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PALOMAR COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

JUNE 30, 2025

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Board of Trustees
Palomar Community College District
San Marcos, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Palomar 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 financial position of the business-type activities and fiduciary activities of the District, as of June 30, 2025, and the respective changes in financial position, and it's cash flows 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. Our responsibilities under those standards are further described in the Auditors' 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences* which required a restatement of net position as of July 1, 2024. Our opinion is 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.

Auditors' 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 auditors' 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 and the Required Supplementary Information section, as listed in the table of contents, 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 listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 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.

CWDL, Certified Public Accountants

San Diego, California
January 9, 2026

The Management's Discussion and Analysis (MD&A) of Palomar Community College District of San Marcos, California (d/b/a "Palomar College", the "District", or the "College") provides an overview of the District's financial activities and results of operations for the years ended June 30, 2025 and 2024. The District's administration prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Since this MD&A is designed to focus on current activities, resulting change and currently known facts, it is best read in conjunction with the District's financial statements and the accompanying notes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's administration.

The California Community Colleges Chancellor's Office, through its Fiscal Standards and Accountability Committee, has recommended that all community college districts follow the Business-Type Activity (BTA) model for financial statement reporting purposes. The District applied the BTA reporting model to fully comply with the recommendation. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. Accordingly, financial statements are presented using the economic resources measurement focus and the full accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated. As required by the Governmental Accounting Standards Board (GASB) principles, the Audited Annual Financial Report consists of three basic financial statements that focus on the District as a whole:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

THE DISTRICT

The California Community Colleges (CCCs) form the largest system of higher education in the nation composed of 73 districts encompassing 116 campuses, and 78 educational centers serving approximately 2 million students per year. Community colleges supply certificate and degree programs, basic skills education, workforce education training, and preparation for transfer to four-year institutions.

Founded in 1946, the District is the largest single community college district in San Diego County. The District is a special-purpose political subdivision of the State of California and has been an important provider of higher education and training to the 2,555 square miles of the District's service area. The District operates its main campus in the City of San Marcos, about 30 miles from the City of San Diego. Committed to providing educational services to the entire service area, Palomar takes learning to its surrounding communities via three educational centers located in the cities of Escondido, Rancho Bernardo, and Fallbrook, augmented by outreach sites in the northern part of the City of San Diego and unincorporated portions of the County, including Camp Pendleton, Fallbrook, Mt. Carmel, Ramona, and Pauma Valley.

THE DISTRICT, continued

Rancho Bernardo Education Center	***MD Building, San Marcos Campus***
	

The District is a public, two-year community college that offers more than 250 associate degrees and certificates through programs that meet the California *Education Code* of Regulations, Title 5 curriculum requirements. It also provides noncredit community development and personal entitlement courses for lifelong learning. In fiscal year 2024-2025, a total of 4,434 degrees and certificates (Chancellor's office approved) were earned by students at Palomar. At Palomar, students may choose from a variety of courses and programs offered through face-to-face, distance education, or in a hybrid format that lead to associate degrees, certificates of achievement, and/or transfer to four-year institutions.

Our vision is "***Transforming lives for a better future.***" Palomar's mission "*respects each of our students' experiences and supports them to achieve academic success. As a community college, we encourage our students to embrace the best version of themselves and prepare them to engage with our local and global communities.*" The District promotes open access and celebrates the diversity of its students, faculty, staff, and the community. Annually, we serve over 29,000 full-time and part-time students. Approximately 31.6% of students are enrolled full- time (12 or more units) in credit courses, while about 68.4% are enrolled part-time in credit courses. About 62.2% of our students are 24 and under, while 37.8% are 25 and older. The diversity of our students and employees creates a dynamic, exciting environment in which to work and learn. We are proud to have been designated by the U.S. Department of Education as a Hispanic-serving institution.

A community-elected five-member Governing Board governs the District. Each member is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two or three available positions. The Board also seats an elected student trustee as a voting member. The management and policies of the District are administered by a Superintendent/President who is appointed by the Board and is responsible for the day-to-day operations of the District and supervision of the executive administrators, faculty, and staff.

ACCREDITATION

Palomar College is accredited through the Accrediting Commission for Community and Junior Colleges (ACCJC) of the Western Association of Schools and Colleges (WASC), an institutional accrediting body recognized by the Council of Higher Education Accreditation and the Department of Education. The College has transfer agreements with the California State University and University of California systems, and its high-level coursework in transferable classes fully prepares students for success at four-year colleges and universities.

BUDGETARY AND FINANCIAL INFORMATION

The budgetary and financial accounts of the District are recorded and maintained in accordance with Title 5 of the *Education Code* § 70901, Title 5 § 59011 of the California Code of Regulations, and the Generally Accepted Accounting Principles (GAAP) for State and local governments as determined by the Governmental Accounting Standards Board (GASB). Each community college district is mandated to adhere to the California Community Colleges Chancellor's Office *Budget and Accounting Manual*, distributed as part of the Board of Governor's responsibility to define, establish, and maintain the budgeting and accounting structure and procedures for all districts.

The CCCs have a diverse student body and a mission that includes reducing equity gaps, providing educational access and opportunity, and strengthening the State's economy. Assembly Bill 1809, the higher education trailer bill that passed as part of the 2018-19 Budget Act, implemented the new Student-Centered Funding Formula (SCFF). In reforming the funding formula for general apportionments, the State aims to advance the goals outlined in the Vision for Success adopted by the Board of Governors.

The new formula supports access through enrollment-based funding and also focuses on rewarding student equity and success by targeting funds to districts serving low-income students and by providing additional resources for students' successful outcomes. The SCFF includes three components:

1. Basic Allocation, based on the number of colleges and state-approved education centers, together with funding based on per-student rates for traditional credit FTES, incarcerated credit FTES, special admit credit FTES, non-credit FTES, and career development and college preparation (CDCP) non-credit FTES
2. Supplemental Allocation, based on the number of certain types of low-income students, and
3. Student Success Allocation, calculated using various performance-based metrics.

In 2024-2025, the District's Governing Board adopted a total budget of $609,401,646, of which $218,583,674 was the General Unrestricted Fund, the chief operating fund of the District. As reported to the State Chancellor's Office on the Annual Financial and Budget Report (CCFS-311), the District ended the year with an Unrestricted General Fund balance of $51,898,343 or 30.1% of total expenditures and outgo. This reflects a $2,299,445 decrease in fund balance from the prior year, based on the modified accrual basis of accounting. A portion of the ending fund balance is set aside to meet the Governing Board's minimum reserve level of 16.67%, (matching the Chancellor's Office recommended reserve level of two months of expenditures) for economic uncertainties. The balance above the 16.67% reserve level has been earmarked to address or partially address certain unfunded cost escalations in the coming years. The CCFS-311 report focuses on fund types rather than on the District as a whole.

MEASURE M (2006) $694 MILLION GENERAL OBLIGATION BOND

The District has been providing quality education to its service area residents for over 70 years. In August 2003, the College completed the comprehensive Educational and Facilities Master Plan 2022, containing the identified needs of the District and the community; these include: construction of new instructional and support buildings, modernization of existing buildings, infrastructure upgrades, equipping the District sites and facilities, and the development of two educational centers in Fallbrook and Rancho Bernardo. In November 2006 General Election, 57.9% of registered voters approved Measure M, a $694 million educational facilities bond measure. The total proposition is funded through the sale of several series of bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes levied by the San Diego County Board. The amount of the ad valorem taxes to repay the bonds is determined by the relationship between the assessed valuation of taxable property within the District's jurisdiction and the amount of debt service due on the bonds in any year. As of June 30, 2025, the taxable properties within the District's jurisdiction have an assessed valuation of $161.8 billion for the upcoming 2024-2025 assessment year (County of San Diego Assessor's Office, 6/30/24). The district has developed a new Educational and Facilities Vision Plan 2035. The new plan was adopted by the District's Governing Board during fiscal 2024-2025.

As a governmental unit, the District's financing activities and choices are bound by federal and State restrictions. An Independent Citizens' Oversight Committee (ICOC) reviews the expenditure of funds to ensure that bond proceeds are expended only for projects to be conducted in alignment with Measure M ballot language. The District has issued 100% of the $694 million in bond authorization. The first of four issuances in the amount of $160 million took place in May 2007; the second issuance in the amount of $175 million was made in November 2010; and the third issuance in the amount of $220 million took place in April 2015. The fourth and final series was issued at $139 million in April 2017.

On February 25, 2025, S&P Global Ratings affirmed its 'AA' long-term rating on Palomar Community College District (CCD), Californias existing general obligation (GO) bonds, noting that the outlook is stable. The rating reflects the following for the District:

- Large and expanding property tax base, with access to the broad and diverse economy in the San Diego metropolitan statistical area;
- Rising enrollment trends, supported by a focus on career training programs and growth in the number of dual enrollment students; and
- Healthy liquidity to support the projected drawdowns for the near term.

"The stable outlook reflects our view that the CCD has sufficient liquidity to absorb the projected deficits in the near term and our understanding that district leadership plans to adjust the future budget to achieve and maintain structural balance and healthy financial resources. Additionally, we do not expect the district to issue additional debt within the outlook period."

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are presented in accordance with the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These statements allow for the presentation of financial activity and results of operations which focus on the District as a whole. The entity-wide financial statements present the overall status of operations whereby all of the District's overall financial activities are consolidated into one total rather than the traditional presentation by individual fund groups. This annual report consists of three parts: MD&A (this section), the basic financial statements, and supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The financial position is presented as of June 30, 2025 and 2024 and consists of three primary statements:

- The Statements of Net Position
- The Statements of Revenues, Expenses, and Changes in Net Position
- The Statements of Cash Flows

THE DISTRICT AS A WHOLE

STATEMENT OF NET POSITION

The focus of the Statement of Net Position is to illustrate the financial position of the District at a point in time. The Statement of Net Position combines and consolidates current financial resources (net short-term spendable resources) with capital assets and right-to-use subscription IT assets and long-term liabilities. This statement presents all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as a whole. It is prepared using the full accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. The Statement of Net Position provides a snapshot of the District's overall financial condition as of June 30, 2025 and 2024.

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

GASB Concepts Statement No. 4 – *Elements of Financial Statements* defines deferred outflows of resources, deferred inflows of resources, and net position. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost, less allowance for depreciation and amortization. Deferred outflows and deferred inflows of resources are recognized through the consumption or acquisition of resources by the District that is applicable to a future reporting period.

Changes in Assets

The District's assets consist of cash and cash equivalents, net accounts receivable, prepaid expenditures, lease receivable, capital assets, right-to-use assets, and other assets. These assets are resources with present capability to enable the College to provide services and continue its operations.

THE DISTRICT AS A WHOLE, continued

STATEMENT OF NET POSITION, continued

Changes in Assets, continued

Current cash and cash equivalents consist mainly of cash invested primarily in the San Diego County Treasury Investment Pool. As provided for by California *Education Code* Section 41001, a significant portion of the District's cash balances, totaling $284,492,245, is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool. The District's cash and cash equivalents decreased from $298,659,652 to $287,246,538 primarily due to increases in operating expenditures.

Accounts receivable primarily represent funding owed to the District by students, by Federal and State sources for grant and entitlement programs, and by local sources for all other purposes. The District provides for an allowance for uncollectible accounts as an estimation of amounts it may not receive. The total owed to the District by all sources is $14,847,143.

Prepaid expenditures and other assets include prepayments to vendors for goods or services that will not be received until the following fiscal year.

Lease receivable was recognized during the year, which represents the District's right to receive future lease payments arising from agreements in which the District acts as the lessor and provides the right to use underlying assets to third parties for a specified period of time. Total lease receivable amounted to $1,135,933.

Capital assets and right-to-use assets represent the District's investment in land, land improvements, buildings and improvements, construction in progress, furniture and equipment, and software licenses less the cost of accumulated depreciation and amortization. Capital assets are recorded at cost on the date of acquisition or fair value at the date of donation. The District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 50 years for buildings, 10 years for building improvements or additions, 50 years for land improvements, 8 years for equipment, 7 years for library books, and 3 years for technology equipment. Amortization of right-to-use subscription IT assets is computed using straight-line method over the life of the subscription. Land and construction in progress are considered nondepreciable capital assets; therefore no depreciation is calculated. As of June 30, 2025, the District recorded $692,153,598 invested in capital assets, $162,323,112 in accumulated depreciation and amortization, netting $529,830,486 recorded in net capital assets. Capital assets increased by a net value of $8,755,646 from the previous year.

Changes in Deferred Outflows of Resources

Deferred outflows of resources include amounts associated with the refunding of debt, other post-employment benefits (OPEB), and pension contributions made during the fiscal year that are removed from expenses. The net decrease of $5,816,809 from last year reflects changes in statutory rates for pension contributions, the contributions subsequent to the measurement date associated with the pension plan of the District and the amortization of the general obligation bond refunding.

THE DISTRICT AS A WHOLE, continued

STATEMENT OF NET POSITION, continued

Changes in Liabilities

The District's total liabilities consist of current liabilities and long-term liabilities. Current liabilities represent amounts owed to vendors for services and goods received during fiscal year 2024-2025 for which payment would not be made until fiscal year 2025-2026. Also included are accrued payroll and outstanding liabilities and related interest payable. Unearned revenue includes deferred enrollment fees for the 2025-2026 academic year and advances from federal, state, and local program funds received but not yet earned as of June 30, 2025. Most grant funds are earned when expended (up to the grant amount awarded).

The District's current liabilities at June 30, 2025, were $14,286,654 less than at June 30, 2024. The District's long-term liabilities are debt with maturities of more than one year, consisting of $730,778,674 in voter-approved General Obligation Bonds and Lease Revenue Bonds, $133,115,956 in aggregate net pension liability resulting from GASB 68 - *Accounting and Financial Reporting for Pensions*; $67,199,881 in aggregate net OPEB liability resulting from GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and $13,379,329 in other liabilities such as compensated absences, load banking, and subscription-based IT arrangements. At year end, the District has an aggregate net pension liability of $133,115,956 versus $141,764,707 last year, resulting to a decrease of $8,648,751. The General Obligation Bonds and Lease Revenue Bonds decreased by $9,545,972. The General Obligation Bonds are repaid through tax assessments on property located within the District boundaries and are not a direct obligation of the District's general fund. The net OPEB liability decreased by $1,302,222. At June 30, 2025, the District recorded $944,473,840 in long term liabilities, of which $17,052,194 is due within one year.

Changes in Deferred Inflows of Resources

Deferred inflows of resources represent lease related costs, OPEB related costs and pension costs, resulting from net change in proportionate share of net pension liability, the difference between projected and actual earnings on the pension plan investments, differences between expected and actual experience in the measurement of the total pension liability and changes of assumptions related to pension liability. This amount is deferred and amortized over five to seven years. Deferred inflows of resources decreased by $1,679,759.

Changes in Net Position (Deficit)

Net position (deficit) is an accounting concept defined as total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Changes in net position (deficit) as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The overall change in net position is an indicator of whether the financial condition has improved or worsened during the year. Overall the District's revenues exceeded expenditures resulting in an increase in net position of $11,920,495, decreasing the deficit from $121,930,672 to a deficit of $110,010,177. The net position is categorized between net investment in capital assets, restricted net assets, and unrestricted net assets.

The Net Investment in Capital Assets represents the net amount invested in property, plant, and equipment owned by the District (capital assets less net of accumulated depreciation and amortization and outstanding capital-related debt) and deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, or related liabilities.

THE DISTRICT AS A WHOLE, continued

STATEMENT OF NET POSITION, continued

Changes in Net Position (Deficit), continued

The Net Investment in Capital Assets of $38,241,592 reflects that the related financing exceeds the net book value of the corresponding capital assets and the impact of GASB Statements No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*, *and Net Position* and No. 65 – *Items Previously Reported as Assets and Liabilities*. These funds are not liquid resources that can be used to fund ongoing operations.

Restricted Net Position represents funds that are constrained for a particular purpose and limited in terms of time for which the funds can be spent. It is subject to externally imposed restrictions governing their use. The Restricted Net Position of $82,569,074 consists of restricted assets less liabilities and deferred inflows of resources related to those assets. When an expense is incurred that can be paid using either restricted or unrestricted resources, the District first applies the expense toward restricted resources, and then towards unrestricted resources.

Unrestricted Net Position is defined by GASB Statements No. 34 and No. 35 as those assets that do not have external legal restrictions against them, including any amounts designated by the Governing Board. The Unrestricted Net Position increased by $397,666, decreasing the deficit from $231,218,509 to $230,820,843 which reflects the impact of GASB Statements No. 68 – *Accounting and Financial Reporting for Pensions* and No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which require governmental agencies to report their proportional shares of net pension liabilities, resulting in a negative net position for the District. GASB 68 and 71 result in entries and adjustments regarding pension liabilities for reporting purposes only. Without these entries and adjustments, the financial picture would show that the District has reserves that meet current obligations.

Condensed Statement of Net Position

A summarized comparison of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2025 and 2024, is presented below:

	2025	2024	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	$ 302,427,087	$ 324,043,606	$ (21,616,519)
Non-current assets	530,966,419	521,074,840	9,891,579
Deferred outflows of resources	78,021,989	83,838,798	(5,816,809)
Total Assets and Deferred Outflows of Resources	911,415,495	928,957,244	(17,541,749)
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	65,704,225	79,990,879	(14,286,654)
Non-current liabilities	927,421,646	940,917,477	(13,495,831)
Deferred inflows of resources	28,299,801	29,979,560	(1,679,759)
Total Liabilities and Deferred Inflows of Resources	1,021,425,672	1,050,887,916	(29,462,244)
NET POSITION			
Net investment in capital assets	38,241,592	29,182,335	9,059,257
Restricted	82,569,074	80,105,502	2,463,572
Unrestricted	(230,820,843)	(231,218,509)	397,666
Total Net Position	$ (110,010,177)	$ (121,930,672)	$ 11,920,495

THE DISTRICT AS A WHOLE, continued

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the District's financial results of operations for the fiscal year. It reflects revenues and expenses recognized as of June 30, 2025 and 2024, and links the results of operations back to the Statement of Net Position by reconciling the beginning of the year net position to the end of the year net position amount.

The revenues and expenses are categorized as operating, non-operating, and other, are reported by natural and functional classification. Revenues for the year totaled $304,308,973 and expenditures and other losses totaled $289,121,573 resulting in an overall increase in net position by $15,187,400. Additionally, a restatement of $3,266,905 was made for GASB Statement No. 101, *Compensated Absences*, resulting in a net increase of $11,920,495.

Revenues
Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating revenues are generated by tuition and fees, such as enrollment fees, non-resident tuition, health fees, parking fees, other-related student fees, grants and contracts, and various auxiliary sales and charges. Tuition and fee revenue is reported net of discounts for tuition paid by various federal, State, and local grants, including those associated with the Title IV Higher Education Administration Program and State-mandated exemptions against tuition. Regular enrollment fees are set by the State for all community colleges and were $46 per unit. Tuition and fee revenue (net) increased by $333,949 in 2025 as a result of an increase in enrollment during fiscal year 2025 over 2024.

State general apportionment, property taxes, grants and contracts, sales taxes and other revenues, and investment income, while budgeted for operations, are prescribed by GASB as non-operating revenues. Thus, operating expenses exceed operating revenues, resulting in an operating loss of $205,566,102.

State apportionments increased in 2024-2025 by $3,719,500 primarily due to increases in Education Protection Accounts Funds received.

Expenses
Operating expenditures increased by $25,997,587 from the prior year. The vast majority of operating expenses are for the salaries and benefits of academic, classified, and administrative personnel, comprising of $172,540,347 or 66.5% of the total operating expenses from a District-wide full accrual perspective. This amount includes the activity from all District funds. The $12,312,373 increase in salaries and employee benefits was primarily due to the approved COLA adjustment, annual step/column increases, as well as the increase in statutorily required contributions for the PERS retirement system. Supplies, materials and other operating expenses are $11,322,835 more than the prior year. Student financial aid increased by $1,583,354. The $779,025 increase in depreciation and amortization is due to the continued completion, capitalization, and subsequent depreciation and amortization of projects primarily resulting from the District's General Obligation Bond program.

THE DISTRICT AS A WHOLE, continued

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, continued

Statement of Revenues, Expenses, and Changes in Net Position

A summarized comparison of the District's revenues, expenses, and changes in net position for the years ended June 30, 2025 and 2024, is presented below:

	2025	2024	Change
OPERATING REVENUES			
Tuition and fees, net	$ 11,950,974	$ 11,617,025	$ 333,949
Grants and contracts, non-capital	42,002,301	40,864,600	1,137,701
Total Operating Revenues	53,953,275	52,481,625	1,471,650
OPERATING EXPENSES			
Salaries and employee benefits	172,540,347	160,227,974	12,312,373
Supplies, materials, and other operating expenses	44,168,500	32,845,665	11,322,835
Student financial aid	28,422,018	26,838,664	1,583,354
Depreciation and amortization	14,388,512	13,609,487	779,025
Total Operating Expenses	259,519,377	233,521,790	25,997,587
Operating Loss	(205,566,102)	(181,040,165)	(24,525,937)
NON-OPERATING REVENUES/(EXPENSES)			
State apportionments, non-capital	31,341,686	27,622,186	3,719,500
Local property taxes, non-capital	112,047,969	112,862,226	(814,257)
Taxes levied for other specific purpose	42,979,158	36,719,065	6,260,093
State taxes and other revenues, non-capital	16,302,739	6,980,343	9,322,396
Federal and State financial aid grants	27,372,623	21,265,602	6,107,021
Interest and investment income/(loss), non-capital	5,213,713	14,498,333	(9,284,620)
Other non-operating revenues	4,950,732	1,684,774	3,265,958
Total Non-Operating Revenues/(Expenses)	240,208,620	221,632,529	18,576,091
OTHER REVENUES/(EXPENSES)			
State revenues, capital	-	496,186	(496,186)
Interest and investment income/(loss) on capital-related debt	10,147,078	1,148,543	8,998,535
Interest expense on capital-related debt	(29,602,196)	(28,692,276)	(909,920)
Gain/(Loss) on disposal of capital assets	-	(174,103)	174,103
Changes in Net Position	15,187,400	13,370,714	1,816,686
NET POSITION - BEGINNING OF YEAR	(121,930,672)	(135,301,386)	13,370,714
PRIOR PERIOD ADJUSTMENTS (Note 14)	(3,266,905)	-	(3,266,905)
NET POSITION - END OF YEAR	$ (110,010,177)	$ (121,930,672)	$ 11,920,495

THE DISTRICT AS A WHOLE, continued

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, continued

Expenses by Functional Classification – All Funds

The following represents the fiscal year 2025 operating expenses by function:

Functional Classifications	Salaries and Employee Benefits	Supplies, Materials, and Other Expenses and Services	Student Financial Aid	Equipment Maintenance, and Repairs	Depreciation and Amortization	Total
Instructional activities	$ 70,303,421	$ 2,385,412	$ -	$ 1,387,839	$ -	$ 74,076,672
Academic support	35,852,384	5,655,157	-	2,003,565	-	43,511,106
Student services	23,423,590	2,530,648	-	545,313	-	26,499,551
Operations and maintenance of plant	8,611,266	7,561,011	-	3,654,270	-	19,826,547
Institutional support services	20,614,648	6,465,920	-	2,744,688	-	29,825,256
Community services and economic development	1,238,663	59,095	-	88,635	-	1,386,393
Ancillary services and Auxiliary operations	9,534,285	812,257	-	125,707	-	10,472,249
Physical property and related acqusitiions	2,962,090	27,047	-	380,800	-	3,369,937
Student financial aid	-	7,741,136	28,422,018	-	-	36,163,154
Depreciation and amortization	-	-	-	-	14,388,512	14,388,512
	$ 172,540,347	$ 33,237,683	$ 28,422,018	$ 10,930,817	$ 14,388,512	$ 259,519,377

STATEMENT OF CASH FLOWS

The Statement of Cash Flows is presented using the direct method and provides analysis related to cash inflows and outflows, summarized by operating, capital and non-capital financing, and investing activities, and illustrates the sources and uses of cash. This statement allows the reader to assess the District's ability to generate positive cash flows, meet obligations as they become due, and evaluate the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. Cash receipts from operating activities are from student tuition and from Federal, State, and local grants.

The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

The second part of the Cash Flow details cash received for non-operating, non-investing, and non-capital financing purposes. General apportionments, property taxes, and Federal and State grants and contracts are the primary sources in non-capital financing activities.

The third part shows cash flows from capital and related financing activities. This part deals with the cash used for acquisition and construction of capital and related items.

The fourth part provides information on investing activities and the amount of interest received. Cash from investing activities consists of interest earned on cash in bank and cash invested through the San Diego County Treasury.

THE DISTRICT AS A WHOLE, continued

STATEMENT OF CASH FLOWS, continued

The last part reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows for the fiscal years ended June 30, 2025 and 2024, is presented below:

	2025	2024	Change
NET CASH FLOWS PROVIDED BY/(USED IN)			
Operating activities	$ (201,300,543)	$ (168,950,253)	$ (32,350,290)
Non-capital financing activities	192,007,467	159,135,207	32,872,260
Capital and related financing activities	(7,333,751)	(20,502,970)	13,169,219
Investing activities	5,213,713	13,862,432	(8,648,719)
Net Increase/(Decrease) in Cash and Cash Equivalents	(11,413,114)	(16,455,584)	5,042,470
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	298,659,652	315,115,236	(16,455,584)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 287,246,538	$ 298,659,652	(11,413,114)

CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION

Capital Assets and Right-to-use Assets

As of June 30, 2025, the District had in place $692,153,598 invested in capital assets and right-to-use assets and accumulated depreciation and amortization of $162,323,112. The District continues to implement its long-range plan to modernize and renew its instructional and support services facilities to fulfill its mission. Construction in progress represents the ongoing expenditures of the long-term capital improvement projects related to the District's Vision Plan 2035. As individual projects are completed and placed into service, they are listed as capital assets and depreciated accordingly.

Note 6 to the financial statements provides additional information on capital assets and right-to-use assets. A summary of the District's investment in capital assets, net of depreciation and amortization, is presented below:

	2025	2024	Change
Capital assets not being depreciated	$ 83,391,680	$ 107,227,299	$ (23,835,619)
Capital assets being depreciated	602,506,077	556,522,494	45,983,583
Accumulated depreciation	(160,036,819)	(146,967,940)	(13,068,879)
Right-to-use assets	6,255,841	5,313,476	942,365
Accumulated amortization	(2,286,293)	(1,020,489)	(1,265,804)
Total Capital and Right-to-Use Assets, Net	$ 529,830,486	$ 521,074,840	$ 8,755,646

Long-Term Liabilities including the Aggregate Net Pension and Aggregate Net OPEB Liabilities

As of June 30, 2025, the District had $944,473,840 in long-term liabilities primarily made up of general obligation and lease revenue bonds, aggregate net pension liability and aggregate net OPEB liability. Notes 7, 8 and 10 to the financial statements provide additional information on long-term liabilities.

THE DISTRICT AS A WHOLE, continued

CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION, continued

Long-Term Liabilities including the Aggregate Net Pension and Aggregate Net OPEB Liabilities, continued

A summary of long-term liabilities is presented below:

	2025	2024*	Change
General obligation bonds	$ 713,051,173	$ 721,665,734	$ (8,614,561)
Bond premium	16,697,501	17,483,912	(786,411)
Lease revenue bonds	1,030,000	1,175,000	(145,000)
Subscription-based IT arrangements	4,116,347	4,292,987	(176,640)
Compensated absences*	8,687,503	5,053,733	3,633,770
Load banking	575,479	807,831	(232,352)
Net OPEB liability	67,199,881	68,502,103	(1,302,222)
Net pension liability	133,115,956	141,764,707	(8,648,751)
Total Long-term Liabilities	944,473,840	960,746,007	(16,272,167)
Less: Long-term Liabilities, Current Portion	17,052,194	19,828,530	(2,776,336)
Long-term Liabilities, Non-current Portion	$ 927,421,646	$ 940,917,477	$ (13,495,831)

**2024 restated balance (See Note 14).*

DISTRICT FIDUCIARY RESPONSIBILITY

The District's fiduciary activities are reported separately in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. Net position of fiduciary activities is excluded from the District's net position because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The financial position of the district is directly affected by the overall economic, budgetary, and fiscal condition of the State of California, as well as any legislation that impacts the funding of all community colleges in the state, and local economies. According to the 2026-27 Budget: California's Fiscal Outlook released by the Legislative Analyst's Office (LAO) on November 19, 2025, tax revenue projections are currently coming in slightly higher than anticipated due to the strong stock market. These gains are tempered by the risk that the market is overheated due to an Artificial Intelligence bubble, as well as the future impact of tariffs on the economy, and so the 2026-27 budget is projected to face an $18 billion deficit. Proposition 98 guaranteed spending on schools is and community colleges is projected to increase by $3.2 billion, still, districts are being asked to build budget resiliency in case state revenues further decline.

Temporary protections under the COVID-19 Emergency Conditions Allowance were extended through the end of 2022-2023 and, the Student-Centered Funding Formula's (SCFF) existing minimum revenue (hold harmless) provision was extended by one year, through 2024-2025. Under this provision, districts will earn at least their 2017-18 total computational revenue, adjusted by COLA each year, if applicable. The Governor's Budget extends the revenue protections in a modified form with the district's 2024-2025 funding representing its new "floor", below which it could not drop. Funding rates will no longer include adjustments to reflect cumulative COLAs over time until such a time as the district's calculated revenue based on the SCFF formula exceeds the "floor" funding. For 2025/26 Palomar receives no COLA increase in its state apportionment and the same holds true for 2026/27. With state revenues flat and expenses increasing significantly beyond expected revenues, the district plans to continue to use its large reserve balance in 2025/26 and in future years.

Growth in District's expenses is driven by increases in salary schedules that have been set through collective bargaining agreements. Growing health care costs, pension costs and OPEB obligations continue to be a primary concern for the district. While pension costs have leveled off and are expected to remain flat for the next couple of years, higher overall salary bases for faculty, staff and administrators increases pension costs and other benefit costs such as Social Security and Medicare. Medical benefits increased by 13% for FY25-26; Anthem plans increased by 11.7% & Kaiser plans by 10% on average. Also, employees moved from lower cost to higher cost plans causing overall costs to increase.

The district continues to adjust and explore innovative ideas and approaches to meet the unique needs and circumstances of our students and the local community. Budget and financial policies, approved by the Governing Board, provide guidance for sufficient planning of resources, maintaining adequate reserve levels, and determining how efficiently and effectively we will carry out our mission. For 2025-2026 and beyond, the district is focused on adjusting to the changing educational landscape since the pandemic and the updated needs of current and future students. The District's Vision Plan 2035 informs new learning platforms and facilities to meet and exceed the vision for the next decade.

Other than the items above, the district is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. Prudent fiscal management practices will remain in place to ensure the district has adequate reserves to sustain operations and ensure student success. Management will maintain a close watch over resources to maintain the ability to react to internal and external issues when they arise.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 Palomar Community College District, Attn: Finance and Administrative Services, 1140 West Mission Road, San Marcos, California, 92069.

ACKNOWLEDGMENTS

We wish to thank the members of the Governing Board for their continued guidance and support in planning and conducting the financial operations of the District in a highly responsible and progressive manner. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Fiscal Services staff. Appreciation is expressed to the external auditors CWDL Certified Public Accountants for the contributions made in preparation and timely completion of the audit.

OFFICIALS ISSUING THE REPORT

R. Christopher Yatooma., Interim Assistant Superintendent/Vice President, Finance and Administrative Services.

FINANCIAL SECTION

PALOMAR COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 287,246,538
Accounts receivable, net	14,847,143
Prepaid expenditures and other assets	333,406
Total Current Assets	302,427,087
Non-current Assets:	
Lease receivable	1,135,933
Right-to-use assets, net	3,969,548
Capital assets, net	525,860,938
Total Non-current Assets	530,966,419
TOTAL ASSETS	833,393,506
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	26,952,616
Deferred outflows related to OPEB	4,539,086
Deferred outflows related to pensions	46,530,287
TOTAL DEFERRED OUTFLOWS OF RESOURCES	78,021,989
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 911,415,495
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	$ 7,924,945
Accrued interest	7,500,295
Unearned revenue	33,226,791
Long-term liabilities, current portion	17,052,194
Total Current Liabilities	65,704,225
Non-current Liabilities:	
Net OPEB liability	67,199,881
Net pension liability	133,115,956
Long-term liabilities, non-current portion	727,105,809
Total Non-current Liabilities	927,421,646
TOTAL LIABILITIES	993,125,871
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	1,127,651
Deferred inflows related to OPEB	10,146,631
Deferred inflows related to pensions	17,025,519
TOTAL DEFERRED INFLOWS OF RESOURCES	28,299,801
NET POSITION	
Net investment in capital assets	38,241,592
Restricted for:	
Debt service	31,481,204
Capital projects	36,313,303
Educational programs	2,396,526
Other special purpose	12,378,041
Unrestricted	(230,820,843)
TOTAL NET POSITION	(110,010,177)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 911,415,495

PALOMAR COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

OPERATING REVENUES	
Tuition and fees, gross	$ 20,792,963
Less: Scholarship discounts and allowances	(8,841,989)
Tuition fees, net	11,950,974
Grants and contracts, non-capital:	
Federal	3,491,818
State	36,093,441
Local	2,417,042
TOTAL OPERATING REVENUES	53,953,275
OPERATING EXPENSES	
Salaries	117,742,822
Employee benefits	54,797,525
Supplies, materials, and other operating expenses	44,168,500
Student financial aid	28,422,018
Depreciation and amortization	14,388,512
TOTAL OPERATING EXPENSES	259,519,377
OPERATING LOSS	(205,566,102)
NON-OPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	31,341,686
Local property taxes, non-capital	112,047,969
Taxes levied for other specific purpose	42,979,158
State taxes and other revenues, non-capital	16,302,739
Federal and State financial aid grants	27,372,623
Interest and investment income/(loss)	5,213,713
Interest expense on capital-related debt	(29,602,196)
Interest and investment income/(loss) on capital-related debt	10,147,078
Other non-operating revenues	4,950,732
TOTAL NON-OPERATING REVENUES/(EXPENSES)	220,753,502
CHANGE IN NET POSITION	15,187,400
NET POSITION - BEGINNING OF YEAR	(121,930,672)
PRIOR PERIOD ADJUSTMENTS (Note 14)	(3,266,905)
NET POSITION - END OF YEAR	$ (110,010,177)

PALOMAR COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees, net	$ 11,950,974
Grants and contracts	43,929,787
Payments to or on behalf of employees	(181,438,740)
Payments to vendors for supplies and services	(47,320,546)
Payment to students	(28,422,018)
Net Cash Provided by/(Used in) Operating Activities	(201,300,543)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	31,341,686
Local property taxes	112,047,969
State taxes and other revenues	16,302,739
Federal and State financial aid grants	27,372,623
Other non-operating revenues	4,942,450
Net Cash Provided by/(Used in) Non-capital Financing Activities	192,007,467
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net purchase and sale of capital assets	(22,201,793)
Local property taxes on capital-related debt	42,979,158
Interest earned on capital-related debt	10,147,078
Principal paid on capital debt	(19,784,005)
Interest paid on capital debt	(18,474,189)
Net Cash Provided by/(Used in) Capital and Related Financing Activities	(7,333,751)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income/(expense)	5,213,713
Net Cash Provided by/(Used in) Investing Activities	5,213,713
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(11,413,114)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	298,659,652
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 287,246,538

PALOMAR COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	
Operating loss	$ (205,566,102)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and amortization	14,388,512
Changes in Assets and Liabilities:	
Accounts receivable	10,507,147
Prepaid expenditures and other assets	(303,742)
Deferred outflows related to pensions	1,792,078
Deferred outflows related to OPEB	1,933,399
Accounts payable and accrued expenses	(2,848,304)
Unearned revenue	(8,579,661)
Compensated absences and load banking	134,513
Net OPEB liability	(1,302,222)
Net pension liability	(8,648,751)
Deferred inflows related to pensions	1,119,778
Deferred inflows related to OPEB	(3,927,188)
Total Adjustments	4,265,559
Net Cash Flows From/(Used in) Operating Activities	$ (201,300,543)
COMPONENTS OF CASH AND CASH EQUIVALENTS	
Cash in county treasury	$ 284,492,245
Cash on hand and in banks	2,754,293
Total Cash and Cash Equivalents	$ 287,246,538

PALOMAR COMMUNITY COLLEGE DISTRICT
FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2025

	Retiree OPEB Trust
Assets	
Investments	$ 17,880,679
Net Position	
Restricted for postemployment benefits other than pensions	$ 17,880,679

PALOMAR COMMUNITY COLLEGE DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	Retiree OPEB Trust
Additions	
District contributions	$ 5,704,903
Interest and investment income	1,729,926
Total additions	7,434,829
Deductions	
Benefit payments	5,704,903
Administrative expenses	14,090
Total deductions	5,718,993
Change in Net Position	1,715,836
Net Position - Beginning of Year	16,164,843
Net Position - End of Year	$ 17,880,679

NOTE 1 – ORGANIZATION

Palomar Community College District (the "District") was established in January 1946 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 operates one college, three education centers, and five outreach sites located within North San Diego 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* (IRC) Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The District has analyzed the financial and accountability relationship with Palomar College Foundation (the "Foundation") in conjunction with the GASB Statement No. 61 criteria and it has been excluded from the District's reporting entity. 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 are elected by their own Board and independent of any District Board of Trustees appointments. The Board is responsible for approving its own budget, accounting, and finance related activities. Information on the Foundation may be requested through the Foundation.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting, continued

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 and non-capital grants and contracts.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial 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 and other investments for purposes of the Statement of Cash Flows.

Investments

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

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District provides an allowance for doubtful accounts as an estimation of amounts that may not be received. The allowance is based on management's estimates and historical analysis.

Prepaid Expenditures

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Lease Receivable

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. Any variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Capital Assets, Right-to-Use Assets, Depreciation, and Amortization

Capital assets are recorded at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, and infrastructure, that cost more than $150,000, and land improvements that cost more than $100,000, and significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred.

Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	50 years
Buildings and improvements	10-50 years
Furniture and equipment	3-20 years

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

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 and Load Banking

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences and Load Banking, continued
The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

GASB Statement No. 101 requires that liabilities for compensated absences be recognized for [1] leave that has not been used and [2] leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if [a] the leave is attributable to services already rendered, [b] the leave accumulates, and [c] the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.)

Flow Assumption: When determining the Amounts Due within One Year for sick leave, accumulated sick leave as of June 30, 2025 is assumed to be used before future sick leave accruals (i.e. First In, First Out). The Amount Due within One Year for vacation leave is based on the expected accumulated vacation leave to be cashed out upon the end of employment in the following year.

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources
In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

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 will not be recognized as revenue until then. The District reports deferred inflows of resources for lease, OPEB and pension related items.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Leases
The District recognizes a lease liability and an intangible right-to-use asset in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription-based IT Arrangements (SBITA)
The District recognizes an SBITA liability and an intangible right-to-use subscription IT asset in the government-wide financial statements. The District measures the SBITA liability at the present value of payments expected to be made during the subscription term. Subsequently, the SBITA liability is reduced by the principal portion of subscription payments made. The right-to-use subscription IT asset is initially measured as the initial amount of the SBITA liability, plus certain initial direct costs. Subsequently, the right-to-use subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset.

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

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

Unearned Revenue
Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year, that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Non-current Liabilities
Non-current liabilities include general obligation bonds, capital leases, compensated absences, compensatory time, load banking, PARS supplemental retirement plan, the aggregate net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

Net Position
Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has related debt outstanding as of June 30, 2025. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $82,569,074 of restricted net position, and the fiduciary fund financial statements report $17,880,679 of restricted net position.

Operating and Non-operating Revenues and Expenses

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

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

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or non-operating 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.
>
> **Non-operating expenses** - Non-operating 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes
Property taxes are assessed and levied by the County of San Diego on the fourth Monday of September of each year, and they become an enforceable lien on real property on January 1 of the same year. Secured taxes are payable to the District in two installments, on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. Tax remittances are paid net of a County administrative charge.

The District has reported property tax revenue only for taxes levied and due within the fiscal year. The District participates in the San Diego County Teeter Plan and is paid all current year taxes in the year levied. The Teeter lan allows the County to follow the accrual method of accounting to allocate property tax revenues based on the total amount of property taxes billed, but not yet collected. A receivable has not been recognized in the basic financial statements for property taxes due to the fact that any receivable would be offset by a payable to the State for State apportionment purposes.

The voters of the District passed a General Obligation Bond in November 2006 for the acquisition, construction, and rehabilitation of facilities. 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 San Diego and remitted to the District.

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

Financial Assistance Programs
The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and those 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 has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Activity, continued
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 have been eliminated in the consolidation process of the basic financial statements.

Adoption of New Accounting Standards
The following GASB Pronouncements were adopted by the District during the year ending June 30, 2025:

Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The financial impact of this Statement is reflected in Notes 7 and 14.

Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. A government should disclose in notes to financial statements the information if the following criteria have been met; (a) a concentration or constraint is known to the government prior to the issuance of the financial statements and makes the reporting unit vulnerable to the risk of a substantial impact, (b) an event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management has determined that the adoption of this statement did not have any material impact on District's financial statements.

Upcoming GASB Pronouncements
The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This statement is effective for periods beginning after June 15, 2025.

Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for periods beginning after June 15, 2025.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 – CASH AND CASH EQUIVALENTS

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.

Cash in County Treasury - The District deposits substantially all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

NOTE 3 – CASH AND CASH EQUIVALENTS, continued

Authorized Under Debt Agreements
Investment of debt proceeds held by bond trustees are governed by provisions of 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 Cash and Cash Equivalents
Cash and cash equivalents as of June 30, 2025, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 2,732,564	$ -
Cash in revolving	21,729	-
Cash in county treasury	284,492,245	-
Investments	-	17,880,679
Total Cash and Cash Equivalents	$ 287,246,538	$ 17,880,679

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 San Diego County Treasury Investment Pool and the Mutual Funds.

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

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
San Diego County Treasury Investment Pool	$ 284,492,245	562	AAAf/S1
Mutual Funds	17,880,679	No maturity	Not rated
Total	$ 302,372,924		

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 the San Diego County Treasury Investment Pool is not required to be rated. However, as of June 30, 2025, the San Diego County Treasury Investment Pool reflected an AAAf/S1 rating by Fitch Ratings, Inc. The District's investment in Mutual funds is not required to be rated, nor has it been rated.

NOTE 3 – CASH AND CASH EQUIVALENTS, continued

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 $2.7 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 $17.4 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 MEASUREMENT

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.

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 4 – FAIR VALUE MEASUREMENT, continued

The District's fair value measurements are as follows at June 30, 2025:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Mutual funds	$ 17,880,679	$ -	$ -	$ 17,880,679	$ -
San Diego County Treasury Investment Pool	284,492,245	-	-	-	284,492,245
	$ 302,372,924	$ -	$ -	$ 17,880,679	$ 284,492,245

NOTE 5 – RECEIVABLES

Accounts Receivable
Accounts receivable as of June 30, 2025 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	$ 896,684
State Government	
Apportionment	7,180,532
Categorical aid	208,724
Lottery	562,731
Local Sources	
Other local sources	161,476
Total	9,010,147
Student receivables	9,510,857
Less: allowance for bad debts	(3,673,861)
Student receivables, net	5,836,996
Total Accounts Receivable	$ 14,847,143

Lease Receivable
For the year ended June 30, 2025, the financial statements include GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources.

On May 5, 2025, the District entered into a 240-month lease as Lessor for the license to use land for T-Mobile towers. An initial lease receivable was recorded in the amount of $1,137,127. As of June 30, 2025, the value of the lease receivable is $1,135,933. The lessee is required to make monthly fixed base payments of $4,500. The lease has an interest rate of 4.12%. The value of the deferred inflow of resources as of June 30, 2025 was $1,127,651, and the District recognized lease revenue of $7,806 during the fiscal year.

NOTE 5 – RECEIVABLES, continued

Lease Receivable, continued

The annual lease receivable payments as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 7,788	$ 46,662	$ 54,450
2027	10,889	46,284	57,173
2028	14,259	45,772	60,031
2029	17,916	45,117	63,033
2030	21,880	44,305	66,185
2031-2035	181,087	202,908	383,995
2036-2040	339,531	150,555	490,086
2041-2045	542,583	59,026	601,609
	$ 1,135,933	$ 640,629	$ 1,776,562

NOTE 6 – CAPITAL ASSETS AND RIGHT-TO-USE ASSETS

Capital assets and right-to-use assets activity of the District for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets Not being Depreciated				
Land	$ 63,134,087	$ -	$ -	$ 63,134,087
Construction-in-progress	44,003,060	24,356,641	48,192,260	20,167,441
Works of art	90,152	-	-	90,152
Total Capital Assets Not Being Depreciated	107,227,299	24,356,641	48,192,260	83,391,680
Capital Assets Being Depreciated				
Land improvements	37,446,702	51,578	-	37,498,280
Buildings and improvements	490,393,194	44,927,621	-	535,320,815
Furniture and equipment	28,682,598	1,058,213	53,829	29,686,982
Total Capital Assets Being Depreciated	556,522,494	46,037,412	53,829	602,506,077
Total Capital Assets	663,749,793	70,394,053	48,246,089	685,897,757
Less: Accumulated Depreciation				
Land improvements	26,688,344	1,672,637	-	28,360,981
Buildings and improvements	96,704,830	10,294,462	-	106,999,292
Furniture and equipment	23,574,766	1,155,609	53,829	24,676,546
Total Accumulated Depreciation	146,967,940	13,122,708	53,829	160,036,819
Capital Assets, net	516,781,853	57,271,345	48,192,260	525,860,938
Right-to-Use Assets				
Subscription-based IT arrangements	5,313,476	942,365	-	6,255,841
Less: Accumulated Amortization				
Subscription-based IT arrangements	1,020,489	1,265,804	-	2,286,293
Right-to-Use Assets, Net	4,292,987	(323,439)	-	3,969,548
Capital Assets and Right-to-Use Assets, Net	$ 521,074,840	$ 56,947,906	$ 48,192,260	$ 529,830,486

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS

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	Adjustment (Note 14)	Additions	Deductions	Balance June 30, 2025	Due Within One Year
General obligation bonds	$ 721,665,734	$ -	$ 9,905,439	$ 18,520,000	$ 713,051,173	$ 12,670,000
Bond premiums	17,483,912	-	-	786,411	16,697,501	786,411
Lease revenue bonds	1,175,000	-	-	145,000	1,030,000	150,000
Subscription-based IT arrangements	4,292,987	-	942,365	1,119,005	4,116,347	1,343,983
Compensated absences	5,053,733	3,266,905	366,865	-	8,687,503	2,101,800
Load banking	807,831	-	-	232,352	575,479	-
Total	$ 750,479,197	$ 3,266,905	$ 11,214,669	$ 20,802,768	$ 744,158,003	$ 17,052,194

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 revenue bonds will be paid by the Student Center Fee Fund. The compensated absences and load banking liability will be paid by the fund for which the employee worked. Payments on the subscription-based IT arrangements are made from the fund utilizing the software subscription.

General Obligation Bonds

On November 7, 2006, the voters of the District approved the issuance of $694,000,000 of general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities.

General Obligation Bonds, Election 2006, Series B

On October 28, 2010, the District issued General Obligation Bonds, Election 2006, Series B in the aggregate principal amount of $91,498,901. The Bonds consisted of $1,500,000 in Current Interest Serial Bonds, $27,883,490 in Capital Appreciation Serial Bonds, and $62,115,411 in Convertible Capital Appreciation Term Bonds. Bonds were issued with a final maturity date of August 1, 2045, and interest rates ranging from 2.36% to 6.72%, depending on the maturity of the related bonds. Interest is payable semiannually on August 1 and February 1 of each year. A portion of the debt was refunded as of August 1, 2020 by the 2017 General Obligation Refunding (Crossover) Bonds. The outstanding principal balance of these bonds at June 30, 2025, was $170,181,173.

General Obligation Bonds, Election 2006, Series C

On March 17, 2015, the District issued General Obligation Bonds, Election 2006, Series C in the aggregate principal amount of $220,000,000. A portion of these bonds was refunded by the issuance of the District’s 2021 General Obligation Refunding Bonds. Interest rates on the remaining bonds range from 2.00% to 5.00% payable semiannually on August 1 and February 1. The remaining bonds mature through August 1, 2025. The outstanding principal balance of these bonds at June 30, 2025, was $2,205,000.

General Obligation Bonds, Election 2006, Series D

On March 22, 2017, the District issued General Obligation Bonds, Election 2006, Series D in the aggregate principal amount of $139,000,000. Bonds were issued with a final maturity date of August 1, 2046, and interest rates ranging from 3.25% to 5.00%, depending on the maturity of the related bonds. Interest is payable semiannually on May 1 and November 1 of each year. The outstanding principal balance of these bonds at June 30, 2025, was $132,290,000.

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS, continued

General Obligation Bonds, continued

2015 General Obligation Refunding Bonds

On January 13, 2015, the District issued 2015 General Obligation Refunding Bonds in the aggregate principal amount of $115,675,000. The Bonds were issued to advance refund and defease a portion of the District's obligation related to the General Obligation Bonds, 2006 Series A. A portion of these bonds was refunded by the issuance of the District's 2021 General Obligation Refunding Bonds. Bonds have a final maturity date of May 1, 2025, and interest rates ranging from 2.00% to 5.00%, payable semiannually on May 1 and November 1 of each year. During the year ended June 30, 2025, the District redeemed the remaining outstanding principal balance of $7,290,000, resulting in the full retirement of the 2015 General Obligation Refunding Bonds. Accordingly, no principal balance remained outstanding as of June 30, 2025, and this debt series is considered fully extinguished.

2017 General Obligation Refunding (Crossover) Bonds

On April 11, 2017, the District issued 2017 General Obligation Refunding (Crossover) Bonds in the aggregate principal amount of $101,770,000. Bonds were issued with a final maturity date of August 1, 2045, with an interest rate of 5.00%. Interest is paid semiannually on May 1 and November 1 of each year. These bonds were issued to refund a portion of the outstanding District's General Obligation Bonds, Election 2006, Series B and the remaining outstanding obligation of the District's General Obligation Bonds, Election 2006, Series B-1. Monies were placed in an escrow account in the District's name, a portion of the remaining balance of the bonds were paid on the crossover date, August 1, 2020. The portion of the debt that was refunded was considered defeased on the crossover date. The outstanding principal balance of these bonds at June 30, 2025 was $101,770,000.

2020 General Obligation Refunding Bonds

On November 3, 2020, the District issued 2020 General Obligation Refunding Bonds of current interest bonds in the amount of $201,365,000. Proceeds were used to partially refund the outstanding principal amount of the General Obligation Bonds, Election 2006, Series C and 2015 General Obligation Refunding Bonds. The Bonds were issued with a final maturity date of August 1, 2044, and interest rates range from 0.34% to 3.00%, depending on the maturity of the related bonds. The principal balance outstanding at June 30, 2025 was $190,665,000.

2021 General Obligation Refunding Bonds

On October 13, 2021, the District issued 2021 General Obligation Refunding Bonds of current interest bonds in the amount of $122,140,000. Proceeds were used to partially refund the outstanding principal amount of the General Obligation Bonds, Election 2006, Series C and 2015 General Obligation Refunding Bonds. The Bonds were issued with a final maturity date of August 1, 2040, and interest rates range from 0.17% to 2.82%, depending on the maturity of the related bonds. The principal balance outstanding at June 30, 2025 was $115,940,000.

Debt Maturity

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Additions	Redeemed	Bonds Outstanding June 30, 2025	Due Within One Year
10/28/2010	8/1/2045	2.36-6.72%	$ 91,498,901	$ 165,305,734	$ 9,905,439	$ 5,030,000	$ 170,181,173	$ 5,030,000
3/17/2015	8/1/2025	2.00-5.00%	220,000,000	3,315,000	-	1,110,000	2,205,000	2,205,000
3/22/2017	8/1/2046	3.25-5.00%	139,000,000	133,080,000	-	790,000	132,290,000	1,105,000
1/13/2015	5/1/2025	2.00-5.00%	115,675,000	7,290,000	-	7,290,000	-	-
4/11/2017	8/1/2045	5.00%	101,770,000	101,770,000	-	-	101,770,000	-
11/3/2020	8/1/2044	0.34-3.00%	201,365,000	193,120,000	-	2,455,000	190,665,000	2,475,000
10/13/2021	8/1/2040	0.17-2.82%	122,140,000	117,785,000	-	1,845,000	115,940,000	1,855,000
				$ 721,665,734	$ 9,905,439	$ 18,520,000	$ 713,051,173	$ 12,670,000

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS, continued

General Obligation Bonds, continued

The Bonds mature through 2046 as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2026	$ 9,601,801	$ 17,843,596	$ 3,068,199	$ 30,513,596
2027	15,216,337	23,640,076	773,663	39,630,076
2028	16,719,104	23,398,362	1,060,896	41,178,362
2029	18,044,221	23,098,192	1,560,779	42,703,192
2030	19,353,805	22,732,527	2,291,195	44,377,527
2031-2035	102,840,970	125,437,857	4,629,030	232,907,857
2036-2040	100,949,810	106,614,087	57,935,190	265,499,087
2041-2045	192,693,870	59,335,461	51,961,131	303,990,462
2046	136,521,732	6,220,487	2,708,269	145,450,488
Accretion	101,109,523	-	(101,109,523)	-
Total	$ 713,051,173	$ 408,320,645	$ 24,878,829	$ 1,146,250,647

Lease Revenue Bonds 2001 Series

The District issued Lease Revenue Bonds Series 2001 on July 18, 2001, in the amount of $3,095,000 to be used to remodel and expand the Student Center. Interest rates on the bonds range from 5.00% to 5.63% depending on the maturity of the related bonds. The bonds will mature on April 1, 2031. The source of revenue to pay off the debt will come from the Student Center Fee Fund. Future principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 150,000	$ 53,538	$ 203,538
2027	160,000	45,100	205,100
2028	165,000	36,900	201,900
2029	175,000	28,444	203,444
2030	185,000	19,474	204,474
2031	195,000	9,993	204,993
Total	$ 1,030,000	$ 193,449	$ 1,223,449

Subscriptions-Based IT Arrangements (SBITAs)

The District entered into various SBITAs for the software needs of the District. At June 30, 2025, the District has recognized right-to-use subscriptions IT assets of $3,969,548, net of accumulated amortization and SBITA liabilities of $4,116,347 related to these agreements. During the fiscal year, the District recorded $1,265,804 in amortization expense and $295,271 in interest expense. The District is required to make total principal and interest payments of $2,903,424 through 2027-2028 fiscal years. The District used a discount rate of 8.50% based on the estimated incremental borrowing rate for financing over a similar period.

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS, continued

Subscriptions-Based IT Arrangements (SBITAs), continued
The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 1,343,983	$ 224,403	$ 1,568,386
2027	1,482,782	121,925	1,604,707
2028	1,289,582	9,135	1,298,717
Total	$ 4,116,347	$ 355,463	$ 4,471,810

Compensated Absences
The liability for compensated absences reported in the government-wide financial statements consists of unused vacation and sick leave that is expected to be used in future periods or paid upon termination, in accordance with employee collective bargaining agreements and District policy.

At June 30, 2025, the liability recorded for compensated absences was $8,687,503.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB)

For the fiscal year ended June 30, 2025, the District reported an aggregate net OPEB liability/(asset), deferred outflows of resources, deferred inflows of resources, and OPEB expense/(benefit) for the following plans:

OPEB Plan	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Benefit)
District Plan	$ 66,873,706	$ 4,539,086	$ 10,146,631	$ (3,257,729)
Medicare Premium Payment (MPP) Program	326,175	-	-	(38,282)
Total	$ 67,199,881	$ 4,539,086	$ 10,146,631	$ (3,296,011)

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 the Retiree Health Benefit Program Trust.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

District Plan, continued

Plan Membership
At June 30, 2025, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	600
Active Employees	679
Total	1,279

Retiree Health Benefit OPEB Trust
The Palomar Community College District 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 District's Governing Board 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, dental, and vision 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 and the District's bargaining units. The voluntary contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined feasible by District management and the District's Governing Board. For the measurement period of June 30, 2025, the District contributed $5,704,903 to the Plan, of which $5,349,618 was used for current premiums and $355,285 represents the effect of the implicit rate subsidy.

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.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

District Plan, continued

Investment Policy, continued

The following was the Plan's adopted asset allocation policy as of June 30, 2025:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US large cap	29%	7.25%
US small cap	13%	7.25%
All foreign stock	9%	7.23%
Other fixed income	49%	3.00%
Total	100%	

Rate of Return

For the year ended June 30, 2025, the annual money-weighed rate of return on investments, net of investment expense, was 10.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability/(Asset) of the District

The District's net OPEB liability/(asset) of $66,873,706 was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of June 30 2024. The components of the net OPEB liability/(asset) of the District at June 30, 2025, were as follows:

Total OPEB liability	$	84,754,385
Plan fiduciary net position		17,880,679
Net OPEB liability/(asset)	$	66,873,706
Plan fiduciary net position as a percentage of the total OPEB liability		21.10%

Actuarial Assumptions

The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2024
Measurement date	June 30, 2025
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.50%
Investment rate of return	5.75%
Salary Increase	2.75%
Healthcare cost trend rate	4.00%
Mortality	For certificated employees the 2020 CalSTRS mortality tables were used. For classified employees the 2021 CalPERS active mortality for miscellaneous and school employees were used.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

District Plan, continued

Actuarial Assumptions, continued

The discount rate was based on long-term expected return on plan assets, using the building block method.

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, 2025 valuation were based on the results of an actual experience study as of June 2025.

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 weighing 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, 2025, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Assumed Gross Return
US large cap	7.25%
US small cap	7.25%
All foreign stock	7.23%
Other fixed income	3.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

District Plan, continued

Changes in the Net OPEB Liability/(Asset)

	Increase/(Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance July 1, 2024	$ 84,302,489	$ 16,164,843	$ 68,137,646
Changes for the year:			
Service cost	1,432,245	-	1,432,245
Interest	4,724,554	-	4,724,554
Employer contributions to trust	-	5,704,903	(5,704,903)
Expected investment income	-	929,073	(929,073)
Investment gains/(losses)	-	800,853	(800,853)
Administrative expense	-	(14,090)	14,090
Expected benefit payments	(5,704,903)	(5,704,903)	-
Net change	451,896	1,715,836	(1,263,940)
Balance June 30, 2025	$ 84,754,385	$ 17,880,679	$ 66,873,706

There were no changes in the benefit terms since the previous valuation. There were no changes in assumptions since the previous valuation.

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate
The following presents the net OPEB liability/(asset) of the District, as well as what the District's net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB liability/(asset)	$ 73,850,763	$ 66,873,706	$ 60,748,659

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rate
The following presents the net OPEB liability/(asset) of the District, as well as what the District's net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is one percent lower or higher than the current healthcare costs trend rate:

	1% Decrease (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability/(asset)	$ 59,034,248	$ 66,873,706	$ 75,915,823

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

District Plan, continued

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 sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 939,519
Differences between expected and actual experience	-	5,186,486
Change of assumptions	4,539,086	4,020,626
	$ 4,539,086	$ 10,146,631

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 Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (1,819,921)
2027	(1,554,066)
2028	(1,610,228)
2029	(566,056)
2030	(57,274)
	$ (5,607,545)

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/member-publications.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

Medicare Premium Payment (MPP) Program, continued

Benefits Provided

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of $326,175 for its proportionate share of the net OPEB liability/(asset) for the MPP Program. The net OPEB liability/(asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net OPEB liability/(asset) 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 ended June 30, 2024 and June 30, 2023, was 0.122% and 0.120%, respectively, resulting in a net increase in the proportionate share of 0.002%.

For the year ended June 30, 2025, the District recognized OPEB expense/(benefit) of $(38,282).

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:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.93%
Medicare Part A Premium - Cost Trend Rate*	5.00%
Medicare Part B Premium - Cost Trend Rate*	6.50%
Mortality Rate Table*	Derived Using CalSTRS' Membership Data

*The assumed increases in the Medicare Part A and Part B cost trend rates vary by year; however, the increases are approximately equivalent to a 5.0% and 6.5% increase each year for Medicare Part A and Part B premiums, respectively.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

Medicare Premium Payment (MPP) Program, continued

Actuarial Methods and Assumptions, continued

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.

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 179 or an average of 0.13% of the potentially eligible population (138,780).

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/(asset) calculated using the current discount rate, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB Liability - MPP Program	$ 351,935	$ 326,175	$ 303,524

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB), continued

Medicare Premium Payment (MPP) Program, continued

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/(asset) calculated using the current Medicare costs trend rates, as well as what the net OPEB liability/(asset) would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rates:

	1% Decrease (4.00% Part A and 5.50% Part B)	Healthcare Cost Trend Rate (5.00% Part A and 6.50% Part B)	1% Increase (6.00% Part A and 7.50% Part B)
Net OPEB Liability - MPP Program	$ 302,166	$ 326,175	$ 352,980

NOTE 9 – RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District uses Schools Association for Excess Risk (SAFER) and Statewide Association of Community Colleges (SWACC) for excess property limits. Property Coverage limit is $500,250,000 combined single limit with a $5,000 Member Retained Limit (MRL) per occurrence. SWACC retains the first $250,000 (less Palomar CCD's MRL of $5,000) and SAFER pays up to $50,000,000. As for liability, the coverage is up to $50,000,000 combined single limit with a $50,000 MRL per occurrence. SWACC retains the first $1,000,000 (less Palomar CCD's MRL of $50,000) and SAFER pays up to $50,000,000 (less Palomar CCD's MRL and SWACC's retained limits).

Joint Powers Authority Risk Pools

During fiscal year ended 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 2024-25, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool. 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.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 56,339,947	$ 23,642,521	$ 11,151,287	$ 5,428,985
CalPERS	76,776,009	22,887,766	5,874,232	11,624,684
Total	$ 133,115,956	$ 46,530,287	$ 17,025,519	$ 17,053,669

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (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/member-publications.

Benefits Provided

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

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

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS), continued

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Plan	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.21%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.83%	10.83%

Contributions
The parameters for employer and state contribution rates for the Defined Benefit Program are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the District's total contributions were $11,018,656.

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

District's proportionate share of the net pension liability	$	56,339,947
State's proportionate share of the net pension liability associated with the District		25,849,359
Total	$	82,189,306

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 school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.084 percent and 0.081 percent, resulting in a net increase in the proportionate share of 0.003 percent.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS), continued

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

For the year ended June 30, 2025, the District recognized pension expense of $5,428,985. In addition, the District recognized pension expense and revenue of $2,359,111 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ -	$ 230,182
Differences between expected and actual experience	6,373,491	2,465,272
Changes in assumptions	246,624	3,847,464
Net changes in proportionate share of net pension liability	6,003,750	4,608,369
District contributions subsequent to the measurement date	11,018,656	-
Total	$ 23,642,521	$ 11,151,287

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (3,752,181)
2027	4,796,123
2028	(131,162)
2029	275,667
2030	560,474
Thereafter	(276,343)
Total	$ 1,472,578

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS), continued

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
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Payroll growth	3.25%
Postretirement benefit increases	2.00%

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 investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of our 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS), continued

Actuarial Methods and Assumptions, continued

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/strategy as of June 30, 2025, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Rate of Return*	Long-term Expected Real Rate of Return**
Public Equity	38%	8.00%	5.25%
Real Estate	15%	6.80%	4.05%
Private Equity	14%	9.50%	6.75%
Fixed Income	14%	5.20%	2.45%
Risk Mitigating Strategies	10%	5.00%	2.25%
Inflation Sensitive	7%	6.40%	3.65%
Cash/Liquidity	2%	2.80%	0.05%
Total	100%		

**20 to 30 year geometric average.*
***Real rates of return are net of assumed 2.75% inflation.*

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases as disclosed in the plan description and contribution information.

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 expenses occur midyear. Based on those 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 the 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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	$ 100,210,330	$ 56,339,947	$ 19,706,357

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (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 members' final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employee Pool provisions and benefits in effect at June 30, 2025, are summarized as follows:

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

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS), continued

Contributions, continued

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 $11,771,908.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $76,776,009. 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 0.215% and 0.221%, respectively, resulting in a net decrease in the proportionate share of 0.006%.

For the year ended June 30, 2025, the District recognized pension expense of $11,624,684. 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
Difference between projected and actual earnings on plan investments	$ 2,982,303	$ -
Differences between expected and actual experience	6,436,546	549,483
Changes in assumptions	1,697,009	-
Net changes in proportionate share of net pension liability	-	5,324,749
District contributions subsequent to the measurement date	11,771,908	-
Total	$ 22,887,766	$ 5,874,232

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 2,064,805
2027	5,378,783
2028	(906,774)
2029	(1,295,188)
Total	$ 5,241,626

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS), continued

Actuarial Methods and Assumptions
Total pension liability was determined by applying updated 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
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:

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
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%
Total	100%	

**An expected inflation of 2.30% used for this*
***Figures are based on the 2021-22 Asset*

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS), continued

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 School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool 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:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	$ 114,051,404	$ 76,776,009	$ 45,983,568

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 $5,219,449. 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 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District participates in six joint powers agreement (JPA) entities: the San Diego County Schools Fringe Benefits Consortium (SDCSFBC); the Statewide Association of Community Colleges (SWACC); the Schools Association for Excess Risk (SAFER); the Statewide Educational Wrap-Up Program (SEWUP); the Protected Insurance program for Schools (PIPS); and the Community College League's Retiree Health Benefit JPA (CCLC). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

The San Diego County Schools Fringe Benefits Consortium (SDCSFBC) provides employee fringe benefits to various school districts and community college districts throughout San Diego County. The San Diego County Schools Fringe Benefits Consortium's governing board is made up of one representative from each member district.

The Statewide Association of Community Colleges (SWACC) provides property and liability coverage to various community college districts throughout California. SWACC is governed by a board consisting of one representative from each member district.

NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES, continued

The Schools Association for Excess Risk (SAFER) arranges for and provides a self-funded or additional insurance for excess liability coverage to various school districts and community college districts throughout California.

The Statewide Educational Wrap-Up Program (SEWUP) is a consolidated construction insurance program covering the job-site risks of: District as Owner, Construction Manager, General Contractor, contractors and sub-contractors of all tiers. Membership is comprised of 400 California school and community college districts. Premiums are determined for each construction project or projects.

The District joined the Community College League of California's (CCLC) Retiree Health Benefit JPA Program in September 2006. The CCLC Retiree Health Benefit JPA was created to assist districts is responding to the GASB Statement No. 45 accounting standards, which require districts to place funds in an irrevocable trust or acknowledge, in their annual financial statements, their unfunded liability.

Financial information for CCLC is not readily available.

Separate financial statements for each JPA may be obtained from the respective entity.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants
The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 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 $977.4 thousand in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Palomar College Foundation (the "Foundation") was organized as an independent organization under California Corporate Code and has a signed master agreement with the District. During the fiscal year ended June 30, 2025, the District provided approximately $845 thousand in salaries, benefits, and office space.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made as a result of change in accounting principle related to GASB Statement No. 101 in the June 30, 2024 audited financial statements. The impact on the beginning net position in the financial statements is as follows:

Beginning Net Position - previously reported at June 30, 2024	$ (121,930,672)
Change in accounting principle (GASB Statement No. 101)	(3,266,905)
Beginning Net Position - as restated at June 30, 2024	$ (125,197,577)

NOTE 15 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2025, through January 9, 2026, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022
Total OPEB liability				
Service cost	$ 1,432,245	$ 1,448,535	$ 1,620,321	$ 1,397,340
Interest	4,724,554	4,773,521	4,375,547	5,373,449
Experience (gains)/losses	-	(2,815,471)	-	(8,677,214)
Changes of assumptions	-	1,612,623	(6,663,758)	8,168,736
Benefit payments	(5,704,903)	(6,020,432)	(5,762,190)	(6,774,674)
Net change in total OPEB liability	451,896	(1,001,224)	(6,430,080)	(512,363)
Total OPEB liability, beginning of year	84,302,489	85,303,713	91,733,793	92,246,156
Total OPEB liability, end of year (a)	$ 84,754,385	$ 84,302,489	$ 85,303,713	$ 91,733,793
Plan fiduciary net position				
Employer contributions	$ 5,704,903	$ 6,020,432	$ 8,712,959	$ 9,774,674
Expected investment income	929,073	-	-	-
Investment gains/(losses)	800,853	1,593,141	848,561	(1,073,551)
Administrative expense	(14,090)	(16,596)	(12,411)	(11,492)
Expected benefit payments	(5,704,903)	(6,020,432)	(5,762,190)	(6,774,674)
Change in plan fiduciary net position	1,715,836	1,576,545	3,786,919	1,914,957
Fiduciary trust net position, beginning of year	16,164,843	14,588,298	10,801,379	8,886,422
Fiduciary trust net position, end of year (b)	$ 17,880,679	$ 16,164,843	$ 14,588,298	$ 10,801,379
Net OPEB liability/(asset), ending (a) - (b)	$ 66,873,706	$ 68,137,646	$ 70,715,415	$ 80,932,414
Covered payroll	$ 76,462,636	$ 74,416,191	$ 90,339,694	$ 83,540,002
Plan fiduciary net position as a percentage of the total OPEB liability	21.10%	19.17%	17.10%	11.77%
Net OPEB liability/(asset) as a percentage of covered payroll	87.46%	91.56%	78.28%	96.88%
Measurement date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022

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

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 1,296,186	$ 1,451,003	$ 1,408,741	$ 1,934,593
Interest	4,790,414	4,665,130	5,029,789	5,940,823
Changes of benefit terms	-	(6,526,796)	-	-
Experience (gains)/losses	-	(2,415,563)	-	-
Changes of assumptions	2,339,267	(7,556,550)	3,859,317	-
Benefit payments	(5,899,945)	(5,468,447)	(5,893,134)	(5,588,742)
Net change in total OPEB liability	2,525,922	(15,851,223)	4,404,713	2,286,674
Total OPEB liability, beginning of year	89,720,234	105,571,457	101,166,744	98,880,070
Total OPEB liability, end of year (a)	$ 92,246,156	$ 89,720,234	$ 105,571,457	$ 101,166,744
Plan fiduciary net position				
Employer contributions	$ 5,899,945	$ 5,468,447	$ 7,893,134	$ 5,588,742
Investment gains/(losses)	1,503,583	318,246	301,319	690,766
Administrative expense	(10,063)	(14,617)	-	(500)
Expected benefit payments	(5,899,945)	(5,468,447)	(5,893,134)	(5,588,742)
Change in plan fiduciary net position	1,493,520	303,629	2,301,319	690,266
Fiduciary trust net position, beginning of year	7,392,902	7,089,273	4,787,954	4,097,688
Fiduciary trust net position, end of year (b)	$ 8,886,422	$ 7,392,902	$ 7,089,273	$ 4,787,954
Net OPEB liability/(asset), ending (a) - (b)	$ 83,359,734	$ 82,327,332	$ 98,482,184	$ 96,378,790
Covered payroll	$ 81,134,925	$ 88,470,639	$ 88,241,386	$ 79,075,506
Plan fiduciary net position as a percentage of the total OPEB liability	9.63%	8.24%	6.72%	4.73%
Net OPEB liability/(asset) as a percentage of covered payroll	102.74%	93.06%	111.61%	121.88%
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022
Annual money-weighted rate or return, net of investment expense	10.61%	11.92%	8.96%	-12.21%
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022

	2021	2020	2019	2018
Annual money-weighted rate or return, net of investment expense	20.20%	4.28%	6.30%	9.20%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022
District's proportion of the net OPEB liability	0.122%	0.120%	0.117%	0.121%
District's Proportionate Share of the Net OPEB Liability/(Asset)	$ 326,175	$ 364,457	$ 384,946	$ 481,357
District's Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's 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

*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.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)				
CalSTRS	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
District's proportion of the net pension liability	0.084%	0.081%	0.078%	0.080%	0.080%
District's proportionate share of the net pension liability	$ 56,339,947	$ 61,844,957	$ 54,104,953	$ 36,536,269	$ 85,507,972
State's proportionate share of the net pension liability associated with the District	25,849,359	29,631,658	27,095,549	18,383,633	44,079,370
Total	$ 82,189,306	$ 91,476,615	$ 81,200,502	$ 54,919,902	$ 129,587,342
District's covered-employee payroll	$ 59,018,832	$ 52,082,335	$ 48,126,921	$ 46,277,944	$ 50,705,637
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	95%	119%	112%	79%	169%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%

	Reporting Fiscal Year (Measurement Date)				
CalPERS	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
District's proportion of the net pension liability	0.215%	0.221%	0.231%	0.243%	0.262%
District's proportionate share of the net pension liability	$ 76,776,009	$ 79,919,750	$ 79,439,983	$ 49,385,961	$ 80,323,039
District's covered-employee payroll	$ 42,456,304	$ 38,257,359	$ 35,413,082	$ 34,856,981	$ 37,765,002
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	181%	209%	224%	142%	213%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)				
CalSTRS	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
District's proportion of the net pension liability	0.084%	0.082%	0.081%	0.081%	0.092%
District's proportionate share of the net pension liability	$ 75,550,191	$ 75,692,563	$ 75,282,780	$ 65,416,466	$ 61,617,589
State's proportionate share of the net pension liability associated with the District	41,217,673	43,337,533	44,536,657	37,240,427	35,588,912
Total	$ 116,767,864	$ 119,030,096	$ 119,819,437	$ 102,656,893	$ 97,206,501
District's covered-employee payroll	$ 52,423,520	$ 46,626,140	$ 45,243,148	$ 41,606,198	$ 38,026,419
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	144%	162%	166%	157%	162%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

	Reporting Fiscal Year (Measurement Date)				
CalPERS	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
District's proportion of the net pension liability	0.258%	0.246%	0.237%	0.222%	0.259%
District's proportionate share of the net pension liability	$ 75,295,278	$ 65,540,272	$ 56,481,943	$ 43,871,669	$ 38,144,438
District's covered-employee payroll	$ 35,817,866	$ 32,449,366	$ 28,819,657	$ 26,587,887	$ 31,818,546
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	210%	202%	196%	165%	120%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year				
CalSTRS	2025	2024	2023	2022	2021
Statutorily required contribution	$ 11,018,656	$ 11,272,597	$ 9,947,726	$ 8,143,075	$ 7,473,888
District's contributions in relation to the statutorily required contribution	11,018,656	11,272,597	9,947,726	8,143,075	7,473,888
District's contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 57,689,298	$ 59,018,832	$ 52,082,335	$ 48,126,921	$ 46,277,944
District's contributions as a percentage of covered-employee payroll	19.10%	19.10%	19.10%	16.92%	16.15%

	Reporting Fiscal Year				
CalPERS	2025	2024	2023	2022	2021
Statutorily required contribution	$ 11,771,908	$ 11,327,342	$ 9,705,892	$ 8,113,137	$ 7,215,395
District's contributions in relation to the statutorily required contribution	11,771,908	11,327,342	9,705,892	8,113,137	7,215,395
District's contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 43,519,068	$ 42,456,304	$ 38,257,359	$ 35,413,082	$ 34,856,981
District's contributions as a percentage of covered-employee payroll	27.05%	26.68%	25.37%	22.91%	20.70%

See note to required supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year				
CalSTRS	2020	2019	2018	2017	2016
Statutorily required contribution	$ 8,670,664	$ 8,534,549	$ 6,728,152	$ 5,691,588	$ 4,464,345
District's contributions in relation to the statutorily required contribution	8,670,664	8,534,549	6,728,152	5,691,588	4,464,345
District's contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 50,705,637	$ 52,423,520	$ 46,626,140	$ 45,243,148	$ 41,606,198
District's contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%

	Reporting Fiscal Year				
CalPERS	2020	2019	2018	2017	2016
Statutorily required contribution	$ 7,447,636	$ 6,469,423	$ 5,039,711	$ 4,002,474	$ 3,149,867
District's contributions in relation to the statutorily required contribution	7,447,636	6,469,423	5,039,711	4,002,474	3,149,867
District's contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 37,765,002	$ 35,817,866	$ 32,449,366	$ 28,819,657	$ 26,587,887
District's contributions as a percentage of covered-employee payroll	19.72%	18.06%	15.53%	13.89%	11.85%

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances and the total 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* - There were no changes in the economic assumptions 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 percent to 3.93 percent since the previous valuation. Medicare Part A and Part B premiums were changed from 4.50 percent and 5.40 percent to 5.00 percent and 6.50 percent, respectively.

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* – The required employer contribution rate changed from 26.68 percent to 27.05 percent since the previous valuation for CalPERS. There were no changes in benefit terms since the previous valuations for CalSTRS.
- *Changes of Assumptions* – Additional factors were considered in the actuarial valuation for CalSTRS namely the payroll growth rate and long-term expected rate of return based on 20- to 30-year geometric average. There were no changes in economic assumptions since previous valuation for CalPERS.

Schedule of the District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

SUPPLEMENTARY INFORMATION

PALOMAR COMMUNITY COLLEGE DISTRICT
ORGANIZATIONAL STRUCTURE
JUNE 30, 2025

The Palomar Community College District (the "District") was established in 1962 and is comprised of an area of approximately 1,700 square miles located in Riverside County. There were no changes in the boundaries of the District during the current year. The District's colleges are 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.

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Jacqueline Kaiser	President	2026
Holly Hamilton-Bleakley	Vice President	2028
Yvette Marie Acosta	Secretary	2028
Roberto Rodriguez	Trustee	2028
Judy Patacsil	Trustee	2026
Ariel Fridman	Student Trustee	2026

ADMINISTRATION

Star Rivera-Lacey, Ph.D.
Superintendent/President

Tina Recalde, DPT, MS, ATC, CSCS
Assistant Superintendent/
Vice President, Instruction

Nick Mata
Assistant Superintendent/
Vice President, Student Services

Anna Pedroza
Assistant Superintendent/
Vice President, Human Resources Services

Vacant
Assistant Superintendent/Vice President, Finance and
Administrative Services

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Palomar College Foundation, established in 1959
Master Agreement with Foundation revised November 14, 2008
Stacy Rungaitis, Executive Director

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Program			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	n/a	$ 21,917,542
Federal Pell Grant Program Administrative Allowance	84.063	n/a	16,895
Federal Direct Student Loans	84.268	n/a	1,774,311
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	n/a	689,284
Federal Work Study (FWS) Program	84.033	n/a	413,466
Subtotal Student Financial Assistance Cluster			24,811,498
TRIO Cluster			
TRIO Student Support Services	84.042	n/a	360,347
TRIO Educational Opportunity Centers	84.066	n/a	262,515
TRIO Upward Bound	84.047	n/a	484,239
TRIO Talent Search	84.044	n/a	617,687
Subtotal TRIO Cluster			1,724,788
Gaining Early Awareness and Readiness for Undergraduate programs (GEAR UP)	84.334	n/a	255,636
Developing Hispanic-Serving Institutions (DHSI) Program	84.031S	n/a	90,307
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education-Basic Grants to States (Perkins V)	84.048A	17-C01-039	742,488
Total U.S. Department of Education			27,624,717
U.S. DEPARTMENT OF VETERAN AFFAIRS			
Direct Program			
Post-9/11 Veterans Educational Assistance	64.028	n/a	11,290
Total U.S. Department of Veteran Affairs			11,290
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program			
Child Care and Development Block Grant	93.575	15136	39,428
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	49,559
Passed through California State University San Marcos Corporation			
Biomedical Research and Research Training			
(North County San Diego Bridges to the Baccalaureate Program)	93.859	85342-PC	17,316
Total U.S. Department of Health and Human Services			106,303
NATIONAL SCIENCE FOUNDATION			
Passed through Southwestern Community College District			
STEM Education	47.076	2201214	26,051
Passed through California State University San Marcos Corporation			
STEM Education	47.076	2400983	28,668
Total National Science Foundation			54,719
Total Federal Programs			$ 27,797,029

[1] - Pass-through entity identifying number not readily available.
n/a - Pass-through entity identifying number not applicable.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

	Program Revenues				
	Cash Received	Accounts Receivable/(Payable)	Deferred Income	Total Revenue	Program Expenditures
BFAP, BRD FINANCIAL ASIST PROG	$ 151,922	$ -	$ -	$ 151,922	$ 151,922
STATE BFAP AUGMENTATION	531,732	-	21,730	510,002	510,002
BFAP AUGMENTATION CARRYOVER	18,942	-	-	18,942	18,942
CALWORKS	317,250	-	91,151	226,099	226,099
CALWORKS CARRYOVER	16,269	-	12,872	3,397	3,397
LOTTERY (PROP 20)	480,959	562,731	-	1,043,690	1,043,690
Student Success Completion	5,477,073	-	1,074,334	4,402,739	4,402,739
Financial Aid Technology	83,149	-	-	83,149	83,149
California College Promise	4,316,563	-	2,116,077	2,200,486	2,200,486
DSPS, DISABLED STU PROG & SVC	1,998,383	-	925,008	1,073,375	1,073,375
DSPS CARRYOVER	819,998	-	-	819,998	819,998
DEAF & HARD OF HEARING (DHH)	242,082	-	23,869	218,213	218,213
ACCESS T/PRINT & ELECTRNC INFO	11,295	-	1,682	9,613	9,613
DEAF & HARD OF HEARING CARRYOVER	21,020	-	-	21,020	21,020
ATP CARRYOVER	542	-	-	542	542
Golden State ETGP	500	-	500	-	-
BFAP 1X FUND ADMIN SUPPORT	223,329	-	-	223,329	223,329
Zero Textbook Phase 3	149,723	-	94,765	54,958	54,958
Zero Textbook Phase 2	1,588,844	-	1,340,852	247,992	247,992
Zero Textbook Phase 1	613	-	-	613	613
EOPS, CARE	257,445	-	8,399	249,046	249,046
EOPS, CARE CARRYOVER	30,667	-	-	30,667	30,667
NEXTUP	1,455,249	-	1,338,796	116,453	116,453
NEXTUP CARRYOVER	1,715,895	-	1,151,863	564,032	564,032
EOPS, EXTEND OPPORTUNITY PROGRAM	1,647,635	-	347,208	1,300,427	1,300,427
EOPS CARRYOVER	396,813	-	-	396,813	396,813
COMMON COURSE NUMBERING	913,043	-	912,795	248	248
CAL LAW GRANT	51,983	-	-	51,983	51,983
CLASSIFIED PROFESSIONAL Development	68,993	-	67,091	1,902	1,902
ECEPTS PROJECT	52,893	-	-	52,893	52,893
TEACHER ASSTNT APPRENTICESHIP	172,500	-	29,874	142,626	142,626
UMOJA PROGRAM	207,756	-	122,252	85,504	85,504
CULTURAL COMPETENT FACULTY PD	4,247	-	2,747	1,500	1,500
STUDENT TRANSFER ACHIEVEMENT REFORM	565,217	-	505,971	59,246	59,246
Student Equity and Achievement	6,303,922	-	4,011,735	2,292,187	2,292,187
STUDENT EQUITY CARRYOVER FUNDS	5,421,551	-	-	5,421,551	5,421,551
FY1819 Hunger Free Campus Support	4,287	-	-	4,287	4,287
RETENTION & ENROLLMENT OUTREACH SB85	2,323,957	-	1,464,702	859,255	859,255
CALFRESH OUTREACH SB 85	18,081	-	-	18,081	18,081
STRONG WORKFORCE FY23-24	2,756,212	-	225,138	2,531,074	2,531,074
Temporary Assistance for Needy Families	25,772	23,787	-	49,559	49,559
PERP SOCIAL WORK	36,612	6,566	32,744	10,434	10,434
APPRENTICESHIP PATHWAYS DEMO	-	10,526	-	10,526	10,526
LIBRARY SERVICES PLATFORM	5,797	-	-	5,797	5,797
RISING SCHOLARS NETWORK	26,407	167,845	-	194,252	194,252
CRPP INNOVATIBE BEST PRACTICES	288,574	-	99,103	189,471	189,471
NATIVE AMERICAN SSSP	594,682	-	529,126	65,556	65,556
FY23-24 NATIVE AMERICAN SSSP	900,000	-	900,000	-	-
AB-183 LSTADS 1X FUNDS	600,000	-	537,992	62,008	62,008
SYSTEMWIDE TECH & DATA SECURITY	192,106	-	8,588	183,518	183,518
LOCAL SYSTEMWIDE TECH & DATA SECURITY	55,398	-	13,111	42,287	42,287
COVID-19 RECOVERY BLOCK GRANT FY22-23	1,923,228	-	90,239	1,832,989	1,832,989
Nursing Education	161,674	-	26,205	135,469	135,469
Mental Health Support	607,031	-	95,020	512,011	512,011
Balance forwarded	$ 46,235,815	$ 771,455	$ 18,223,539	$ 28,783,731	$ 28,783,731

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

	Program Revenues				
	Cash Received	Accounts Receivable/(Payable)	Deferred Income	Total Revenue	Program Expenditures
Balance brought forward	$ 46,235,815	$ 771,455	$ 18,223,539	$ 28,783,731	$ 28,783,731
TTIP SOUTH CARRYOVER	4,109,921	-	2,880,931	1,228,990	1,228,990
TTIP SOUTH	6,000,001	-	3,111,617	2,888,384	2,888,384
CCC TechConnect-DECT	1,440,000	-	966,037	473,963	473,963
CCC TechConnect-DECT CARRYOVER	1,415,433	-	1,415,433	-	-
CCC ASSOC DEG NRSG CARRYOVER	79,226	-	-	79,226	79,226
FY24-25 STRONG WORKFORCE	2,219,413	-	2,219,413	-	-
EQUAL EMPLOYMENT OPPORTUNITY	136,986	-	-	136,986	136,986
GUIDED PATHWAYS 2.0	460,537	-	357,632	102,905	102,905
UNDOCUMENTED RESOURCS LIAISONS	275,999	-	111,264	164,735	164,735
AB1705 EQUITABLE PLACEMENT & COMPLETION	834,455	-	619,753	214,702	214,702
BASIC NEEDS CENTER SB129	1,686,626	-	1,466,011	220,615	220,615
BASIC NEEDS SERVICES SUP AB132	589,646	-	537,844	51,802	51,802
LGBTQ+ SUPPORT AB132	105,352	-	18,480	86,872	86,872
LGBTQ+	231,543	-	185,594	45,949	45,949
INNOVATION IN HIGHER EDUCATION	697,334	-	169,133	528,201	528,201
STATE VETERANS RESOURCE CENTER	875,842	-	493,373	382,469	382,469
VETERANS PROGRAM (1 time)	203,497	-	203,497	-	-
TOTAL	$ 67,597,626	$ 771,455	$ 32,979,551	$ 35,389,530	$ 35,389,530

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2025

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2024 only)			
1. Noncredit	45.51	-	45.51
2. Credit	1,381.71	-	1,381.71
B. Summer Intersession (Summer 2025 - Prior to July 1, 2025)			
1. Noncredit	-	-	-
2. Credit	9.00	-	9.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,857.90	-	5,857.90
(b) Daily Census Contact Hours	463.15	-	463.15
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	383.16	-	383.16
(b) Credit	597.03	-	597.03
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	3,863.80	-	3,863.80
(b) Daily Census Contact Hours	2,009.48	-	2,009.48
Courses	43.61	-	43.61
D. Total FTES	14,654.35	-	14,654.35
Supplemental Information (subset of above information)			
E. In-service Training Courses	101.38	-	101.38
F. Basic Skills Courses and Immigrant Education			
1. Credit*	85.35	-	85.35
2. Noncredit*	428.31	-	428.31
Total Basic Skills FTES	513.66	-	513.66
CCFS 320 Addendum			
CDCP Noncredit FTES	393.07	-	393.07
Centers FTES			
1. Credit*	998.72	-	998.72
2. Noncredit*	172.50	-	172.50
Total Centers FTES	1,171.22	-	1,171.22

*Including Career Development and College Preparation (CDCP) FTES

PALOMAR COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2025

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 27,814,265	$ -	$ 27,814,265	$ 27,814,265	$ -	$ 27,814,265
Other	1300	21,731,546	-	21,731,546	21,731,546	-	21,731,546
Total Instructional Salaries		49,545,811	-	49,545,811	49,545,811	-	49,545,811
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	11,954,308	-	11,954,308
Other	1400	-	-	-	1,835,316	-	1,835,316
Total Non-Instructional Salaries		-	-	-	13,789,624	-	13,789,624
Total Academic Salaries		49,545,811	-	49,545,811	63,335,435	-	63,335,435
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	24,368,973	-	24,368,973
Other	2300	-	-	-	1,896,052	-	1,896,052
Total Non-Instructional Salaries		-	-	-	26,265,025	-	26,265,025
Instructional Aides							
Regular Status	2200	1,748,429	-	1,748,429	1,748,429	-	1,748,429
Other	2400	748,754	-	748,754	748,754	-	748,754
Total Instructional Aides		2,497,183	-	2,497,183	2,497,183	-	2,497,183
Total Classified Salaries		2,497,183	-	2,497,183	28,762,208	-	28,762,208
Employee Benefits	3000	22,270,236	-	22,270,236	43,524,680	-	43,524,680
Supplies and Materials	4000	-	-	-	1,166,381	-	1,166,381
Other Operating Expenses	5000	-	-	-	14,093,075	-	14,093,075
Equipment Replacement	6420	-	-	-	20,125	-	20,125
Total Expenditures Prior to Exclusions		$ 74,313,230	$ -	$ 74,313,230	$ 150,901,904	$ -	$ 150,901,904
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	374,037	-	374,037
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	64,597	-	64,597
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,927,545	-	1,927,545
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000			-			-
Total Exclusions		$ -	$ -	$ -	$ 2,366,179	$ -	$ 2,366,179
Total for ECS 84362, 50% Law		$ 74,313,230	$ -	$ 74,313,230	$ 148,535,725	$ -	$ 148,535,725
Percent of CEE (Instructional Salary Cost/Total CEE)		50.03%	0.00%	50.03%	100.00%	0.00%	100.00%
50% of Current Expense of Education		$ -	$ -	$ -	$ 74,267,863	$ -	$ 74,267,863

See note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

EPA Revenue	$ 20,566,081

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	$ 20,566,081	$ -	$ -	$ 20,566,081
Total		$ 20,566,081	$ -	$ -	$ 20,566,081

See note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

General Funds	$ 63,966,539	
Debt Service Fund	31,481,204	
Capital Project Funds	151,557,291	
Special Revenue Funds	2,706,371	
Internal Service Funds	11,563,946	
Total fund balances as reported in the CCFS-311		$ 261,275,351
Assets recorded within the statements of net position not included in the District fund financial statements:		
Capital assets	$ 685,897,757	
Accumulated depreciation	(160,036,819)	
Right-to-use assets	6,255,841	
Accumulated amortization	(2,286,293)	529,830,486
Lease Receivable		1,135,933
Unmatured Interest		(7,500,295)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred loss on refunding		26,952,616
Deferred outflows related to OPEB		4,539,086
Deferred outflows related to pensions		46,530,287
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
General obligation bonds	$ (713,051,173)	
Bond premiums	(16,697,501)	
Lease revenue bonds	(1,030,000)	
Compensated absences	(8,687,503)	
Load banking	(575,479)	
Subscription-based IT arrangements	(4,116,347)	
Net OPEB liability	(67,199,881)	
Net pension liability	(133,115,956)	(944,473,840)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred inflows related to leases		(1,127,651)
Deferred inflows related to OPEB		(10,146,631)
Deferred inflows related to pensions		(17,025,519)
Net Assets Reported Within the Statements of Net Position		$ (110,010,177)

See note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Expenditures of Federal Awards

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

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

Indirect Cost Rate
The District has elected not 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 State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance
Full-time equivalent students (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 the *Education Code* Section 84362 (50 Percent Law) Calculation
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 State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

NOTE 1 – PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account (EPA) Expenditures
This schedule provides information about the District's EPA revenue and summarizes the expenditures of EPA funds.

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

OTHER INDEPENDENT AUDITORS' REPORTS

CWDL

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

Board of Trustees
Palomar Community College District
San Marcos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Palomar 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 January 9, 2026.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-001.

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.

CWDL, Certified Public Accountants

San Diego, California
January 9, 2026

CWDL

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Palomar Community College District
San Marcos, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Palomar Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each 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; 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 each 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.

Auditors' 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 each 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 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 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 or significant deficiencies, 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.

Purpose of This Report

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.

CWDL, Certified Public Accountants

San Diego, California
January 9, 2026

CWDL

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Board of Trustees
Palomar Community College District
San Marcos, California

Report on State Compliance

Opinion on State Compliance

We have audited Palomar Community College District's (the "District") compliance with the types of compliance requirements as identified in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, for the year ended June 30, 2025. The applicable state compliance requirements are identified in the table below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 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; and the compliance requirements described in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the compliance requirements 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 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 compliance with the requirements described in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*.

Auditors' 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 2024-25 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 of the State programs as a whole.

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 and to test and report on internal control over compliance in accordance with the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls 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 with the requirements listed below that we identified 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 – Propositions 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 499 – COVID-19 Recovery Block Grant Expenditures

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 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 a material noncompliance with a compliance requirement 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 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 Auditors' 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 or significant deficiencies, 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the 2024-25 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
January 9, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program of Cluster
84.063, 84.268, 84.007, 84.033	Student Financial Assistance Cluster
84.042, 84.066, 84.047, 84.044	TRIO Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 833,911
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for State programs:	Unmodified

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings and recommendations identified during 2024-25.

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2024-25.

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2024-25.

Item #2024-001 – Special Tests and Provisions – Enrollment Reporting

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 and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS).

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 – The following deficiency was noted:

- 33 of 60 students' program begin date were not accurately reported in NSLDS (student's program start date does not agree to program begin date per NSLDS).

Cause
The District did not report enrollment information for students under the Pell Grant and Direct Loan Programs via NSLDS accurately due to an error in data mapping within the student information systems database prior to submission to National Student Clearinghouse.

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 this finding.

Context/Sampling
We tested a non-statistical sample of 60 student status changes of a total 245 changes reported by the District during the 2024 fiscal year.

Repeat Finding (Yes or No)
Yes.

Item #2024-001 – Special Tests and Provisions – Enrollment Reporting, continued

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.

View of Responsible Officials and Corrective Action Plan
The audit identified that inaccurate program start dates were recorded due to poor report programming and the absence of clear internal policies governing the program date.

The root cause of this issue appears to be poor report programming practices, compounded by a lack of a well-defined internal policy to guide the accurate reporting of program start dates.

In response to the finding, the NSC enrollment report has been rewritten with improved programming and internal quality control measures. A more robust process is being implemented to ensure data accuracy moving forward. The new report will be in place for Spring 2025.

By addressing both the technical and procedural gaps, Palomar College will enhance the accuracy of program start dates and ensure better alignment with NSC reporting requirements.

Current Status
Implemented.