

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 14.

Implementation of GASB Statement No. 102

As of June 30, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

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 California Community Colleges Chancellor's Office *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 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 held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California *Government Code*. 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, 2025, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 4,283,231	\$ -
Cash in revolving	15,000	-
Investments	507,055,790	5,881,064
Total deposits and investments	\$ 511,354,021	\$ 5,881,064

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, money market funds, 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. The District's investment in money market funds, mutual funds, and certificates of deposit are not required to be rated, nor have they been rated as of June 30, 2025.

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	Amount	Weighted Average Maturity in Years	Credit Rating
Money market funds	\$ 107,569	No maturity	Not rated
Mutual funds	5,880,648	No maturity	Not rated
Certificates of deposit	60,953	0.82	Not rated
Riverside County investment pool	471,932,684	1.28	AAAf/S1
Municipal bonds	34,955,000	22.08	VMIG 1
Total	\$ 512,936,854		

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, 2025, the District's bank balance of approximately \$3.6 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, 2025, the District's investment balance of approximately \$39.9 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, 2025:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs
Mutual funds	\$ 5,880,648	\$ 5,880,648
Municipal bonds	34,955,000	34,955,000
Total	\$ 40,835,648	\$ 40,835,648

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, 2025, consisted of the following:

	Primary Government	Fiduciary Fund
Federal Government		
Categorical aid	\$ 1,199,325	\$ -
State Government		
Apportionment	1,088,709	-
Categorical aid	337,924	-
Lottery	708,602	-
Other state sources	7,033,000	-
Local Sources		
District foundation	501,213	-
Interest	3,741,328	4
Other local sources	3,944,221	-
Total	\$ 18,554,322	\$ 4
Student receivables	\$ 6,439,207	\$ -

Note 6 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivables	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025
Buchanan Street	\$ 99,570	\$ -	\$ (31,897)	\$ 67,673
McCallum Theater	2,735,329	-	(40,587)	2,694,742
American Tower	1,042,380	-	-	1,042,380
Bureau of Automotive Repair (BAR)	11,539	-	(11,539)	-
Total	\$ 3,888,818	\$ -	\$ (84,023)	\$ 3,804,795

Buchanan Street

On July 21, 2016, the District entered into a grounds lease with an outside party. The lease is non-cancellable by either party until July 21, 2024. The lease has an option to renew for an additional two years until July 21, 2026, which the District is reasonably certain the lessee will exercise. Base rates and increases for the current and future terms of the leases were established based upon the 2nd amendment to the original lease on July 21, 2019. Beginning July 21, 2021, rent increased to \$750 per acre, for a total annual rent of \$35,880. For the remaining duration of the lease after July 21, 2026 these rental terms shall remain in force until such time as both the lessor and lessee mutually agree to any additional amendments. During the fiscal year, the District recognized \$25,897 in lease revenue and \$3,983 in interest revenue related to these agreements. At June 30, 2025, the District recorded \$67,673 in lease receivables and \$51,793 in deferred inflows of resources for this arrangement. The District used an interest rate of 4.00% based on the rate available to finance real estate.

McCallum Theater

On November 1, 2020, the District entered into a grounds lease with an outside party. The lease is noncancellable for 66 years. The original agreement for the 66-year lease is \$5,550,000, whereas rents due for the first 37 years are set at \$150,000, and \$1 for the remaining 29 years. During the fiscal year, the District recognized \$42,948 in lease revenue and \$109,413 in interest revenue related to these agreements. At June 30, 2025, the District recorded \$2,694,742 in lease receivables and \$2,619,837 in deferred inflows of resources for these arrangements. The District used an interest rate of 4.00% based on the most recent rate available to finance real estate.

American Tower

The District licenses (leases) a portion of its facilities for cellular tower antenna sites. These licenses are noncancelable for a period of five years, with six renewal periods of five years. The District believes the licensees will exercise the renewal option with reasonable certainty. At termination, the lessee must remove all equipment and restore the site to its original state. During the fiscal year, the District recognized \$27,431 in lease revenue and \$45,896 in interest revenue related to this agreement. At June 30, 2025, the District recorded \$1,042,380 in lease receivables, \$112,834 in interest receivable and \$795,501 in deferred inflows of resources for these arrangements. The District used an interest rate of 4.00% based on the rates available to finance real estate.

Bureau of Automotive Repair (BAR)

On May 20, 2022 the District entered into a site lease of property and equipment necessary to conduct the Smog Check Referee and Student Technician Training Program to an outside party. The lease is noncancellable for 3 years, beginning July 1, 2022 through June 30, 2025. The agreement sets monthly rents at \$1,000 for the term of 4 years. During the fiscal year, the District recognized \$11,100 in lease revenue and \$460 in interest revenue related to these agreements. At June 30, 2025, the agreement had expired and therefore there was no remaining lease receivable or deferred inflows of resources for this arrangement. The District used an interest rate of 4.00% based on the rate available to finance real estate.

Note 7 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2025, was as follows:

	July 1, 2024 as restated	Additions	Deductions	Balance, June 30, 2025
Capital Assets Not Being Depreciated or Amortized				
Land	\$ 40,087,162	\$ 20,871	\$ -	\$ 40,108,033
Works of art	524,000	-	-	524,000
Construction in progress	79,520,951	57,111,438	-	136,632,389
Total capital assets not being depreciated or amortized	120,132,113	57,132,309	-	177,264,422
Capital Assets Being Depreciated or Amortized				
Land improvements	168,527,546	967,536	-	169,495,082
Buildings and improvements	321,408,678	1,527,761	-	322,936,439
Furniture and equipment	30,247,546	1,778,012	(5,854)	32,019,704
Right-to-use leased buildings	1,980,933	-	-	1,980,933
Right-to-use leased vehicles and equipment	306,690	318,062	-	624,752
Right-to-use subscription IT assets	1,101,573	2,457,364	(641,414)	2,917,523
Total capital assets being depreciated or amortized	523,572,966	7,048,735	(647,268)	529,974,433
Less Accumulated Depreciation and Amortization				
Land improvements	(76,362,440)	(7,236,738)	-	(83,599,178)
Buildings and improvements	(105,162,221)	(7,721,978)	-	(112,884,199)
Furniture and equipment	(18,559,798)	(1,790,291)	-	(20,350,089)
Right-to-use leased buildings	(1,483,212)	(278,319)	-	(1,761,531)
Right-to-use leased vehicles and equipment	(96,603)	(92,002)	-	(188,605)
Right-to-use subscription IT assets	(568,461)	(781,446)	641,414	(708,493)
Total accumulated depreciation and amortization	(202,232,735)	(17,900,774)	641,414	(219,492,095)
Total capital assets, net	\$ 441,472,344	\$ 46,280,270	\$ (5,854)	\$ 487,746,760

Note 8 - 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, 2025 consisted of the following:

	Balance, July 1, 2024 as restated	Additions	Deductions	Balance, June 30, 2025	Due in One Year
General obligation bonds	\$ 664,990,000	\$ -	\$ (24,475,000)	\$ 640,515,000	\$ 22,790,000
Bond premium	31,246,816	-	(3,194,726)	28,052,090	-
Lease liability	753,530	318,062	(356,262)	715,330	304,300
Subscription-based IT arrangements	533,112	2,457,364	(781,446)	2,209,030	633,113
Compensated absences	15,815,092	4,229,096	-	20,044,188	5,777,990
Early retirement incentive	1,076,479	-	(661,265)	415,214	415,214
Total	\$ 714,415,029	\$ 7,004,522	\$ (29,468,699)	\$ 691,950,852	\$ 29,920,617

The change in compensated absences is presented as a net change.

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 lease liability is paid for by the General Fund and Capital Outlay Fund. The subscription-based IT arrangements are paid for by the General Fund. The early retirement incentive liability is paid by the General Fund.

General Obligation Bonds

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, 2025, the balance was paid in full.

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. A portion of these bonds was refunded by the issuance of the District's 2021 General Obligation Refunding Bonds. The interest rate on the remaining bonds is 5.00% payable semiannually on August 1 and February 1. The remaining bonds mature through August 1, 2025. At June 30, 2025, the principal balance outstanding was \$4,305,000.

In April 2017, the District issued the 2017 General Obligation Refunding Bonds in the amount of \$125,305,000. 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, 2025, the principal balance outstanding was \$114,490,000.

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 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, 2025, the principal balance outstanding was \$40,700,000.

In August 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of \$32,930,000. 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. The bonds have a final maturity to occur on August 1, 2040, with interest rates from 0.265% to 2.457%. At June 30, 2025, the principal balance outstanding was \$29,700,000.

In November 2021, Series 2021 A-1 and 2021 A-2 General Obligation Bonds in the amount of \$85,000,000 and \$25,000,000, respectively, 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, 2051 and August 1, 2037, respectively, with interest rates from 2.31% to 4.00%. At June 30, 2025, the principal balance outstanding was \$68,500,000 and \$23,725,000, respectively.

In November 2021, the District issued the 2021 General Obligation Refunding Bonds in the amount of \$180,035,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's 2016 General Obligation Refunding Bonds and to pay costs of issuing the bonds. Interest is payable February 1 and August 1 with interest rates ranging from 0.450% to 2.98%. The bonds mature through August 1, 2037. At June 30, 2025, the principal balance outstanding was \$169,595,000.

In February 2024, the District issued the Series 2024 General Obligation Bonds in the amount of \$200,000,000 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, 2051, with interest rates from 4.00% to 5.00%. At June 30, 2025, the principal balance outstanding was \$189,500,000.

Debt Maturity

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Redeemed	Bonds Outstanding June 30, 2025
4/2015	8/1/2024	2.00%-5.00%	\$ 38,690,000	\$ 6,090,000	\$ -	\$ (6,090,000)	\$ -
2/2016	8/1/2025	5.00%	158,130,000	4,305,000	-	-	4,305,000
4/2017	8/1/2039	2.00%-5.00%	125,305,000	117,490,000	-	(3,000,000)	114,490,000
8/2020	8/1/2042	0.22%-4.00%	60,000,000	40,700,000	-	-	40,700,000
8/2020	8/1/2040	0.27%-2.46%	32,930,000	30,495,000	-	(795,000)	29,700,000
11/2021	8/1/2051	2.50%-4.00%	85,000,000	68,500,000	-	-	68,500,000
11/2021	8/1/2037	2.31%-3.00%	25,000,000	25,000,000	-	(1,275,000)	23,725,000
11/2021	8/1/2037	0.45%-2.98%	180,035,000	172,410,000	-	(2,815,000)	169,595,000
2/2024	8/1/2051	4.00%-5.00%	200,000,000	200,000,000	-	(10,500,000)	189,500,000
				<u>\$ 664,990,000</u>	<u>\$ -</u>	<u>\$ (24,475,000)</u>	<u>\$ 640,515,000</u>

General Obligation Bond - 2016 Refunding

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	<u>\$ 4,305,000</u>	<u>\$ 107,625</u>	<u>\$ 4,412,625</u>

General Obligation Bond - 2017 Refunding

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	\$ 5,200,000	\$ 5,107,600	\$ 10,307,600
2027	5,800,000	4,832,600	10,632,600
2028	6,400,000	4,527,600	10,927,600
2029	7,100,000	4,190,100	11,290,100
2030	7,700,000	3,820,100	11,520,100
2031-2035	33,600,000	13,438,000	47,038,000
2036-2040	48,690,000	7,824,400	56,514,400
Total	<u>\$ 114,490,000</u>	<u>\$ 43,740,400</u>	<u>\$ 158,230,400</u>

General Obligation Bond – 2020 Series

The bonds mature through 2043 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2026	\$ -	\$ 1,243,332	\$ 1,243,332
2027	950,000	1,224,332	2,174,332
2028	1,095,000	1,183,432	2,278,432
2029	1,240,000	1,136,732	2,376,732
2030	1,420,000	1,083,532	2,503,532
2031-2035	10,235,000	4,348,560	14,583,560
2036-2040	14,775,000	2,043,910	16,818,910
2041-2043	10,985,000	359,392	11,344,392
Total	\$ 40,700,000	\$ 12,623,222	\$ 53,323,222

General Obligation Bond – 2020 Refunding

The bonds mature through 2041 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2026	\$ 970,000	\$ 584,428	\$ 1,554,428
2027	1,055,000	575,491	1,630,491
2028	1,150,000	563,553	1,713,553
2029	1,245,000	548,490	1,793,490
2030	1,360,000	530,356	1,890,356
2031-2035	8,465,000	2,265,630	10,730,630
2036-2040	12,270,000	1,192,584	13,462,584
2041	3,185,000	39,128	3,224,128
Total	\$ 29,700,000	\$ 6,299,660	\$ 35,999,660

General Obligation Bond – 2021 Series A-1

The bonds mature through 2052 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2026	\$ -	\$ 2,407,225	\$ 2,407,225
2027	-	2,407,225	2,407,225
2028	-	2,407,225	2,407,225
2029	-	2,407,225	2,407,225
2030	-	2,407,225	2,407,225
2031-2035	1,525,000	11,959,425	13,484,425
2036-2040	6,805,000	11,166,825	17,971,825
2041-2045	17,155,000	9,152,000	26,307,000
2046-2050	28,330,000	5,781,338	34,111,338
2051-2052	14,685,000	598,300	15,283,300
Total	\$ 68,500,000	\$ 50,694,013	\$ 119,194,013

General Obligation Bond – 2021 Series A-2

The bonds mature through 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2026	\$ 1,210,000	\$ 647,924	\$ 1,857,924
2027	1,185,000	611,999	1,796,999
2028	1,315,000	574,499	1,889,499
2029	1,450,000	533,024	1,983,024
2030	1,610,000	487,124	2,097,124
2031-2035	9,280,000	1,749,288	11,029,288
2036-2038	7,675,000	349,657	8,024,657
Total	\$ 23,725,000	\$ 4,953,515	\$ 28,678,515

General Obligation Bond – 2021 Refunding

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	\$ 2,845,000	\$ 4,260,773	\$ 7,105,773
2027	7,325,000	4,184,699	11,509,699
2028	7,680,000	4,057,854	11,737,854
2029	8,060,000	3,906,324	11,966,324
2030	8,475,000	3,735,470	12,210,470
2031-2035	63,585,000	14,934,530	78,519,530
2036-2038	71,625,000	3,228,552	74,853,552
Total	<u>\$ 169,595,000</u>	<u>\$ 38,308,202</u>	<u>\$ 207,903,202</u>

General Obligation Bond – 2024 Series

The bonds mature through 2052 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	\$ 8,260,000	\$ 7,792,200	\$ 16,052,200
2027	6,960,000	7,411,700	14,371,700
2028	250,000	7,233,950	7,483,950
2029	250,000	7,223,950	7,473,950
2030	250,000	7,211,450	7,461,450
2031-2035	5,095,000	35,520,875	40,615,875
2036-2040	16,225,000	33,026,375	49,251,375
2041-2045	40,300,000	27,016,000	67,316,000
2046-2050	72,860,000	15,625,200	88,485,200
2051-2052	39,050,000	1,593,600	40,643,600
Total	<u>\$ 189,500,000</u>	<u>\$ 149,655,300</u>	<u>\$ 339,155,300</u>

Lease Liability

The District has entered into agreements to lease various facilities, equipment, and vehicles. The District's liability for lease agreements is summarized below:

Leases	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Radio Station Building	\$ 183,832	\$ -	\$ (56,208)	\$ 127,624
Copier leases	203,804	-	(58,991)	144,813
Temporary Campus Site	285,964	-	(188,733)	97,231
Postage Meter	11,330	-	(5,627)	5,703
Coachella Student Services Center	68,600	-	(23,331)	45,269
Vehicle fleet	-	318,062	(23,372)	294,690
Total	<u>\$ 753,530</u>	<u>\$ 318,062</u>	<u>\$ (356,262)</u>	<u>\$ 715,330</u>

Radio Station Building

The District entered into an agreement to lease a building for 60 months, beginning September 2018. The District amended the agreement to extend the lease through August 2027. Under the terms of the lease, the District makes monthly payments, that increase based on a set schedule in the lease agreement, which amounted to total principal and interest costs of \$57,413 for the year ending June 30, 2025.

At June 30, 2025, the District has recognized a right-to-use leased asset of \$123,368, net of accumulated amortization and a lease liability of \$127,624 related to this agreement. During the fiscal year, the District recorded \$57,187 in amortization expense and \$1,205 in interest expense for the leased building. The District used a discount rate of 4.00% based on the estimated incremental borrowing rate for financing over a similar period of time.

Copier Leases

The District entered into an agreement to lease various copiers between four and five years, starting April 2022. Under the terms of the lease, the District makes monthly payments ranging from of \$1,177, to \$3,923, annually, which amounted to total principal and interest costs of \$64,940.

At June 30, 2025, the District has recognized a right-to-use leased asset of \$138,989, net of accumulated amortization and a lease liability of \$144,813 related to this agreement. During the fiscal year, the District recorded \$59,917 in amortization expense and \$5,949 in interest expense for the right to use of the copiers. The District used a discount rate of 4.00% based on the estimated incremental borrowing rate for financing over a similar period of time.

Temporary Campus Site

The District entered into an agreement to lease temporary campus space in Palm Springs beginning November 2017. The lease terminates December 31, 2025. Under the terms of the lease, the District makes monthly payments, increasing annually based on Consumer Price Index (CPI) rates, which amounted to total principal and interest costs of \$196,736 for the year ending June 30, 2025. The District has an option to terminate the lease after December 31, 2025, which the District believes it will exercise with reasonable certainty.

At June 30, 2025, the District has recognized a right-to-use leased asset of \$53,477, net of accumulated amortization and a lease liability of \$97,231 related to this agreement. During the fiscal year, the District recorded \$197,919 in amortization expense and \$8,003 in interest expense for the right to use the campus space. The District used a discount rate of 4.00% based on the estimated incremental borrowing rate for financing over a similar time period.

Postage Meter

The District entered into an agreement to lease a postage meter beginning November 2017. The lease terminates September 2025. Under the terms of the lease, the District makes monthly payments which amounted to total principal and interest costs of \$5,750 for the year ending June 30, 2025. The lease does not have an option to extend.

At June 30, 2025, the District has recognized a right-to-use leased asset of \$5,590, net of accumulated amortization and a lease liability of \$5,703 related to this agreement. During the fiscal year, the District recorded \$5,591 in amortization expense and \$123 in interest expense for the right to use the equipment. The District used a discount rate of 4.00% based on the estimated incremental borrowing rate for financing over a similar time period.

Coachella Student Services Center

The District entered into an agreement to lease temporary space in Coachella beginning April 2022. The lease terminates April 2027. Under the terms of the lease, the District makes monthly payments which amounted to total principal and interest costs of \$25,651 for the year ending June 30, 2025. The lease does not have an option to extend.

At June 30, 2025, the District has recognized a right-to-use leased asset of \$42,557, net of accumulated amortization and a lease liability of \$45,269 related to this agreement. During the fiscal year, the District recorded \$23,213 in amortization expense and \$2,320 in interest expense for the right to use the space. The District used a discount rate of 4.00% based on the estimated incremental borrowing rate for financing over a similar time period.

Vehicle Fleet

The District entered into agreements to lease various vehicles beginning December 2024, March 2025, and June 2025. The leases are each for a term of 60 months. Under the terms of the leases, the District makes monthly payments which amounted to total principal and interest costs of \$34,410 for the year ending June 30, 2025. The leases do not have an option to extend.

At June 30, 2025, the District has recognized a right-to-use leased asset of \$291,568, net of accumulated amortization and a lease liability of \$294,690 related to these agreements. During the fiscal year, the District recorded \$26,494 in amortization expense and \$11,038 in interest expense for the right to use the vehicles. The District used a discount rate of 5.40% based on the estimated incremental borrowing rate for financing over a similar time period.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2025 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 304,300	\$ 22,365	\$ 326,665
2027	205,095	14,951	220,046
2028	94,624	8,287	102,911
2029	69,621	7,864	77,485
2030	41,690	789	42,479
Total	<u>\$ 715,330</u>	<u>\$ 54,256</u>	<u>\$ 769,586</u>

Subscriptions-Based IT Arrangements (SBITAs)

The District entered into SBITAs for the use of various software. At June 30, 2025, the District has recognized a right-to-use subscriptions IT asset of \$2,209,030, net of accumulated amortization and a SBITA liability of \$2,209,030 related to these agreements. During the fiscal year, the District recorded \$781,446 in amortization expense. The District is required to make annual principal and interest payments through July 2028. The subscription liabilities have been calculated using interest rates of 9.62% and 5.40%.

The remaining principal and interest payment requirements for the SBITA liability as of June 30, 2025, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 633,113	\$ 81,870	\$ 714,983
2027	558,832	52,111	610,943
2028	487,201	27,219	514,420
2029	529,884	-	529,884
Total	<u>\$ 2,209,030</u>	<u>\$ 161,200</u>	<u>\$ 2,370,230</u>

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 \$415,214 on behalf of 44 retirees through 2026 in accordance with the following schedule:

<u>Fiscal Year</u>	
2026	<u>\$ 415,214</u>

Note 9 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2025, 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	\$ 4,057,530	\$ 2,285,323	\$ 3,409,962	\$ 119,155
Medicare Premium Payment (MPP) Program	191,100	-	-	(25,865)
Total	<u>\$ 4,248,630</u>	<u>\$ 2,285,323</u>	<u>\$ 3,409,962</u>	<u>\$ 93,290</u>

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, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	26
Active employees	340
Total	<u>366</u>

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 the 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. The voluntary contributions are 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, 2024, the District contributed \$592,891 to the Plan, of which \$511,364 was used for current premiums and \$81,527 was associated with the implicit rate subsidy.

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, 2024:

Asset Class	Target Allocation
Equity Investments	60%
Fixed Income	40%

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 10.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District’s net OPEB liability of \$4,057,530 was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The components of the net OPEB liability of the District at June 30, 2024, were as follows:

Total OPEB liability	\$ 9,456,194
Plan fiduciary net position	<u>(5,398,664)</u>
Net OPEB liability	<u>\$ 4,057,530</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>57.09%</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2024 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	6.25%
Healthcare cost trend rate	4.00%

The discount rate was based on the long-term rate of return.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 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, 2023 valuation were based on the results of an actual experience study as of October 2023.

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, 2024, (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	7.25%
Fixed Income	4.75%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. 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

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance, June 30, 2023	\$ 9,100,508	\$ 4,880,339	\$ 4,220,169
Service cost	613,002	-	613,002
Interest	543,815	-	543,815
Difference between expected and actual experience	27,709	-	27,709
Contributions - employer	-	592,891	(592,891)
Net investment income	-	523,347	(523,347)
Changes of assumptions	(235,949)	-	(235,949)
Benefit payments	(592,891)	(592,891)	-
Administrative expense	-	(5,022)	5,022
Net change in total OPEB liability	<u>355,686</u>	<u>518,325</u>	<u>(162,639)</u>
Balance, June 30, 2024	<u>\$ 9,456,194</u>	<u>\$ 5,398,664</u>	<u>\$ 4,057,530</u>

Changes in assumptions and other inputs reflects a change in the discount rate from 5.96% to 6.25% 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 (5.25%)	\$ 4,865,929
Current discount rate (6.25%)	4,057,530
1% increase (7.25%)	3,343,854

Sensitivity of the Net OPEB Liability to Changes in the Healthcare 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 healthcare cost trend rate that is one percent lower or higher than the current healthcare cost trend rate:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3.00%)	\$ 2,935,749
Current healthcare cost trend rate (4.00%)	4,057,530
1% increase (5.00%)	5,354,545

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2025, 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	\$ 503,265	\$ -
Differences between expected and actual experience	618,166	1,012,657
Changes of assumptions	1,163,892	2,242,179
Net difference between projected and actual earnings on OPEB plan investments	-	155,126
	-	155,126
Total	\$ 2,285,323	\$ 3,409,962

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net 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
2026	\$ (97,343)
2027	69,816
2028	(83,904)
2029	(43,695)
Total	<u>\$ (155,126)</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 12.5 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (109,076)
2027	(109,076)
2028	(109,076)
2029	(109,076)
2030	(109,076)
Thereafter	(927,398)
Total	<u>\$ (1,472,778)</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, 2023 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/forms-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 benefit payments. 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, 2025, the District reported a liability of \$191,100 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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 periods of June 30, 2024 and June 30, 2023, was 0.0717%, and 0.0715%, respectively, resulting in a net increase in the proportionate share of 0.0002%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(25,865).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.93%
Medicare Part A Premium Cost Trend Rate	5.00%
Medicare Part B Premium Cost Trend Rate	6.50%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 154 or an average of 0.12% of the potentially eligible population (132,333).

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, 2024, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.93%)	\$ 206,192
Current discount rate (3.93%)	191,100
1% increase (4.93%)	177,829

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 177,033
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	191,100
1% increase (6.00% Part A and 7.50% Part B)	206,804

Note 10 - 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, 2025, 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 2024-2025, 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 11 - 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 year ended June 30, 2025, the District reported its proportionate share of the aggregate net pension liability, 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	\$ 33,007,850	\$ 14,832,186	\$ 5,892,434	\$ 4,286,705
CalPERS	47,148,486	14,972,989	1,971,605	7,595,106
Total	<u>\$ 80,156,336</u>	<u>\$ 29,805,175</u>	<u>\$ 7,864,039</u>	<u>\$ 11,881,811</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, 2023, 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/forms-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, 2025, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
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	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and 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 19.10% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the District's total contributions were \$7,441,639.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 33,007,850
State's proportionate share of the net pension liability associated with the District	<u>15,144,115</u>
Total	<u><u>\$ 48,151,965</u></u>

The net pension liability was measured as of June 30, 2024. 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 member districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.0491% and 0.0483%, respectively, resulting in a net increase in the proportionate share of 0.0008%.

For the year ended June 30, 2025, the District recognized pension expense of \$4,286,705. In addition, the District recognized pension expense and revenue of \$1,378,695 for support provided by the State. At June 30, 2025, 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	\$ 7,441,639	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,512,445	2,061,512
Differences between projected and actual earnings on pension plan investments	-	133,185
Differences between expected and actual experience in the measurement of the total pension liability	3,733,613	1,443,415
Changes of assumptions	<u>144,489</u>	<u>2,254,322</u>
Total	<u><u>\$ 14,832,186</u></u>	<u><u>\$ 5,892,434</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 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>
2026	\$ (2,212,753)
2027	2,664,976
2028	(217,429)
2029	<u>(367,979)</u>
Total	<u>\$ (133,185)</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>
2026	\$ 580,645
2027	408,701
2028	(49,401)
2029	20,618
2030	653,454
Thereafter	<u>17,281</u>
Total	<u>\$ 1,631,298</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
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 is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

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 of 7.10% and assume that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 58,710,165
Current discount rate (7.10%)	33,007,850
1% increase (8.10%)	11,545,351

California Public Employees' Retirement System (CalPERS) – SEP

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, 2023, 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 SEP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
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%	8.00%
Required employer contribution rate	27.05%	27.05%

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, 2025, are presented above, and the total District contributions were \$7,393,071.

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

As of June 30, 2025, the District reported a liability for its proportionate share of the CalPERS net pension liability totaling \$47,148,486. The net pension liability was measured as of June 30, 2024. 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, 2024 and June 30, 2023, was 0.1319% and 0.1289%, respectively, resulting in a net increase in the proportionate share of 0.0030%.

For the year ended June 30, 2025, the District recognized pension expense of \$7,595,106. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,393,071	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	753,620	1,634,165
Differences between projected and actual earnings on pension plan investments	1,831,446	-
Differences between expected and actual experience in the measurement of the total pension liability	3,952,711	337,440
Changes of assumptions	1,042,141	-
Total	\$ 14,972,989	\$ 1,971,605

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (15,788)
2027	2,847,482
2028	(420,752)
2029	(579,496)
Total	\$ 1,831,446

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 3.9 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2026	\$ 1,490,545
2027	1,180,475
2028	<u>1,105,847</u>
Total	<u>\$ 3,776,867</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the SEP investments 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 (5.90%)	\$ 70,039,469
Current discount rate (6.90%)	47,148,486
1% increase (7.90%)	28,238,712

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 in the amount of \$3,057,908 (10.828% of annual payroll). 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. 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 12 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the SWACC 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 SWACC and RSRMA.

During the year ended June 30, 2025, the District made payments of \$885,754 and \$1,060,061 to SWACC and RSRMA, respectively.

As of June 30, 2025, the District maintained \$151,654 in the SWACC Risk Management Fund.

Note 13 - 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, 2025.

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, 2025.

Construction Commitments

As of June 30, 2025, the District had approximately \$540 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds, redevelopment agency funds, and state capital outlay funds.

Employee Retention Credit

The District's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2025. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government. At June 30, 2025 the District reported a long term receivable balance of \$10,687,497 related to this credit.

Note 14 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the current and noncurrent portions of compensated absences were increased by \$4,352,091 and \$8,608,008, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the following table.

Change to the Reporting Entity

During the year ended June 30, 2025, the District identified that College of the Desert Foundation, a discretely presented component unit of the District, and Desert Community College District Auxiliary Services, a blended component unit of the District, were not presented in the June 30, 2024 financial statements. The beginning balance of the discretely presented component unit and the primary government financial statements as of July 1, 2024 have been corrected to present the discretely presented component unit and the blended component unit.

Primary Government	
Net Position - Beginning, as previously reported on July 1, 2024	\$ 216,675,393
Change in accounting principle - adoption of GASB Statement No. 101	(12,960,099)
Addition of blended component unit	1,959,336
Net Position - Beginning, as restated on July 1, 2024	\$ 205,674,630
Discretely Presented Component Unit	
Net Assets - Beginning, as previously reported on July 1, 2024	\$ -
Addition of discretely presented component unit	63,304,867
Net Assets - Beginning, as restated on July 1, 2024	\$ 63,304,867

The change in government-wide net position for the year ended June 30, 2024, as previously reported, was understated by \$1,959,336 as a result of these errors.

Note 15 - Subsequent Events

On January 13, 2026, the District issued \$157,860,000 of General Obligation Bonds, Election of 2016, Series 2026 with a final maturity of August 1, 2051. The bonds carry an interest rate of 5.00%. Interest is payable semi-annually on February 1 and August 1 of each year.

Required Supplementary Information
June 30, 2025

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, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 613,002	\$ 609,600	\$ 602,590	\$ 1,068,878
Interest	543,815	574,890	541,985	382,535
Difference between expected and actual experience	27,709	(1,129,590)	13,539	377,396
Changes of assumptions	(235,949)	(612,896)	(82,819)	(2,120,282)
Benefit payments	(592,891)	(636,614)	(652,775)	(499,991)
Net change in total OPEB liability	355,686	(1,194,610)	422,520	(791,464)
Total OPEB Liability - Beginning	9,100,508	10,295,118	9,872,598	10,664,062
Total OPEB Liability - Ending (a)	<u>\$ 9,456,194</u>	<u>\$ 9,100,508</u>	<u>\$ 10,295,118</u>	<u>\$ 9,872,598</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 592,891	\$ 636,614	\$ 652,775	\$ 499,991
Net investment income	523,347	476,425	(463,935)	1,100,341
Differences between projected and actual earnings on OPEB plan investments	-	-	-	-
Benefit payments	(592,891)	(636,614)	(652,775)	(499,991)
Administrative expense	(5,022)	(4,530)	(4,945)	(4,212)
Net change in plan fiduciary net position	518,325	471,895	(468,880)	1,096,129
Plan Fiduciary Net Position - Beginning	4,880,339	4,408,444	4,877,324	3,781,195
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,398,664</u>	<u>\$ 4,880,339</u>	<u>\$ 4,408,444</u>	<u>\$ 4,877,324</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 4,057,530</u>	<u>\$ 4,220,169</u>	<u>\$ 5,886,674</u>	<u>\$ 4,995,274</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	57.09%	53.63%	42.82%	49.40%
Covered Payroll	\$ 62,026,906	\$ 54,691,888	\$ 51,843,662	\$ 51,144,487
Net OPEB Liability as a Percentage of Covered Payroll	6.54%	7.72%	11.35%	9.77%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

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

Desert Community College District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

	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
Net 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 Payroll	\$ 49,542,066	\$ 46,025,056	\$ 42,605,101	\$ 36,665,857
Net OPEB Liability as a Percentage of Covered 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, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Annual money-weighted rate of return, net of investment expense	<u>10.62%</u>	<u>10.70%</u>	<u>(0.10%)</u>	<u>28.99%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>(0.15%)</u>	<u>6.22%</u>	<u>8.38%</u>	<u>11.83%</u>
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 OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.0717%	0.0715%	0.0717%	0.0784%
Proportionate share of the net OPEB liability	\$ 191,100	\$ 216,965	\$ 236,324	\$ 312,707
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	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 ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
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

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

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

Desert Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2025

	2025	2024	2023	2022	2021
CalSTRS					
Proportion of the net pension liability	0.0491%	0.0483%	0.0478%	0.0522%	0.0503%
Proportionate share of the net pension liability	\$ 33,007,850	\$ 36,816,965	\$ 33,215,772	\$ 23,735,323	\$ 48,760,510
State's proportionate share of the net pension liability associated with the District	15,144,115	17,640,043	16,634,329	11,942,694	25,136,049
Total	<u>\$ 48,151,965</u>	<u>\$ 54,457,008</u>	<u>\$ 49,850,101</u>	<u>\$ 35,678,017</u>	<u>\$ 73,896,559</u>
Covered payroll	<u>\$ 35,754,901</u>	<u>\$ 32,310,445</u>	<u>\$ 30,505,910</u>	<u>\$ 30,358,260</u>	<u>\$ 29,330,322</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>92.32%</u>	<u>113.95%</u>	<u>108.88%</u>	<u>78.18%</u>	<u>166.25%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>84%</u>	<u>81%</u>	<u>81%</u>	<u>87%</u>	<u>72%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
CalPERS					
Proportion of the net pension liability	0.1319%	0.1289%	0.1380%	0.1446%	0.1400%
Proportionate share of the net pension liability	\$ 47,148,486	\$ 46,661,876	\$ 47,483,261	\$ 29,395,331	\$ 42,945,148
Covered payroll	<u>\$ 26,272,005</u>	<u>\$ 22,381,443</u>	<u>\$ 21,337,752</u>	<u>\$ 20,786,227</u>	<u>\$ 20,211,744</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>179.46%</u>	<u>208.48%</u>	<u>222.53%</u>	<u>141.42%</u>	<u>212.48%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>70%</u>	<u>70%</u>	<u>81%</u>	<u>70%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

Desert Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2025

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

Desert Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
CalSTRS					
Contractually required contribution	\$ 7,441,639	\$ 6,829,186	\$ 6,171,295	\$ 5,161,600	\$ 4,902,859
Contributions in relation to the contractually required contribution	<u>(7,441,639)</u>	<u>(6,829,186)</u>	<u>(6,171,295)</u>	<u>(5,161,600)</u>	<u>(4,902,859)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 38,961,461</u>	<u>\$ 35,754,901</u>	<u>\$ 32,310,445</u>	<u>\$ 30,505,910</u>	<u>\$ 30,358,260</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
CalPERS					
Contractually required contribution	\$ 7,393,071	\$ 7,009,371	\$ 5,678,172	\$ 4,888,479	\$ 4,302,749
Contributions in relation to the contractually required contribution	<u>(7,393,071)</u>	<u>(7,009,371)</u>	<u>(5,678,172)</u>	<u>(4,888,479)</u>	<u>(4,302,749)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 27,331,131</u>	<u>\$ 26,272,005</u>	<u>\$ 22,381,443</u>	<u>\$ 21,337,752</u>	<u>\$ 20,786,227</u>
Contributions as a percentage of covered payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>

Desert Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2025

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

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 discount rate assumption was changed from 5.96% to 6.25% 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 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District.

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

Schedule of the District's 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.

Supplementary Information
June 30, 2025

Desert Community College District

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

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

Board of Trustees as of June 30, 2025

Member	Office	Term Expires
Dr. Joel Kinnamon	Chairperson	2026
Ronald Oden	Vice Chairperson	2028
Rubén Aríaztlán Pérez	Clerk	2026
Mark Meyer	Member	2028
Mary Jane Sanchez-Fulton	Member	2028
Enass "Nusa" James	Student Trustee	2026

Administration as of June 30, 2025

Val Martinez Garcia	Superintendent/President
Neil Lingle	Interim Vice President, Instruction
Amanda Phillips	Acting Vice President, Student Services
Dr. Raymond "Chip" West III	Interim Vice President, Administrative Services
Terri Wilson	Acting Vice President, Human Resources and Employee Relations
Diana Guijarro	Director, Fiscal Services
Stuart Davis	Executive Director, Educational Technology

Auxiliary Organizations in Good Standing

Desert Community College Auxiliary Services
Master Agreement dated March 1985
Val Martinez Garcia, Superintendent/President

Desert Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 25,455,405
Federal Pell Grant Program Administrative Allowance	84.063		70,105
Federal Direct Student Loans	84.268		987,252
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		332,000
Federal Work-Study Program	84.033		706,393
Federal Work-Study Program Administrative Allowance	84.033		15,157
			<u>27,566,312</u>
Subtotal Student Financial Assistance Cluster			
TRIO Cluster			
DSPS Student Support Services	84.042A		263,059
ACES Student Support Services	84.042A		275,189
Veterans Student Support Services	84.042A		277,276
Educational Talent Search Program	84.044A		277,406
Upward Bound Program	84.047A		460,179
			<u>1,553,109</u>
Subtotal TRIO Cluster			
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act, Title I, Part C	84.048A	24-C01-017	625,972
Passed through California Department of Rehabilitation			
State Vocational Rehabilitation Services Program	84.126A	30094	238,195
			<u>29,983,588</u>
Total U.S. Department of Education			
U.S. Department of Agriculture			
Community Connect	10.863		2,061
Passed through California Department of Social Services			
Child and Adult Care Food Program	10.558	04370-CACFP- 33-CC-CS	61,057
			<u>63,118</u>
Total U.S. Department of Agriculture			
U.S. Department of Veterans Affairs			
Vocational Rehabilitation of Disabled Veterans	64.116		175

Desert Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster			
National Aeronautics and Space Administration A Penetrolyzer for Extracting Oxygen and Hydrogen From Mars Regolith	43.008		\$ 254,873
Subtotal Research and Development Cluster			<u>254,873</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]	91,855
Passed through Riverside County Department of Public Social Services			
Greater Avenues for Independence	93.558	CW-03717	<u>39,705</u>
Subtotal			<u>131,560</u>
Child Care and Development Fund (CCDF) Cluster			
Passed through California Department of Social Services			
Child Care and Development Block Grant	93.575	25136	325,976
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	24568	<u>30,942</u>
Subtotal Child Care and Development Fund (CCDF) Cluster			<u>356,918</u>
Total U.S. Department of Health and Human Services			<u>488,478</u>
Total Federal Financial Assistance			<u><u>\$ 30,790,232</u></u>

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

Desert Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2025

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue		
African American Male Education Network Development	\$ 16,707	\$ -	\$ 14,300	\$ 2,407	\$ 2,407
Basic Needs Center	905,824	-	442,351	463,473	463,473
CAEP	1,237,475	-	126,671	1,110,804	1,110,804
Cal Fresh Outreach	39,048	-	23,267	15,781	15,781
California Promise Grant	1,331,057	-	806,878	524,179	524,179
CalWORKS	433,327	-	27,133	406,194	406,194
Campus Safety	20,223	-	7,864	12,359	12,359
Care Program	861,460	-	654,550	206,910	206,910
CCC Equitable Placement & Completion Grant Program	756,343	-	755,717	626	626
Child Development: California State Preschool Program (6921)	1,009,627	-	-	1,009,627	1,009,627
Child Development: General Childcare and Development (6920)	1,572,780	-	173,942	1,398,838	1,398,838
COVID Recovery Block Grant	4,526,736	-	4,016,361	510,375	510,375
Culturally Competent Faculty	50,434	-	50,434	-	-
DSP&S Hard of Hearing and Access to Print	1,835,976	-	322,157	1,513,819	1,513,819
Employment Engagement Manager	160,000	(3,989)	-	156,011	156,011
Equal Employment Opportunity	408,846	-	391,573	17,273	17,273
Equal Employment Opportunity Best Practice	208,333	-	185,934	22,399	22,399
Extended Opportunity Program and Services (EOPS)	1,981,833	-	155,750	1,826,083	1,826,083
Farm to Fork	32,775	10,647	-	43,422	43,422
Financial Aid Technology	97,241	-	13,037	84,204	84,204
Guided Pathways	246,727	-	99,781	146,946	146,946
Health Professions Pathways Program	5,480	-	-	5,480	5,480
Industry Sector Management	349,663	20,500	165,163	205,000	205,000
LGBTQ+	206,554	-	171,991	34,563	34,563
Local and System-wide Technology and Data Security	270,636	-	175,922	94,714	94,714
Mental Health Support	724,442	-	452,156	272,286	272,286
MESA	889,467	-	591,908	297,559	297,559
Next Up	943,414	-	158,759	784,655	784,655
Nursing	238,405	-	1,528	236,877	236,877
Regional Equity and Recovery Partnership	47,754	-	9,428	38,326	38,326
Restricted Instructional Equipment	61,200	-	61,200	-	-
Retention and Enrollment Outreach	860,600	-	571,070	289,530	289,530
Rising Scholars Juvenile Grant	920,454	-	727,926	192,528	192,528
Strong Workforce Program - Local	3,007,563	-	1,626,393	1,381,170	1,381,170
Strong Workforce Program - Regional	574,682	306,777	-	881,459	881,459
Student Equity and Achievement	4,040,866	-	380,975	3,659,891	3,659,891

Desert Community College District
 Schedule of Expenditures of State Awards
 Year Ended June 30, 2025

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue		
Student Financial Aid Base	\$ 295,801	\$ -	\$ 42,140	\$ 253,661	\$ 253,661
Student Financial Aid Cap	413,963	-	-	413,963	413,963
Student Food and Housing Support	859,639	-	754,142	105,497	105,497
Student Success Completion Grant	5,613,919	-	578,709	5,035,210	5,035,210
Student Transfer Achievement Reform	565,217	-	357,430	207,787	207,787
Systemwide Technology and Data Security	315,790	-	304,891	10,899	10,899
Transfer Ed and Articulation-Seamless Transfer	48,695	-	19,474	29,221	29,221
Undocumented Resource Alliance	116,692	-	-	116,692	116,692
Veterans Resource Center	250,386	-	88,107	162,279	162,279
Veterans Program	35,676	-	29,950	5,726	5,726
Zero Textbook Cost Program	508,750	-	508,750	-	-
Zero Textbook Cost Program - One-Time Funds	170,632	-	169,953	679	679
Total state programs	\$ 40,069,112	\$ 333,935	\$ 16,215,665	\$ 24,187,382	\$ 24,187,382

Desert Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2025

CATEGORIES	Revised Reported Data**	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2024 only)			
1. Noncredit*	69.75	-	69.75
2. Credit	800.09	-	800.09
B. Summer Intersession (Summer 2025 - Prior to July 1, 2025)			
1. Noncredit*	7.73	-	7.73
2. Credit	9.29	-	9.29
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	-	-	-
(b) Daily Census Contact Hours	-	-	-
(c) Standardized Census Contact Hours	8,802.20	-	8,802.20
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	394.05	-	394.05
(b) Credit	-	-	-
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	-	-	-
(b) Daily Census Procedure Courses	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	261.81	-	261.81
D. Total FTES	<u>10,344.92</u>	<u>-</u>	<u>10,344.92</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	673.49	-	673.49
2. Credit	11.09	-	11.09
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	675.30	-	675.30
<u>Centers FTES</u>			
1. Noncredit*	112.61	-	112.61
2. Credit	2,131.61	-	2,131.61

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

**District submitted Annual Attendance Recalc on October 19, 2025.

Desert Community College District
Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
Year Ended June 30, 2025

	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	\$ 18,080,936	\$ -	\$ 18,080,936	\$ 18,080,936	\$ -	\$ 18,080,936
Other	1300	12,443,929	-	12,443,929	12,443,929	-	12,443,929
Total Instructional Salaries		30,524,865	-	30,524,865	30,524,865	-	30,524,865
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	6,648,870	-	6,648,870
Other	1400	-	-	-	1,036,794	-	1,036,794
Total Noninstructional Salaries		-	-	-	7,685,664	-	7,685,664
Total Academic Salaries		30,524,865	-	30,524,865	38,210,529	-	38,210,529
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	16,373,155	-	16,373,155
Other	2300	-	-	-	562,521	-	562,521
Total Noninstructional Salaries		-	-	-	16,935,676	-	16,935,676
Instructional Aides							
Regular Status	2200	2,121,816	-	2,121,816	2,121,816	-	2,121,816
Other	2400	-	-	-	-	-	-
Total Instructional Aides		2,121,816	-	2,121,816	2,121,816	-	2,121,816
Total Classified Salaries		2,121,816	-	2,121,816	19,057,492	-	19,057,492
Employee Benefits	3000	13,567,375	-	13,567,375	24,772,561	-	24,772,561
Supplies and Material	4000	-	-	-	1,116,116	-	1,116,116
Other Operating Expenses	5000	-	-	-	9,442,218	-	9,442,218
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		46,214,056	-	46,214,056	92,598,916	-	92,598,916

Desert Community College District
 Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
 Year Ended June 30, 2025

	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	\$ -	\$ -	\$ -	\$ 39,280	\$ -	\$ 39,280
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	186,105	-	186,105
Objects to Exclude							
Rents and Leases	5060	-	-	-	156,692	-	156,692
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% Law) Calculation
 Year Ended June 30, 2025

	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	\$ -	\$ -	\$ -	\$ 1,441,826	\$ -	\$ 1,441,826
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	1,823,903	-	1,823,903
Total for ECS 84362, 50% Law		\$ 46,214,056	\$ -	\$ 46,214,056	\$ 90,775,013	\$ -	\$ 90,775,013
% of CEE (Instructional Salary Cost/Total CEE)		50.91%		50.91%	100.00%		100.00%
50% of Current Expense of Education					\$ 45,387,506		\$ 45,387,506

Desert Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2025

Activity Classification	Object Code				Unrestricted
EPA Revenues:	8630				\$ 16,201,079
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 16,201,079	\$ -	\$ -	\$ 16,201,079
Total Expenditures for EPA		\$ 16,201,079	\$ -	\$ -	\$ 16,201,079
Revenues Less Expenditures					\$ -

Desert Community College District
Reconciliation of Governmental Funds to the Statement of Net Position
June 30, 2025

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

Total fund balance and retained earnings - all District funds		
General Funds	\$ 43,138,705	
Special Revenue Funds	1,251,096	
Capital Project Funds	313,411,809	
Debt Service Funds	104,939,632	
Enterprise Funds	23,049,492	
Internal Service Funds	5,857,135	
Fiduciary Funds	<u>5,881,068</u>	
Total fund balance and retained earnings - all District funds		\$ 497,528,937
The long-term receivable for the employee retention credit is reported in the Statement of Net Position, but not reported in the District's CCFS-311 report.		10,687,497
Amounts held in trust on behalf of others (OPEB Trust Fund)		(5,881,068)
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	707,238,855	
Accumulated depreciation and amortization is	(219,492,095)	
Less: capital assets already recorded in proprietary fund	<u>(13,118)</u>	
Total capital assets, net		487,733,642
Lease and interest receivables and deferred inflows of resources related to leases are reported in the Statement of Net Position, but were not reported in the District's CCFS-311:		
Lease and interest receivables	3,917,629	
Deferred inflows of resources related to leases	<u>(3,467,131)</u>	450,498
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	22,848,245	
Deferred outflows of resources related to OPEB	2,285,323	
Deferred outflows of resources related to pensions	<u>29,805,175</u>	
Total deferred outflows of resources		54,938,743
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.		(9,431,808)

Desert Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 June 30, 2025

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	\$ (668,567,090)	
Lease liability	(715,330)	
Subscription-based IT arrangements	(2,209,030)	
Compensated absences	(20,044,188)	
Early retirement incentive	(415,214)	
Aggregate net other postemployment benefits (OPEB) liability	(4,248,630)	
Aggregate net pension liability	<u>(80,156,336)</u>	
Total long-term liabilities		\$(776,355,818)

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	(3,409,962)	
Deferred inflows of resources related to pensions	<u>(7,864,039)</u>	
Total deferred inflows of resources		<u>(11,274,001)</u>
Total net position		<u><u>\$ 248,396,622</u></u>

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 as of June 30, 2025.

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2025. 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 SEFA 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 SEFA 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.

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 Community Colleges 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% Law) Calculation

California *Education Code* section 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 California Community Colleges Chancellor's Office. This schedule provides a reconciliation of the amount reported to the California Community Colleges Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

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, 2025

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*

To the 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 (*Government Auditing Standards*), the financial statements of the business-type activities, discretely presented component unit, and fiduciary activities of Desert Community College District (the District), as of and for the year ended June 30, 2025, 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 12, 2026.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Restatement

As discussed in Note 14 to the financial statements, the blended component unit and discretely presented component unit were not included in the June 30, 2024 financial statements of the District. Accordingly, Desert Community College District Auxiliary Services and College of the Desert Foundation are now properly presented as a blended component unit and discretely presented component unit, respectively, in the June 30, 2025 financial statements. Our opinions are not modified with respect to this matter.

Report on 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 identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be a significant deficiency.

Report on 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*.

District's Response to Finding

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

Purpose of this Report

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



Ontario, California
February 12, 2026



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

To the Board of Trustees
Desert Community College District
Palm Desert, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Desert Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Desert Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California
February 12, 2026



Independent Auditor's Report on State Compliance

To the Board of Trustees
Desert Community College District
Palm Desert, California

Report on State Compliance

Opinion on State Compliance

We have audited Desert Community College District's (the District) compliance with the types of compliance requirements described in the 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations identified below for the year ended June 30, 2025.

In our opinion, Desert Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations identified below that were audited for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements identified below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance that we identify during the audit.

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)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 494	State Fiscal Recovery Fund
Section 498	COVID-19 Recovery Block Grant Expenditures

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

The District received no funding through Propositions 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California
February 12, 2026

Schedule of Findings and Questioned Costs
June 30, 2025

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 program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major program

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
Dollar threshold used to distinguish between type A and type B programs:	\$923,707
Auditee qualified as low-risk auditee?	Yes

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 in internal control over financial reporting that is required to be reported in accordance with *Government Auditing Standards*.

2025-001 Accounts Payable

Criteria

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 Chancellors Office *Budget and Accounting Manual (BAM)*. Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Significant Deficiency in Internal Control over Financial Reporting - misstatements in the accounts payable balance were identified:

- The accounts payable balance was overstated by \$3,538,544 due to an encumbrance that was erroneously accrued.
- The accounts payable balance was understated by \$4,824,954 due to expenses paid after year-end were not appropriately accrued back to the 2024-2025 fiscal year.

Context

Account balances associated with the above mentioned accounts required material adjustments in order to be in accordance with the BAM and GAAP.

Cause

The oversight and monitoring controls over the closing process were not effective in preventing or detecting errors.

Effect

The effect of the condition identified is a net understatement of accounts payable of \$1,286,410.

Repeat Finding: (Yes or No)

No.

Recommendation

The District should establish policies and procedures to ensure account balances are fairly stated and reported in accordance with BAM and GAAP.

Views of Responsible Officials and Corrective Action Plan

The District concurs with the finding. The district has identified the root cause of the issue, which was insufficient review procedures during year-end processes.

The Director of Fiscal Services has been added to all DocuSign form for each construction project payment, for review before each payment is processed and posted. MAAS Companies will review the payment application for accuracy before routed for approvals.

Director of Fiscal Services will review all encumbrances before hard close to ensure GAAP standards.

None reported.

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.

Federal Award Findings

2024-001 **Special Tests and Provisions – Enrollment Reporting**

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

OMB *Compliance Supplement*, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant, the Federal Direct Loan and Federal Family Education Loan (FFEL) programs via the National Student Loan Data System (NSLDS).

Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) (*OMB No. 1845-0002*) mailboxes sent by ED via NSLDS. An institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in the data elements for the Campus Record and the Program Record identified above, and submit the changes electronically through the batch method, spreadsheet submittal, or the NSLDS website (Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309; Perkins 34 CFR 674.19(f)).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institutions' Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information: "Campus Level" and "Program Level", both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition

Significant Deficiency in Internal Control over Compliance – During testing over the NSLDS reporting requirements we noted that the District did not report enrollment status changes accurately for ten of sixty students tested.

Cause

The District does not have proper procedures for reporting enrollment information for students that withdrew or had a status change under the Pell Grant and Direct Loan Programs via NSLDS timely or accurately.

Effect

The District is not in compliance with the Federal enrollment reporting requirements described in the OMB *Compliance Supplement*.

Questioned Costs

There are no questioned costs associated with the noncompliance.

Context

We tested a non-statistical sample of 60 status changes of the 4,863 students who are subject to the enrollment reporting requirements during the 2024 aid year.

Recommendation

The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Current Status

Implemented.