YOSEMITE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2019

YOSEMITE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

CONTENTS

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For the Year Ended June 30, 2019

CONTENTS
(Continued)

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Yosemite Community College District
Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of Yosemite Community College District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Yosemite Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yosemite Community College District, as of June 30, 2019, and the changes in its financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 15 and the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions (Pensions) on pages 50 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Yosemite Community College District's basic financial statements. The accompanying schedule of expenditure 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 Award* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Organization, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organization on page - has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 on our consideration of Yosemite Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Yosemite Community College District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 2, 2019

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Yosemite Community College District (the District) for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the notes thereto, which follow this section.

HISTORY

Modesto Junior College, one of the oldest community colleges in the state, was founded in 1921 to serve the first junior college district established under the State Legislature. The District's boundaries changed in 1964 and the Yosemite Community College District was created and named by action of the electorate. The District includes two comprehensive, two-year colleges: Modesto Junior College founded in 1921, and Columbia College founded in 1967. The District includes all of two counties (Stanislaus and Tuolumne), parts of four others (Calaveras, Merced, San Joaquin, and Santa Clara), and stretches 170 miles across central California from the coastal range on the west to the Sierra Nevada's on the east. The District is governed by a seven-member Board of Trustees.

ACCOUNTING STANDARDS

The format of these financial statements follows Governmental Accounting Standards Board (GASB), Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The California Community Colleges Chancellor's Office (Chancellor's Office) recommends that all state community college districts follow the business type activity (BTA) model. The District applied the BTA reporting model to comply with the recommendation and to report in a manner consistent and comparable with other community college districts.

GASB reporting standards require that the annual report include three basic financial statements that provide information on the District as a whole: the statement of net position; the statement of revenues, expenses, and change in net position; and the statement of cash flows. The information provided on the statements in the Management's Discussion and Analysis (MDA) includes all funds, including general obligation bond funds and student associations. Each statement will be discussed separately. Financial statements for the college's foundations are issued separately and can be obtained from the respective organizations.

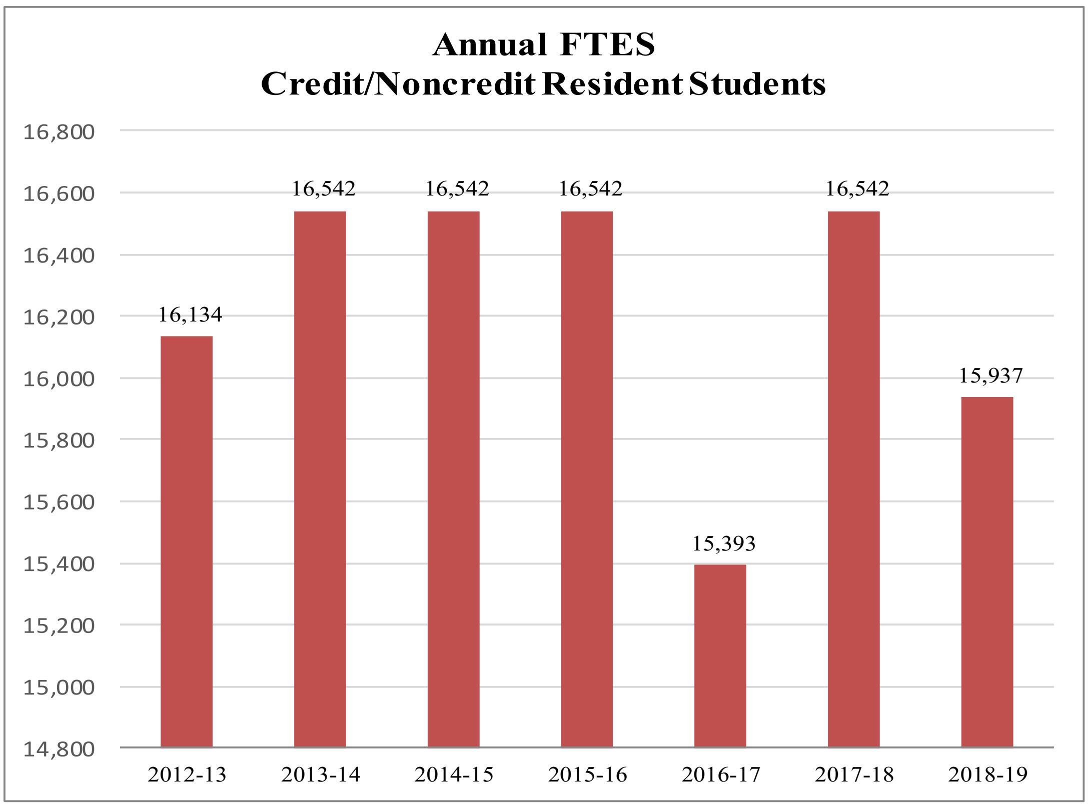
The following MDA provides an overview of the District's financial activities.

FINANCIAL HIGHLIGHTS

The 2018-19 State Budget Act included the passage of the new Student Centered Funding Formula (SCFF). The SCFF formula for 2018-19 is calculated based on 70% FTES, 20% supplemental grant (number of students participating in the Pell Grant Program and California Promise Program), and 10% student success factors (i.e. certificates, associate degree transfers, transfer to 4-year institution, etc.). The apportionment for the fiscal year included a 2.71% cost-of-living adjustment (COLA) which equates to approximately $2,600,000 for the District. YCCD's advanced apportionment for 2018-19 was $104.4 million. Based on the 2018-19 SCFF formula, YCCD earned $105.7 million; however the SCFF was not fully funded by the state and YCCD was paid only $102.8 million. The current year net position decreased by $24 million, mostly due in large part to a $27.7 million accounting entry for depreciation. Depreciation is a non-cash entry and has no direct cost to the District. Also contributing to the decrease in net position in 2018-19 is the increase in noncurrent long-term liabilities, which is largely due to $9 million in STRS and PERS liability increases.

ATTENDANCE

With the implementation of the Student Centered Funding Formula, total funded FTES will be calculated using a three-year rolling average. Actual FTES reported in 2018-19 was 15,937. The actual FTES achieved was 16,270; however, 333 FTES were rolled back to 2017-18 to achieve 16,532 FTES in that year. The District does not anticipate rolling FTES in the future. The chart below shows actual FTES reported for 2018-19 fiscal year as well as the previous six years.



GENERAL FUND RESERVE

The District had a designated reserve in the General Fund of $10.56 million, or approximately 10% of the General Fund unrestricted expenditures budget for 2018-19. For the 2019-20 budget year, the District has a 10% designated reserve on the General Fund unrestricted budgeted expenditures, a $3 million additional reserve for PERS and STRS increases, a $1 million reserve for Facilities Total Cost of Ownership (TCO), a $500,000 reserve for Information Technology TCO, and just above $2.4 million in undesignated reserves.

SALARIES AND BENEFITS

Eligible employees received stability pay as per their employee group contracts during the fiscal year. The California School Employees Association (CSEA) and Leadership Team (LTAC), sans the Vice Presidents and Executive Cabinet, received a 2.71% cost of living (COLA) adjustment for the 2018-19 fiscal year. The Yosemite Faculty Association received a 10% ongoing salary adjustment and other one-time reimbursements per the contract. The District paid the cost of a base health benefit plan for eligible employees at an annual cost per employee of $19,551. There will be a 3% COLA adjustment for CSEA and LTAC, and a 2% cost of living salary adjustment for the Vice Presidents in 2019-20, less the travel allowances previously allocated to Vice Presidents. The District paid base health plan will increase to $20,588 per eligible employee in 2019-20.

OTHER POSTEMPLOYMENT BENEFITS

The District joined the Public Agency Retirement Services (PARS) on July 1, 2008 to establish an irrevocable trust for its other postemployment benefits (OPEB). The District's OPEB consists of health benefits. As of June 30, 2019, the account balance was $33,513,515. The initial contribution to the trust was made on June 1, 2009 in the amount of $14,943,947. Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District is now required to record its full OPEB liability in its audited financial statements. As of June 30, 2019, the District's OPEB liability was $7,542,110. The 2018-19 OPEB deferred outflow of resources increased $1.6 million, due to changes of assumptions in the latest actuarial study.

The District established a Retirement Trust Committee that meets quarterly with staff from PARS and US Bank to review the OPEB Trust investments, actuarial studies, and other activities related to the District's OPEB Trust.

GENERAL OBLIGATION BOND- MEASURE E

In November 2004, voters in the District approved Measure E, the $326 million general obligation bond for the repair, upgrade, and new construction of Modesto Junior College and Columbia College facilities and the expansion of college education centers in Patterson, Oakdale, Turlock, and Angels Camp, California. The sale of the first of the three bond issues in the amount of $94 million was made in May 2005; the second sale in the amount of $150 million took place in April 2008; and the third and final bond issue was sold in June 2010 in the amount of $82 million. In July 2012, the District refunded $57,150,000 of bonds issued in 2005. The net savings of this refunding was $4,528,621. In July 2015, the District refunded $120,205,000 of bonds issued in 2005 and 2008. The net savings of this refunding was $9,196,359. Completed and in-use projects are: MJC auditorium, MJC Ag-modular living units, MJC Ag-animal facilities renovation, MJC roadways, MJC loop road/infrastructure, MJC parking structure/lot, MJC softball complex, MJC Ag Multipurpose Pavilion, MJC Allied Health Building, MJC Art Building Renovation, MJC Founders Hall Modernization, MJC Painting East Campus, MJC Student Services Building, MJC Redbud Distance Education, MJC Science Center, MJC Roadways, MJC West Campus – Parking Lot 208, Great Value Museum Education Demonstration Center, CC Science Natural Resources Building, Columbia College (CC) bus service loop/disabled parking lot, CC 200 space parking lot, CC child development center, CC Juniper Upgrade, CC Madrone building modernization, CC Pinyon Building Upgrade, CC Public Safety Center, CC Manzanita Building, CC Manzanita Lower Level Renovation, CC roadways, CC roadways, Central Services (CS) Ag trailers, CS BM: Secondary Data

Center, CS Hammer Throw, CS Utility Infrastructure, CS master plan, CS district office, and CS Capital Outlay Debt Service.

The Measure E Program Management Plan was Board approved in February 2006. The program, which was originally planned as a four-phase, twelve-year effort, has been reduced to a three-phase, nine-year plan. This significantly reduces the impact of inflation. The District's Board approved revised Measure E budgets for both Modesto Junior College and Columbia College in the spring of 2011. In January 2012, the District's Board approved revised Measure E budgets for Modesto Junior College and Central Services. Modesto Junior College reallocated existing funds from savings from completed projects. Based upon the bi-annual arbitrage studies that resulted in negative arbitrage calculation, Central Services augmented their allocation by $20,000,000 from investment earnings for the purpose of building a Central Services office, improving roads, and adding solar energy to the District's sites. The 2018-19 year was an extraordinary year of construction and development for the District's Measure E projects.

STATEMENTS OF NET POSITION

The statements of net position include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. Net position, the difference between assets and liabilities, are an indicator of the financial health of a district.

	2019	2018	Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 49,615,546	$ 49,475,776	0%
Receivables	12,535,174	9,238,890	36%
Inventory, prepaid, and other assets	1,336,764	1,696,238	-21%
Total Current Assets	63,487,484	60,410,904	5%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	31,192,617	34,810,859	-10%
Long-term investments	129,154	165,025	-22%
Loans to students	135,464	126,437	7%
Capital assets - net	406,371,935	420,733,489	-3%
Total Noncurrent Assets	437,829,170	455,835,810	-4%
Total Assets	501,316,654	516,246,714	-3%
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of resources - pensions	37,332,753	35,234,753	6%
Deferred amount on debt refunding	12,295,360	12,790,080	-4%
Deferred amount on resources - OPEB	1,640,978	50,565	3145%
TOTAL ASSETS AND DEFERRED OUTFLOWS	552,585,745	564,322,112	-2%
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	11,354,592	11,999,574	-5%
Advances from grantors and students	22,175,441	19,179,114	16%
Other current liabilities	17,431,050	16,811,332	4%
Total Current Liabilities	50,961,083	47,990,020	6%
NONCURRENT LIABILITIES			
Long-term liabilities - noncurrent portion	501,229,543	490,280,972	2%
Total Liabilities	552,190,626	538,270,992	3%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	8,067,000	9,895,000	-18%
Deferred inflows of resources - OPEB	365,346	313,681	16%
NET POSITION			
Net investment on capital assets	131,363,348	144,553,200	-9%
Restricted	23,701,281	19,161,334	24%
Subtotal	155,064,629	163,714,534	-5%
Unrestricted:			
General Reserve	10,560,000	9,800,000	8%
Contingency reserve and other designation	(173,661,856)	(157,672,095)	10%
Total Unrestricted	(163,101,856)	(147,872,095)	10%
Total Net Position	$ (8,037,227)	$ 15,842,439	-151%

Current cash and cash equivalents consist mainly of cash in the County Treasury.

Receivables include receivables from state and federal grants as well as general apportionment earned but not received by year end.

Restricted cash and cash equivalents consist of amounts relating to the Capital Outlay Projects Fund and the General Obligations Bond Fund.

Long-term investments consist mainly of certificates of deposits and equity securities for the scholarship and loan programs.

Loans to students consist of notes receivable due from students under the Federal Nursing Loan program.

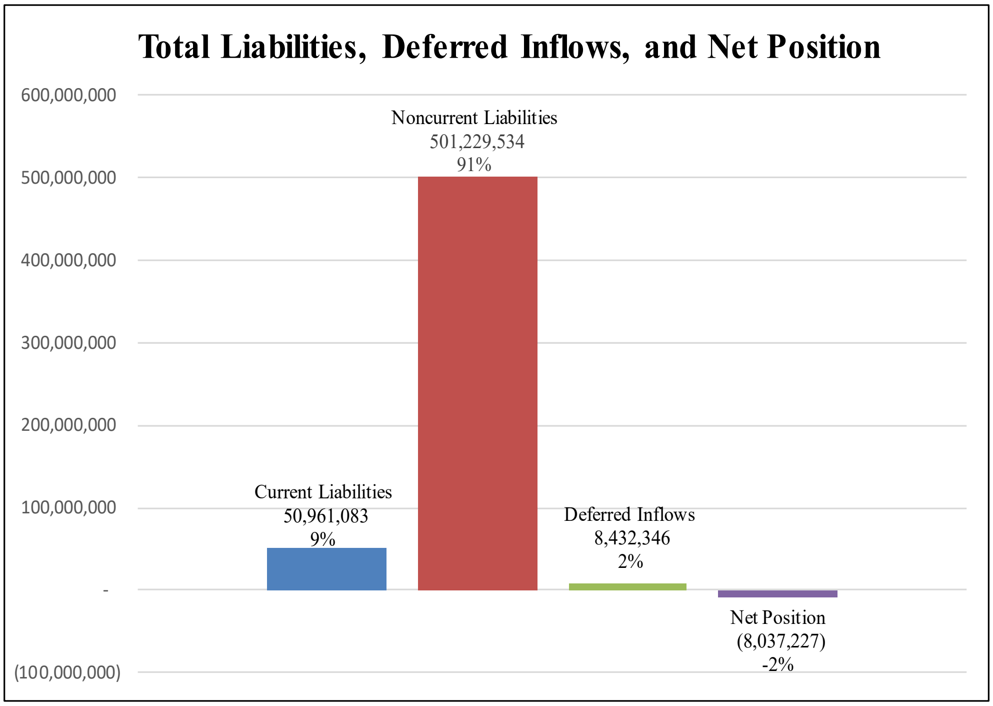
Net capital assets are the historical value of land, buildings, and equipment less accumulated depreciation. A total of $38 million was added to net capital assets as a result of completed project funded by the General Obligation Bond Funds. The footnotes to the financial statements contain a breakdown of the net capital assets.

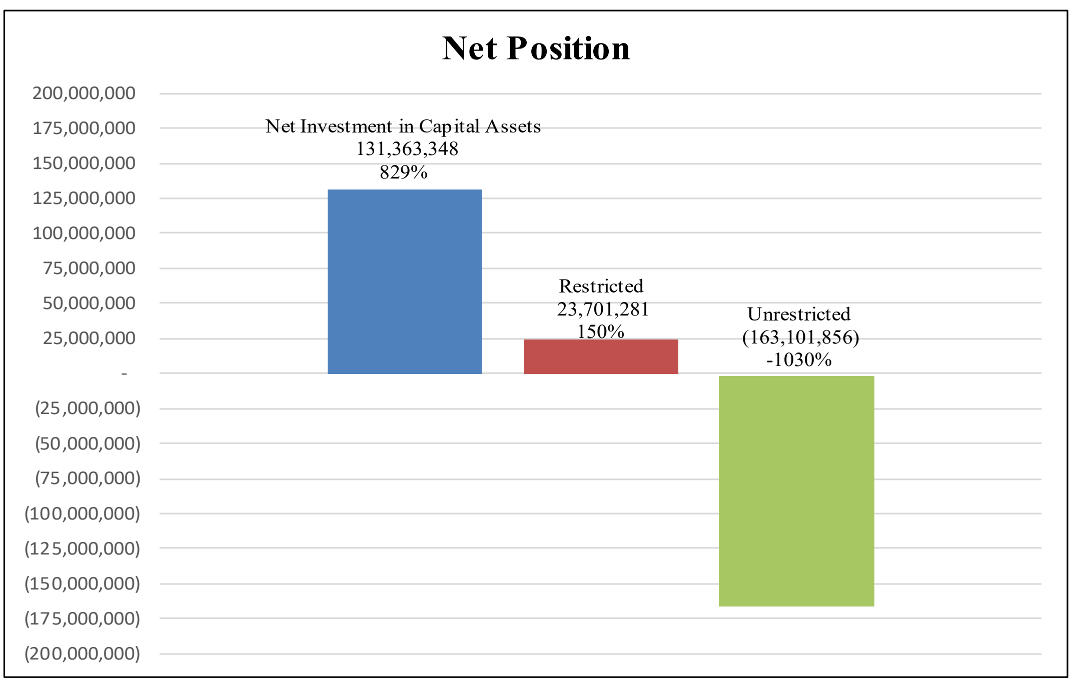
Accounts payable and accrued liabilities consist mainly of accrued payroll and payables due to vendors.

Advances from grantors and students relate to federal, state, and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are unearned enrollment fees for the 2018-19 fiscal year.

Other current liabilities include the amounts held in trust for others. Long-term liabilities (noncurrent portion) are long-term debt to be paid in one year or later. The net other post-employment benefit liability of $7,542,110, the net pension liability of $129,758,000, and the general obligation bonds of $270,173,899 are the major components of the noncurrent portion.

The 5% general reserve requirement per the State Chancellor's Office has been met and exceeded. Restricted net position consists primarily of net position held in the Capital Outlay Projects Fund for scheduled maintenance and special repairs and in the Bond Interest and Redemption Funds.


Total Liabilities, Deferred Inflows, and Net Position
600,000,000
500,000,000
400,000,000
300,000,000
200,000,000
100,000,000
-
(100,000,000)
Current Liabilities
50,961,083
9%
Noncurrent Liabilities
501,229,534
91%
Deferred Inflows
8,432,346
2%
Net Position
(8,037,227)
-2%


Net Position
200,000,000
175,000,000
150,000,000
125,000,000
100,000,000
75,000,000
50,000,000
25,000,000
-
(25,000,000)
(50,000,000)
(75,000,000)
(100,000,000)
(125,000,000)
(150,000,000)
(175,000,000)
(200,000,000)
Net Investment in Capital Assets
131,363,348
829%
Restricted
23,701,281
150%
Unrestricted
(163,101,856)
-1030%

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

The statements of revenues, expenses, and changes in net position present the operating finances of the District, as well as the nonoperating revenues and expenses. State general apportionment funds, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

	2019	2018	Change
Revenues			
Operating Revenues:			
Net tuition and fees	$ 7,933,114	$ 7,166,148	11%
Grants, contracts, and other designated revenues	54,558,050	46,642,253	17%
Auxiliary enterprise, net	4,917,354	5,366,280	-8%
Other Operating Income	2,509,883	1,488,583	69%
Total Operating Revenues	69,918,401	60,663,264	15%
Total Operating Expenses	230,337,227	205,892,969	12%
Operating Loss	(160,418,826)	(145,229,705)	10%
Nonoperating revenues (expenses)			
State apportionments - noncapital	51,992,741	46,206,653	13%
Local property taxes	45,705,735	44,662,588	2%
Lottery and other revenue	36,027,033	35,972,622	0%
Interest Expense - Capital	(19,434,878)	(21,486,434)	-10%
Investment income	1,509,352	907,065	66%
Other nonoperating revenues (expenses) - n	977,322	1,107,830	-12%
Total Nonoperating Revenues (Expenses)	116,777,305	107,370,324	9%
Loss before other revenues, expenses, gains, or losses	**(43,641,521)**	**(37,859,381)**	-15%
Apportionment and property taxes - capital	19,761,855	15,414,841	28%
Increase in Net Position	(23,879,666)	(22,444,540)	6%
Net Position, beginning of year	15,842,439	38,286,979	-59%
Net Position - End of Year	$ (8,037,227)	$ 15,842,439	-151%

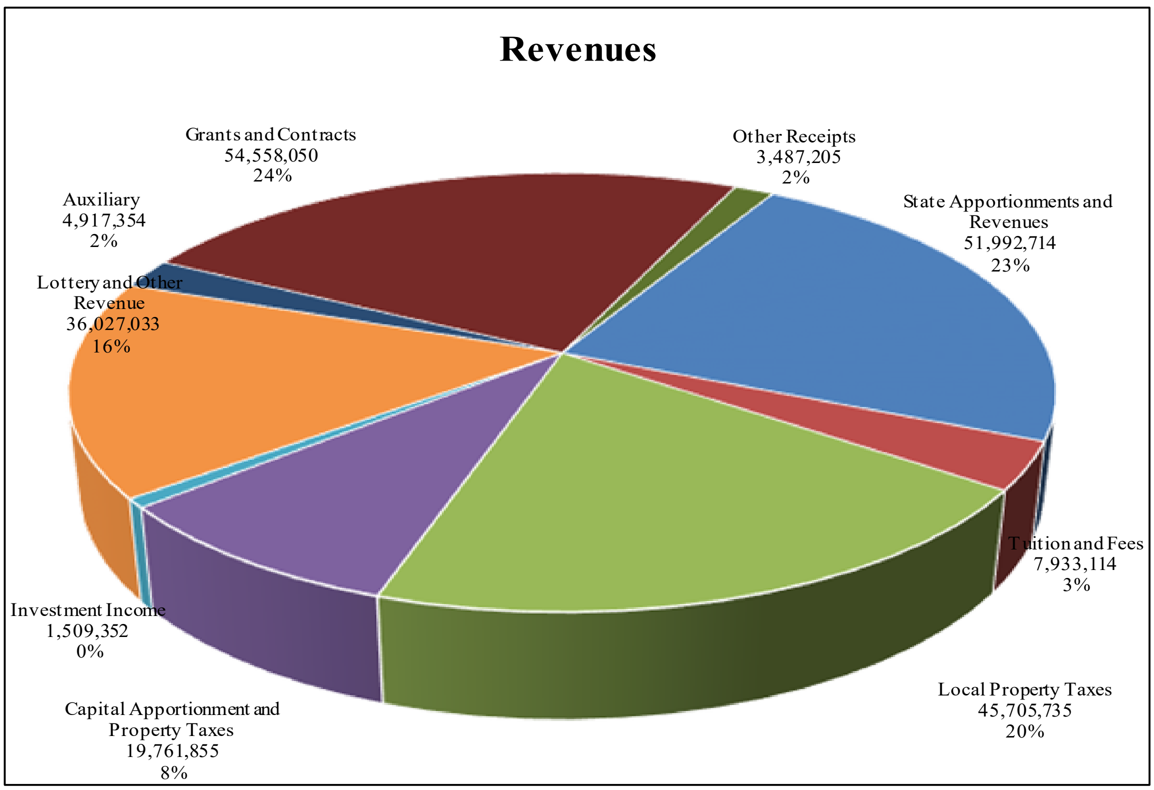
REVENUES

Net tuition and fees consist of enrollment fees of $7,933,114; nonresident tuition of $702,113 and all other fees of $2,219,163. Regular enrollment fees are set by the State for all community colleges and were $46 per unit. Regular enrollment fees are included in the calculation of general apportionment. Auxiliary enterprise, net, is primarily bookstore sales less allowances.

Other operating income consists primarily of rentals of District facilities and non-instructional fees.

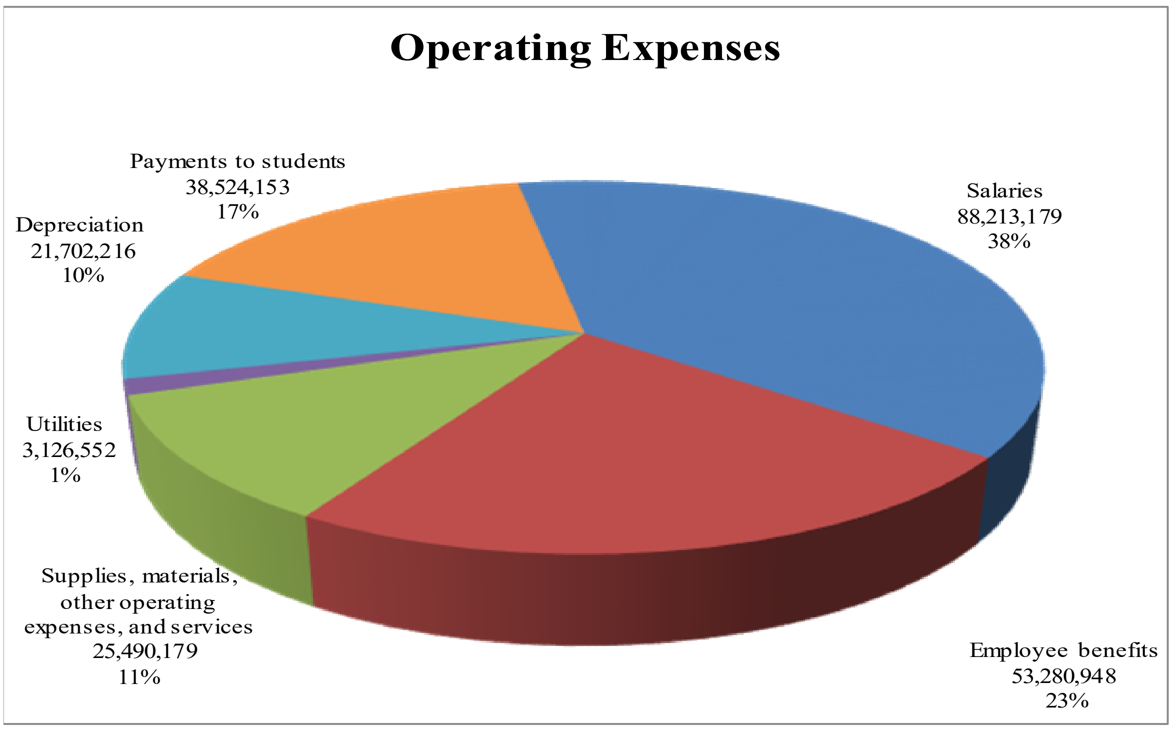
State apportionment represents total general apportionment earned less regular enrollment fees and property taxes.

Lottery and other revenues consist of Pell grant revenue of $30,859,809, unrestricted state lottery revenue of $3,763,169, and other state revenues of $1,404,055.



OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)

	2019	2018	Change
Salaries	$ 88,213,179	$ 79,742,285	11%
Employee benefits	53,280,948	41,914,412	27%
Supplies, materials, other operating expenses, and services	25,490,179	29,383,249	-13%
Utilities	3,126,552	3,667,438	-15%
Depreciation	21,702,216	12,622,338	72%
Payments to students	38,524,153	38,563,247	0%
Total Operating Expenses	$230,337,227	$205,892,969	12%



STATEMENTS OF CASH FLOWS

The statements of cash flows provide information about cash receipts and cash payments during the fiscal year. These statements also help users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and the need for external financing.

	2019	2018
Cash provided (used) by:		
Operating activities	$ (134,114,024)	$ (129,181,346)
Noncapital financing activities	132,915,773	130,189,317
Capital and related financing activites	(3,851,866)	(9,938,413)
Investment activities	1,571,645	682,523
Net Decrease in Cash	(3,478,472)	(8,247,919)
Cash - Beginning of the Fiscal Year	84,286,635	92,534,554
Cash - End of the Fiscal Year	$ 80,808,163	$ 84,286,635

FUTURE ECONOMIC OUTLOOK

The 2019-20 State Budget Act kept the SCFF funding allocations at 70% FTES, 20% supplemental grant, and 10% student success factors. The budget includes a COLA of 3.26% for the student-centered formula and certain categorical programs in the amount of $230 million and $13 million ongoing, and $25 million to fund system-wide enrollment growth. The budget also includes $9 billion in additional payments over the next four years to pay down unfunded pension liabilities, which will help reduce CalSTRS and CalPERS rate increases for the next two years. Additional categories of renewed funding include the Student Equity and Achievement Program, Physical Plant and Instructional Support, Extended Opportunities Programs and Services, Disabled Students Program, CalWORKS, Strong Workforce Program, and Adult Education Block Grant.

CALSTRS and CALPERS Rate Increases

Both CalSTRS and CalPERS identified funding gaps in the 2013-2014 fiscal year. Community College Districts received a directive from CALSTRS identifying the CalSTRS funding gap and notifying community college districts that through gradual shared contribution rate increases over 32 years by Cal STRS members, employers, and the State of California, that CalSTRS will be fully funded.

CalSTRS member contribution and state contribution rate increases are set in statute to increase each year through the 2017-2018 fiscal years. CalSTRS employer rate increases are set in statue to increase through the 2020-2021 fiscal year. These rate increases can be adjusted by the CalSTRS board on a limited basis after those years until June 30, 2046.

Increases in member and employer contribution rates are only for creditable compensation under the defined Benefit Program paid to CalSTRS members for service performed after July 1, 2014. The Yosemite Community College District calculated the estimated increased cost for employer contributions to CalSTRS based on the statutory rate increases over six years and transferred fund balance contingency to the Pension Rate Stabilization Program trust fund to cover the increased CalSTRS contribution cost for the next two years as of June 30, 2019.

Similarly, the CalPERS Board made decisions regarding the funding of pension benefits at CalPERS. Effective January 1, 2015, CalPERS employer contribution rates increased. The District calculated the cost associated with the CalPERS employer rate increases over six years and established a fund balance contingency to cover the increased CalPERS contribution cost for the next two years. The District also transferred this fund balance contingency to the Pension Rate Stabilization Program trust fund as of June 30, 2016.

In addition to the fund balance contingency that was set aside in fiscal year 2014-2015, approximately $2.7 million that was subsequently transferred to the Pension Rate Stabilization trust fund, the District also elected to transfer approximately $3.5 million in one-time funds to the trust fund. This trust fund allows for the District to reimburse itself for increased pension costs each year until there are no longer any funds in the trust. This is why it is essential to note that as new on-going revenues are earned, they will be used first to cover the on-going increased pension costs.

Employer rates are as follows:

Fiscal Year	CalSTRS	CalPERS	Estimated Increased Costs
2017-2018	14.43%	15.53%	1,524,987
2018-2019	16.28%	18.06%	1,701,041
2019-2020	17.10%	19.72%	2,254,130
2020-2021	18.10%	22.70%	1,092,049
2021-2022	17.90%	24.60%	637,477
2022-2023	17.90%	25.40%	423,090
2023-2024		26.10%	263,380
2024-2025		26.30%	75,348
		Total	$ 7,971,502

STATEMENT OF NET POSITION
June 30, 2019

ASSETS		
Current assets:		
Cash and cash equivalents	$	49,615,546
Receivables, net		12,535,174
Inventory		809,040
Prepaid expenses		527,724
Total current assets		63,487,484
Noncurrent assets:		
Restricted cash and cash equivalents		31,192,617
Investments		129,154
Loans to students		135,464
Nondepreciable capital assets		23,724,499
Depreciable capital assets, net		382,647,436
Total noncurrent assets		437,829,170
Total assets		501,316,654
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources - pensions		37,332,753
Deferred outflow of resources - OPEB		1,640,978
Deferred loss on debt refunding		12,295,360
Total deferred outflows of resources		51,269,091
Total assets and deferred outflows of resources	$	552,585,745
LIABILITIES		
Current liabilities:		
Accounts payable	$	4,672,813
Unearned revenue		22,175,441
Accrued salaries and benefits payable		6,681,779
Other accrued liabilities		4,068,035
Amounts held in trust for others		551,371
Long-term liabilities, current portion		12,811,644
Total current liabilities		50,961,083
Noncurrent liabilities:		
Long-term liabilities, net of current portion		501,229,543
Total liabilities		552,190,626
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions		8,067,000
Deferred inflows of resources - OPEB		365,346
Total deferred inflows of resources		8,432,346
NET POSITION		
Net investment in capital assets		131,363,348
Restricted for debt service		16,057,431
Restricted for capital projects		7,643,850
Unrestricted		(163,101,856)
Total net position		(8,037,227)
Total liabilities, deferred inflows of resources and net position	$	552,585,745

See accompanying notes to the basic financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2019

Operating revenues:	
Tuition and fees	$ 21,040,860
Less: scholarship discounts and allowances	(13,107,746)
Net tuition and fees	7,933,114
Grants and contracts, non-capital:	
Federal	8,919,818
State	41,892,215
Local	3,746,017
Other operating receipts	2,509,883
Auxiliary enterprise sales and charges	4,917,354
Total operating revenues	69,918,401
Operating expenses:	
Salaries	88,213,179
Employee benefits	53,280,948
Supplies, materials, and other operating expenses	21,867,578
Equipment, maintenance and repairs	3,622,601
Utilities	3,126,552
Depreciation	21,702,216
Payments to students	38,524,153
Total operating expenses	230,337,227
Loss from operations	(160,418,826)
Non-operating revenues:	
State apportionments	51,992,741
Local property taxes, non-capital	45,705,735
State taxes and other revenues	5,167,224
Pell grants	30,859,809
Interest expense	(19,434,878)
Investment income, net	1,509,352
Loss on disposal of assets	(24,052)
Other non-operating revenues	1,001,374
Total non-operating revenues	116,777,305
Loss before capital contributions	(43,641,521)
Capital contributions:	
Local property taxes and revenues, capital	19,761,855
Change in net position	(23,879,666)
Net position, beginning of year	15,842,439
Net position, June 30, 2019	$ (8,037,227)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Tuition and fees	$ 7,254,600
Federal, state and local grants and contracts	54,283,847
Payments to suppliers	(31,710,038)
Payments to / on behalf of employees	(134,288,294)
Payments to / on behalf of students	(38,538,581)
Auxiliary enterprises sales and charges	4,917,354
Other operating revenues	2,509,883
Net cash used in operating activities	(135,571,229)
Cash flows from noncapital financing activities:	
State apportionment and receipts	51,957,661
Property taxes	45,705,735
State taxes and other revenues	5,167,224
Pell grants	30,859,809
Due to others	(62,082)
Other receipts	744,631
Net cash provided by noncapital financing activities	134,372,978
Cash flows from capital and related financing activities:	
Purchases of capital assets	(7,364,714)
Principal paid on capital debt	(6,447,175)
Interest paid on capital debt	(10,159,063)
Interest and dividends from capital investments	357,231
Local property taxes and other revenues for capital	19,761,855
Net cash used in capital and related financing activities	(3,851,866)
Cash flows from investing activities:	
Interest received	1,214,425
Sale of investments	357,220
Net cash provided by investing activities	1,571,645
Net change in cash and cash equivalents	(3,478,472)
Cash and cash equivalents, beginning of year	84,286,635
Cash and cash equivalents, end of year	$ 80,808,163

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (160,418,826)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	21,702,216
Changes in assets and liabilities:	
Receivables, net	(3,290,625)
Inventory	266,206
Prepaid expenses	(290,385)
Loans to students	(9,027)
Deferred outflows of resources - pensions	(2,098,000)
Deferred inflows of resources - OPEB	51,665
Accounts payable	(3,140,034)
Unearned revenue	2,413,623
Accrued salaries and benefits payable	2,495,052
Other accrued liabilities	(10,210)
Compensated absences	29,828
Net pension liability	9,084,000
Net OPEB Liability	1,061,701
Deferred outflows of resources - OPEB	(1,590,413)
Deferred inflows of resources - pensions	(1,828,000)
Net cash used in operating activities	$ (135,571,229)

Supplementary disclosure of non-cash transactions:

Amortization of premiums on debt	$ 868,868
Amortization of deferred loss on refunding	$ 494,720
Accretion of interest	$ 11,295,407

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Reporting Entity: Yosemite Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units for the year ended June 30, 2019.

Basis of Presentation and Accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

Restricted Cash and Cash Equivalents: Cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other noncurrent assets is classified as a noncurrent asset in the statement of net position.

Investments: Investments are reported at fair value. The District is restricted by state law and the Board's investment policy in the types of investments that can be made. Permissible investments include the county treasury, the state Local Agency Investment Fund (LAIF), federally insured deposits, and individual securities. The District's investment policy further limits its investments to U.S. government and government agency instruments, negotiable certificates of deposits, and corporate notes and bonds. The weighted average maturity of funds invested in the county treasury must be three years or less. The District's investment policy established safety of principal as the primary investment objective. The District's investment strategy is to realize a reasonable interest yield, and investment decisions are executed with the intent that they will be held to maturity.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts they may not receive. The allowance is based on management's estimates and historical analysis and was $339,343 at June 30, 2019.

Inventory: Inventory consists of stores supplies, cafeteria food, and textbooks. Except for bookstore inventories, which are valued using the retail method, inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets: Capital assets are recorded at cost on the date of acquisition or acquisition 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, 30 years for building improvements or additions, 10 years for land improvements, 8 years for equipment, 7 years for library books, and 3 years for technology equipment. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

Unearned Revenue: Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Amounts Held in Trust for Others: The District administers funds for certain college related organizations. The liability represents the amount of funds held for these organizations.

Compensated Absences: Compensated absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable.

Postemployment Benefits Other Than Pensions (OPEB): For purpose of measuring the net OPEB liability, information about the fiduciary net position of the Public Agencies Post-Employment Benefits Trust (the "Trust") and additions to/deductions from the Trust’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Trust 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 interest-earning investment contracts that are reported at cost. There is a separately issued report of the Trust.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. The District has recognized a deferred outflow of resources relate to recognition of the net pension liability and the Net OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and the Net OPEB liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 18,564,291	$ 18,768,462	$ 37,332,753
Deferred inflows of resources	$ 7,507,000	$ 560,000	$ 8,067,000
Net pension liability	$ 62,447,000	$ 67,311,000	$ 129,758,000
Pension expense	$ 13,194,944	$ 14,015,190	$ 27,210,134

Net Position: The District's net position is classified as follows:

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

Restricted net position: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2019, there is no balance of nonexpendable restricted net position.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

On-Behalf Payments: GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement System on behalf of all Community Colleges in California. The government-wide conversion entries relating to the pension reporting requirements of GASB Statement No. 68 rely on LEAs having recognized the state's on-behalf pension contribution in their funds. Prior to the issuance of GASB Statement No. 68, the district recorded this entry at the consolidation entry level for GASB Statement No. 35 business-type activity reporting.

Classification of Revenues and Expenses: The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Scholarship Discounts and Allowances: Student tuition and fee revenue are reported net of the Board of Governors fee waivers and allowances in the statement of revenues, expenses and change in net position. Certain governmental grants, and other federal, state and nongovernmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Risk Management: The District retains risk for property damage on the first $5,000 of each claim. The District retains risk on the first $1,500 of each auto physical damage claim. The District retains no risk for general and auto liability and for workers' compensation claims, and coverage is provided by pooled insurance as a member.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain liability coverage in excess of $1,000,000 and up to $25,000,000 is provided by pooled insurance as a member of a joint powers authority of California community colleges and school districts. Property damage in excess of $5,000 and up to $100,000,000 is provided by pooled insurance as a member of a joint powers authority. There have been no significant reductions in insurance coverage from coverage in the prior year.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

General Apportionment and Property Tax: The District's general apportionment is received from a combination of local property taxes, state apportionments, and other local sources.

The counties are responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the counties. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectfully. Unsecured property taxes are payable in one installment on or before August 31.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes based upon historical collection percentages and a true up of the balance of the adjusted secured tax roll in June.

Property taxes are recorded as local revenue sources by the District. The California Community Colleges Chancellor's Office reduces the District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as the state apportionment. The District's base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES) that the District is entitled to by law. Any prior year corrections due to a recalculation will be recorded in the year completed by the State. When known and measurable, these recalculations and corrections are accrued in the year in which FTES are generated.

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions in GASB Statement No. 89 were early implemented by the District for the year ended June 30, 2019. The implementation of this Statement did not have a material effect on amounts previously presented.

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and cash equivalents at June 30, 2019:

Cash in county treasury	$ 64,642,717
Cash in banks	7,182,217
Cash with fiscal agent	7,011,573
Cash on hand	44,200
Certificates of deposit	783,751
Money market mutual funds	1,143,705
Total cash and cash equivalents	80,808,163
Less: Restricted cash and cash equivalents	31,192,617
Net cash and cash equivalents	$ 49,615,546

The following is a summary of investments at June 30, 2019:

Municipal bonds	$ 29,967
Equity securities	99,187
Total investments	$ 129,154

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasurer's Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value 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.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2019.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held for future pension costs in a trust administered by the Public Agency Retirement Services ("PARS"). At June 30, 2019, the funds are held with a bank in a money market account and recorded at cost.

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits: For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC") and are collateralized by the respective financial institution. At June 30, 2019, the carrying amount of the District's cash in banks was $7,182,217 and the bank balance was $6,973,963. The bank balance amount insured was $268,136.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by the financial institutions that is not insured is collateralized.

Credit Risk – Investments: California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor's or Aaa, Aa, or A by Moody's indices. The District has no investment policy that would further limit its investment choices.

		S&P's Rating as of Year End						
	Fair Value	AAA	AA+	AA	AA-	A	A-	Unrated
Municipal bonds	$ 29,967	$ -	$ -	$ -	$ -	$ 29,967	$ -	$ -
Equity securities	99,187	-	-	-	-	-	-	99,187
Total	$ 129,154	$ -	$ -	$ -	$ -	$ 29,967	$ -	$ 99,187

Concentration of Credit Risk – Investments: The portion of investment in each of the permissible investment categories is restricted as defined in the California Government Code, Sections 53601 and 53635. The District had no investment greater than 5% of the total investments.

Interest Rate Risk – Investments: California Government Code, Section 53601, limits the District's investments to maturities of five years. District investments generally have a maturity of less than five years. However, investments for amounts held in trust for others may have longer maturities due to specific donor requirements. This is allowed according to the District Board Policy 3320. The schedule of maturities at June 30, 2019, is as follows:

	Maturity (in Years)		
Investment Type	Fair Value	Less than1	1-5
Municipal bonds	$ 29,967	$ -	$ 29,967
Equity mutual funds	99,187	99,187	-
Totals	$ 129,154	$ 99,187	$ 29,967

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments: The following methods and assumptions were used by the District to estimate the fair value of its financial instruments at June 30, 2019.

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value: The following table presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2019:

	Total	Level 1	Level 2	Level 3
Investments:				
Municipal bonds	$ 29,967	$ -	$ 29,967	$ -
Equity mutual funds	99,187	99,187	-	-
Total	$ 129,154	$ 99,187	$ 29,967	$ -

Equity stocks and mutual funds, valued at closing prices from securities exchanges are classified as Level 1 investments. Fixed income securities, such as corporate bonds and treasury notes, are valued using various methods including pricing models and are classified as Level 2 investments.

During the year ended June 30, 2019, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2019.

As of June 30, 2019, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the relatively short maturities of these financial instruments.

NOTE 5 - RECEIVABLES

Receivables net of allowance for uncollectible accounts consisted of the following at June 30, 2019:

State grants and contracts	$ 2,808,037
Federal grants and contracts	3,880,631
Local grants and contracts	761,661
Enrollment	2,576,673
Other	2,508,172
Total	$ 12,535,174

The allowance for doubtful accounts of $339,343 is maintained at an amount that management considers sufficient to fully reserve and provide for possible uncollectibility of student fees receivable.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deductions and Transfers	Balance June 30, 2019
Non-depreciable:				
Construction in progress	$ 45,675,096	$ 5,726,720	$ (43,683,359)	$ 7,718,457
Land	16,006,042	-	-	16,006,042
Depreciable:				
Site improvements	31,279,607	-	40,564,396	71,844,003
Buildings and improvements	378,245,120	-	2,236,850	380,481,970
Equipment	42,460,578	1,637,994	454,244	44,552,816
Total	513,666,443	7,364,714	(427,869)	520,603,288
Less accumulated depreciation:				
Site improvements	7,647,639	4,192,955	-	11,840,594
Buildings and improvements	59,868,760	12,480,389	-	72,349,149
Equipment	25,416,555	5,028,872	(403,817)	30,041,610
Total	92,932,954	21,702,216	(403,817)	114,231,353
Capital assets, net	$420,733,489	$ (14,337,502)	$ (24,052)	$406,371,935

(Continued)

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2019:

State grants and contracts	$ 12,980,825
Local sources	4,925,479
Student fees	3,644,503
Federal grants and contracts	624,634
Total	$ 22,175,441

NOTE 8 - LONG TERM LIABILITIES

On March 19, 2008, the District issued $150,000,000 of 2004 General Obligation Bonds Series 2008C bonds to finance the repair, construction, equipping and acquisition of certain District property and facilities and to pay the costs of bond issuance. Capital Appreciation Bonds of $40,000,000, mature August 1, 2016 through August 1, 2025 with interest accreting at 6.05%, compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $539,100 and $21,028,879 at June 30, 2019, respectively.

The following is a schedule of future payments for the Series 2008C General Obligation Bonds:

	Principal	Interest	Total
2020	$ 2,955,151	$ 5,500,000	$ 8,455,151
2021	3,088,688	5,500,000	8,588,688
2022	3,203,687	5,500,000	8,703,687
2023	3,309,895	5,500,000	8,809,895
2024	3,409,180	5,500,000	8,909,180
2025-2026	7,073,308	11,000,000	18,073,308
Totals	$ 23,039,909	$ 38,500,000	$ 61,539,909

On May 12, 2010, the District issued $81,728,980 of 2004 General Obligation Bonds Series 2010D bonds to finance the repair, construction, equipping and acquisition of certain District property and facilities and to pay the costs of bond issuance. Current interest bonds of $3,950,000 bear interest ranging from 2.00% and 5.00% and mature through August 1, 2026. Interest payments are due semiannually on February 1 and August 1 of each year. Capital appreciation bonds of $20,865,753, maturing through August 1, 2040 with interest accreting at 6.05%, compounded semiannually each year and due upon maturity. Convertible capital appreciation bonds of $56,913,237 mature through August 1, 2042 and accrete interest semiannually at 6.55% until August 1, 2032 when the accreted value bears interest and is payable semiannually on February 1 and August 1 of each year.

Unamortized premiums were $886,722 and accreted interest on the capital appreciation bonds and convertible capital appreciation bonds were $59,292,741 at June 30, 2019.

(Continued)

NOTE 8 - LONG TERM LIABILITIES (Continued)

The following is a schedule of future payments for the Series 2010D General Obligation Bonds:

	Principal	Interest	Total
2020	$ 190,000	$ 124,048	$ 314,048
2021	200,000	117,333	317,333
2022	230,000	109,339	339,339
2023	260,000	98,488	358,488
2024	295,000	86,535	381,535
2025-2029	2,000,000	163,569	2,163,569
2030-2034	11,163,121	59,742,545	70,905,666
2035-2039	27,317,067	216,812,211	244,129,278
2040-2043	39,298,802	279,130,625	318,429,427
Totals	$ 80,953,990	$ 556,384,693	$ 637,338,683

On July 24, 2012, the District issued $59,205,000 of 2012 General Obligation Refunding Bonds. Proceeds were used to refund a portion of the outstanding Series 2005A General Obligation Bonds and to pay the costs of issuing the 2012 Refunding Bonds. The 2012 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2012 Refunding Bonds mature through August 1, 2029 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on August 1 and February 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements.

Unamortized premiums on the 2012 Refunding Bonds were $4,018,644 at June 30, 2019.

The following is a schedule of the future payments for the 2012 Refunding Bonds:

	Principal	Interest	Total
2020	$ 3,070,000	$ 1,858,345	$ 4,928,345
2021	3,350,000	1,733,950	5,083,950
2022	3,645,000	1,578,302	5,223,302
2023	3,990,000	1,411,881	5,401,881
2024	4,310,000	1,268,975	5,578,975
2025-2029	24,875,000	3,193,783	28,068,783
2030	5,085,000	95,338	5,180,338
Totals	$ 48,325,000	$ 11,140,574	$ 59,465,574

(Continued)

NOTE 8 - LONG TERM LIABILITIES (Continued)

On July 28, 2015, the District issued $120,205,000 of 2015 General Obligation Refunding Bonds. Proceeds were used to refund the outstanding Series 2005A General Obligation Bonds, advance refund a portion of the Series 2008C General Obligation Bonds, and to pay the costs of issuing the 2015 Refunding Bonds. The 2015 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2015 Refunding Bonds mature through August 1, 2032 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on August 1 and February 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements.

Unamortized premiums on the 2015 Refunding Bonds were $18,481,986 at June 30, 2019.

The following is a schedule of the future payments for the 2015 Refunding Bonds:

	Principal	Interest	Total
2020	$ 575,000	$ 5,741,890	$ 6,316,890
2021	630,000	5,712,160	6,342,160
2022	690,000	5,679,400	6,369,400
2023	755,000	5,643,535	6,398,535
2024	820,000	5,604,431	6,424,431
2025-2029	42,320,000	25,077,235	67,397,235
2030-2034	72,065,000	7,765,302	79,830,302
Totals	$ 117,855,000	$ 61,223,953	$ 179,078,953

General Obligation Bonds: A summary of General Obligation Bonds payable as of June 30, 2019 as follows:

Series	Interest Rate	Original Maturity	Balance July 1, 2018	Current Year Issuance	Current Year Refunded and Matured	Balance June 30, 2019
2008C	6.05%	2026	$ 25,782,084	$ -	$ 2,742,175	$ 23,039,909
2010D	2.00-6.55%	2043	81,078,990	-	125,000	80,953,990
2012 Refunding	2.00-5.00%	2030	51,355,000	-	3,030,000	48,325,000
2015 Refunding	2.00-5.00%	2033	118,405,000	-	550,000	117,855,000
			$276,621,074	$ -	$ 6,447,175	$270,173,899

(Continued)

NOTE 8 - LONG TERM LIABILITIES (Continued)

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2019 are as follows:

	Principal	Interest	Total
2020	$ 6,790,151	$ 13,224,283	$ 20,014,434
2021	7,268,688	13,063,443	20,332,131
2022	7,768,687	12,867,041	20,635,728
2023	8,314,895	12,653,905	20,968,800
2024	8,834,180	12,459,941	21,294,121
2025-2029	76,268,308	39,434,588	115,702,896
2030-2034	88,313,121	67,603,185	155,916,306
2035-2039	27,317,067	216,812,211	244,129,278
2040-2043	39,298,802	279,130,625	318,429,427
	$270,173,899	$667,249,222	$937,423,121

The long-term liabilities activity for the year ended June 30, 2019, is as follows:

	Beginning, Balance	Additions	Payments and Reductions	Ending Balance	Current Portion
Debt					
General obligation bonds	$ 276,621,074	$ -	$ 6,447,175	$ 270,173,899	$ 6,790,151
Unamortized bond premiums	24,795,320	-	868,868	23,926,452	852,538
Accreted interest	71,359,038	11,295,407	2,332,825	80,321,620	2,849,849
Other Long-Term Liabilities					
Net pension liability	120,674,000	9,084,000	-	129,758,000	-
Net OPEB liability	6,480,409	1,061,701	-	7,542,110	-
Compensated absences	2,289,278	29,828	-	2,319,106	2,319,106
Total	$ 502,219,119	$ 21,470,936	$ 9,648,868	$ 514,041,187	$ 12,811,644

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers’ Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers’ Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers’ Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member’s highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows

Members – Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2018-19. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2018-19.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Employers – 16.28 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2018-19 through fiscal year 2045-46 are summarized in the table below:

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Effective Date	Prior Rate	Increase	Total
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

*The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed $6,935,291 to the plan for the fiscal year ended June 30, 2019.

State – 9.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year for fiscal year 2018-19.

As a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate will increase to 5.811% on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019–20 through 2022–23. The CalSTRS state contribution rates effective for fiscal year 2018-19 and beyond are summarized in the table below.

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding (1)	Total State Appropriation to DB Program
July 01, 2018	2.017%	5.311%	2.50%	9.828%
July 01, 2019	2.017%	5.811%(2)	2.50%	10.328%(3)
July 01, 2020 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	4.517%(5)

(1)This rate does not include the $72 million reduction in accordance with Education Code Section 22954.
(2)In May 2019, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2019.
(3) This rate does not include the $2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.
(4)The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.
(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

At June 30, 2019, 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	$ 62,447,000
State's proportionate share of the net pension liability associated with the District	35,754,000
Total	$ 98,201,000

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2018, the District's proportion was 0.068 percent, which was an increase of 0.002 percent in the proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of $13,194,944 and revenue of $9,203,389 for support provided by the State. At June 30, 2019, 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 expected and actual experience	$ 194,000	$ 907,000
Changes of assumptions	9,701,000	-
Net differences between projected and actual earnings on investments	-	2,405,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,734,000	4,195,000
Contributions made subsequent to measurement date	6,935,291	-
Total	$ 18,564,291	$ 7,507,000

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

$6,935,291 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ 1,491,333
2021	$ 590,333
2022	$ (1,048,667)
2023	$ 620,333
2024	$ 2,276,333
2025	$ 192,335

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense 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.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 91,478,000	$ 62,447,000	$ 38,378,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

https://www.calpers.ca.gov/docs/forms-publications/cafr-2018.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when district's first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2019 were as follows:

Members – The member contribution rate was 6.5 or 7.5 percent of applicable member earnings for fiscal year 2018-19.

Employers – The employer contribution rate was 18.062 percent of applicable member earnings.

The District contributed $6,355,462 to the plan for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of $67,311,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2018, the District's proportion was 0.252 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2017.

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2019, the District recognized pension expense of $14,015,190 and revenue of $2,278,080 for support provided by the State. At June 30, 2019, 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 expected and actual experience	$ 4,413,000	$ -
Changes of assumptions	6,721,000	-
Net differences between projected and actual earnings on investments	552,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	727,000	560,000
Contributions made subsequent to measurement date	6,355,462	-
Total	$ 18,768,462	$ 560,000

$6,355,462 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ 7,110,750
2021	$ 5,073,750
2022	$ 65,750
2023	$ (397,250)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long -Term* Assumed Asset Allocation	Expected Real Rate of Return Years of 1 - 10 (1)	Expected Real Rate of Return Years of 11+ (2)
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation of Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average
(1) An expected inflation rate of 2.00% used for this period
(2) An expected inflation rate of 2.92% used for this period

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 98,002,000	$ 67,311,000	$ 41,849,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The District provides post-employment healthcare benefits (OPEB) through the Public Agencies Post-Employment Benefits Trust (the "Trust") for certain groups of employees who retire from the District. During the year ended June 30, 2006 the District signed an irrevocable trust agreement. The District appointed a Board of Authority with authority to make decisions on behalf of the District with respect to the Trust. Public Agency Retirement Services (PARS) was appointed as the trust administrator, U.S. Bank the trustee. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Trustees. The District's contributions to the irrevocable trust is included in the Trust, which is included in the Public Agencies Post-Employment Benefits Trust financial statements. Copies of the Public Agencies Post-Employment Benefits Trust independent financial statements may be obtained from the Public Agency Retirement Services – 4350 Von Karman Ave – Newport Beach, CA 92660.

Benefits Provided: The District provides postemployment health care benefits to employees who retire from the District based on the rule of 70. The rule of 70 is any combination of the retiree's minimum age of 50 and years of regular District service equal to 70 or more. The District covers the retiree and all eligible dependents until the employee reaches age 65. Employees hired prior to July 1, 2004, receive District paid healthcare benefits to the retiree's age of 70. Benefits are provided by the District on a pay-as-you-go basis. The Plan pays benefits through an agent multiple-employer OPEB plan that is administered by the Public Agency Retirement Services ("PARS")."

Employees covered by benefit term. The following is a table of plan participants at June 30, 2019:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	191
Inactive Employees/Dependents Entitled to but not yet Receiving Benefits	-
Active Employees	706
	897

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Eligible employees are not permitted to make contributions to the Trust. The Plan administrator shall, on behalf of the employer, make all contributions to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates, but contributes in an amount sufficient to fully fund the Net OPEB liability over a period not to exceed 30 years. Contributions to the Trust from the District were $2,646,846 for the year ended June 30, 2019.

(Continued)

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Investments: The plan discount rate of 6% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Rate of Return*
Equity	50%	7.5%
Fixed Income	50%	4.5%

* Geometric average

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 16 year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 16 years.

Actuarial Assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Census data	The census was provided by the District as of June 30, 2019
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.75%
Investment rate of return	6.00%
Discount rate	6.00%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, July 1, 2018	$ 39,138,308	$ 32,657,899	$ 6,480,409
Changes for the year:			
Service cost	1,001,308	-	1,001,308
Interest	2,485,155	-	2,485,155
Employer contributions	-	2,646,856	(2,646,856)
Expected investment income	-	2,097,572	(2,097,572)
Investment gain/loss	-	(466,842)	466,842
Experience gain/loss	(130,640)	(486,892)	356,252
Changes in assumptions	1,373,119	-	1,373,119
Administrative expense	-	(123,453)	123,453
Benefit payments	(2,811,625)	(2,811,625)	-
Net change	1,917,317	855,616	1,061,701
Balance, June 30, 2019	$ 41,055,625	$ 33,513,515	$ 7,542,110

Fiduciary Net Position as a % of the Total OPEB Liability, at June 30, 2019: 81.6%

Sensitivity of the net OPEB liability to assumptions: The following presents the net OPEB liability calculated using the discount rate of 6.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5.0 percent) and 1 percent higher (7.0 percent):

	Discount Rate 1% Lower (5.0%)	Valuation Discount Rate (6.0%)	Discount Rate 1% Higher (7.0%)
Net OPEB liability	$ 10,514,153	$ 7,542,110	$ 4,870,722

The following table presents the net OPEB liability calculated using the heath care cost trend rate of 4.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.0 percent) and 1 percent higher (5.0 percent):

	Health Care Trend Rate 1% Lower (3.0%)	Valuation Health Care Trend Rate (4.0%)	Health Care Trend Rate 1% Higher (5.0%)
Net OPEB liability	$ 4,952,278	$ 7,542,110	$ 10,282,421

(Continued)

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $1,061,701. At June 30, 2019, 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 expected and actual experience	$ -	$ 365,346
Changes of assumptions	1,237,166	-
Net differences between projected and actual earnings on investments	403,812	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	-	-
Total	$ 1,640,978	$ 365,346

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	
2020	$ 193,479
2021	$ 193,479
2022	$ 193,479
2023	$ 183,366
2024	$ 89,998
Thereafter	$ 421,831

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 10.1 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Contingent Liabilities: The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial statements.

Construction Commitments: As of June 30, 2019, the District has approximately $3.8 million in outstanding commitments on construction contracts.

Operating Leases: The District entered into various operating leases with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation upon written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

Year Ending June 30,	
2020	$ 50,045
2021	47,037
2022	46,053
2023	37,408
2024	5,139
	$ 185,682

Rent expenses were $81,627 for the year ended June 30, 2019.

NOTE 13 - JOINT POWER AGREEMENTS

The District participates in joint ventures under joint power agreements with the following joint powers authorities (JPAs): Valley Insurance Program (VIP) and Self-Insured Schools of California (SISC III). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs arrange for and provide property, liability, workers' compensation, dental, vision, and excess liability coverage for their members. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA.

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year end assets, liabilities, or fund equity is not calculated by the JPA's. Separately issued financial statements can be requested from each JPA.

NOTE 13 - JOINT POWER AGREEMENTS (Continued)

The District is also a member of the JPA, Tuolumne Public Power Agency (TPPA), whose members operate for the public benefit within Tuolumne County. TPPA supplies members electrical power at a rate below the current market rate. TPPA is not a component unit of the District for financial reporting purposes.

Condensed financial information of the JPAs for the most recent year available is as follows:

	VIP June 30, 2018	SISCIII September 30, 2018	TPPA June 30, 2018
Total assets	$ 20,162,121	$ 642,346,557	$ 2,015,019
Total liabilities	$ 4,124,914	$ 197,341,183	$ 218,287
Net position	$ 16,037,207	$ 445,005,374	$ 1,796,732
Total revenues	$ 6,850,474	$ 2,314,300,371	$ 2,244,196
Total expenses	$ 6,358,856	$ 2,236,274,883	$ 1,891,211
Change in net position	$ 491,618	$ 78,025,488	$ 352,985

REQUIRED SUPPLEMENTARY INFORMATION

Last 10 Fiscal Years

	2017	2018	2019
Total OPEB liability:			
Service cost	$ 948,427	$ 974,509	$ 1,001,308
Interest	2,412,744	2,437,881	2,485,155
Changes in assumptions	-	-	1,373,119
Experience gain/loss	-	-	(130,640)
Benefit payments	(3,415,675)	(2,585,374)	(2,811,625)
Net change in total OPEB liability	(54,504)	827,016	1,917,317
Total OPEB liability, beginning of year	38,365,796	38,311,292	39,138,308
Total OPEB liability, end of year (a)	$ 38,311,292	$ 39,138,308	$ 41,055,625
Plan fiduciary net position			
Employer contributions	$ 2,739,226	$ 2,047,587	$ 2,646,856
Employee contributions	642,153	-	-
Expected investment income	3,138,462	1,964,128	2,097,572
Investment gain/loss	3,138,462	1,964,128	(466,842)
Experience gain/loss	-	-	(486,892)
Administrative expense	(127,405)	(65,229)	(123,453)
Benefits payment	(3,415,675)	(2,585,374)	(2,811,625)
Change in plan fiduciary net position	2,976,761	1,361,112	855,616
Fiduciary trust net position, beginning of year	28,320,026	31,296,787	32,657,899
Fiduciary trust net position, end of year (b)	$ 31,296,787	$ 32,657,899	$ 33,513,515
Net OPEB liability, ending (a) - (b)	$ 7,014,505	$ 6,480,409	$ 7,542,110
Covered employee payroll	$ 58,495,456	$ 61,615,853	$ 66,564,858
Plan fiduciary net position as a percentage of the total OPEB liability	82%	83%	82%
Net OPEB liability as a percentage of covered employee payroll	12%	11%	11%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.076%	0.074%	0.074%	0.066%	0.068%
District's proportionate share of the net pension liability	$ 43,990,000	$ 49,494,000	$ 59,824,000	$ 61,188,000	$ 62,447,000
State's proportionate share of the net pension liability associated with the District	26,563,000	26,177,000	34,060,000	36,199,000	35,754,000
Total net pension liability	$ 70,553,000	$ 75,671,000	$ 93,884,000	$ 97,387,000	$ 98,201,000
District's covered payroll	$ 33,529,000	$ 34,122,000	$ 36,863,000	$ 36,300,000	$ 36,169,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	168.56%	172.65%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2019

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.260%	0.250%	0.256%	0.249%	0.252%
District's proportionate share of the net pension liability	$ 29,485,000	$ 36,882,000	$ 50,638,000	$ 59,486,000	$ 67,311,000
District's covered payroll	$ 27,265,000	$ 27,701,000	$ 30,760,000	$ 31,575,000	$ 33,298,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	188.40%	202.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Contractually required contribution	$ 3,030,075	$ 3,955,353	$ 4,566,583	$ 5,219,159	$ 6,935,291
Contributions in relation to the contractually required contribution	(3,030,075)	(3,955,353)	(4,566,583)	(5,338,643)	(6,935,291)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 34,122,000	$ 36,863,000	$ 36,300,000	$ 36,169,000	$ 42,600,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Contractually required contribution	$ 3,260,715	$ 3,644,136	$ 4,385,133	$ 5,171,520	$ 6,355,462
Contributions in relation to the contractually required contribution	(3,260,715)	(3,644,136)	(4,385,133)	(5,171,520)	(6,355,462)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 27,701,000	$ 30,760,000	$ 31,575,000	$ 33,298,000	$ 35,187,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Net Other Postemployment Benefits (OPEB) Liability and Related Ratios

The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

B - Schedule of the District’s Proportionate Share of the Net Pension Liability

The Schedule of the District’s Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District’s Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C - Schedule of the District's Contributions (Pensions)

The Schedule of the District's Contributions is presented to illustrate the District’s required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Changes of Benefit Terms (Pensions)

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016 and 2017 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period			
Assumption	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.75%	3.75%

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

F - OPEB

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Census data	The census was provided by the District as of June 30, 2019
Actuarial cost method	Entry age actuarial cost method
Inflation rate	2.75%
Investment rate of return / discount rate	6.00%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Participation rates	100% for certificated and classified employees.
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.
Spouse relevance	To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.
Spouse ages	To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.
Turnover	For certificated employees the 2009 CalSTRS termination rates were used. For classified employees the 2009 CalPERS termination rates for school employees were used.
Retirement rates	For certificated employees the 2009 CalSTRS retirement rates were used. For classified employees the 2009 CalPERS retirement rates for school employees were used.

SUPPLEMENTARY INFORMATION

The District, a political subdivision of the State of California, was established in July 1, 1964, and commenced operations on July 1, 1965. Its territories encompass portions of Calaveras, Merced, Santa Clara, Stanislaus, San Joaquin and Tuolumne counties. There were no changes in boundaries during the fiscal year.

The District provides higher education instruction for the first and second years of college education and vocations training at Modesto Junior College and Columbia College.

ADMINISTRATION

Mr. Henry C.V. Young, Ed.S.
Chancellor

Dr. Susan C. Yeager
Vice Chancellor, Fiscal Services

Vice Chancellor, Human Resources
Vacant

Vice Chancellor, Information Technology
Vacant

Dr. James Houpis
President, Modesto Junior College

Dr. Santanu Bandyopadhyay
President, Columbia College

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend- itures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
College Work Study Program	84.033	-	$ 716,750
Pell Grant Program	84.063	-	30,859,809
Federal Supplemental Education Opportunity Grant	84.007	-	956,155
Passed through California Department of Education:			
Nursing Student Loans	93.364	-	2,761
Subtotal Student Financial Aid Cluster			32,535,475
Direct Programs:			
TRIO Cluster:			
Talent Search	84.044	-	388,386
Upward Bound	84.047	-	563,059
Student Support Services	84.042	-	540,677
Mother Lode Educational Opportunity Center	84.066A		243,528
Subtotal TRIO Cluster			1,735,650
Higher Education - Institutional Aid Program:			
Higher Education - Institutional Aid, Strengthening Student Success	84.031S	-	407,412
Improving Institutional Effectiveness and Student Retention	84.031A		487,603
Subtotal Higher Education - Institutional Aid Program			895,015
Center for Excellence for Veteran Student Success	84.116G	-	29,876
Passed Through California Department of Education:			
Career and Technical Education Program:			
Tech Prep	84.048	19-CO1-70	965,035
Leadership	84.048	19-112-070 19-342-001	37,112
Subtotal Career and Technical Education Program:			1,002,147
Total U.S. Department of Education			36,198,163

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend- itures
Department of Veteran Affairs			
Direct Program:			
Post- Vietnam Era Veterans' Educational Assistance	64.120	-	$ 11,996
U.S. Department Agriculture			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	04226-CACFP-50-CC-C5	45,057
FRUVED-University of Tennessee/USDA/ NIFA	10.U01	2014-67001-2185	1,597
Forest Reserve	10.665	-	12,128
Total U.S. Department of Agriculture			58,782
U.S. Department of Health and Human Services			
Passed through California Department of Education:			
Child Care and Development Block Grant - CCDF Cluster	93.575	CN160148 & CN140483	3,114,322
Foster Care	93.658	FKCE	195,423
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families - TANF Cluster	93.558	-	146,140
Medicaid Cluster			
Medical Assistance Program (Medi-Cal)	93.778	-	54,801
Total U.S. Department of Health and Human Services			3,510,686
Total Federal Programs			$ 39,779,627

See accompanying note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2019

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
Adult Education and AEBB Consortium	$ 5,653,741	$ -	$ 163,204	$ 5,490,537	$ 5,490,537
Apprenticeship	10,960	-	5,039	5,921	5,922
Basic Skills	348,026	-	-	348,026	348,026
Board Financial Assistance Program	852,255	-	-	852,255	852,255
Cal Grants	2,806,390	52,913	24,518	2,834,785	2,834,011
Cal WORKS	853,172	1,976	-	855,148	853,172
California Apprenticeship Initiative	550,550	-	34,355	516,195	516,195
California College Promise	703,428	-	530,532	172,896	172,896
Campus Safety	27,420	-	15,751	11,669	11,669
CAPP Guided Pathways	12,000	-	6,662	5,338	5,338
CCCCCO Veterans Resource Center	126,927	-	58,483	68,444	68,444
CCO EEO Registry	274,821	75,179	-	350,000	350,000
CCPT - Ad Ed Consortium	12,805	-	-	12,805	12,805
CCPT - Ag and Logistic Career Path	66,451	-	509,543	(443,092)	66,451
CDTC First 5 California	402,662	230,019	103,900	528,781	528,781
Center of Excellence	173,333	170,000	73,018	270,315	270,316
Child Care Food	45,057	-	-	45,057	45,057
Child Development/Toddler	562,231	-	-	562,231	562,231
CNA Training	45,000	-	44,707	293	293
Cooperative Agencies Resources for Education	242,694	-	2,099	240,595	240,595
CPEC	5,577	-	-	5,577	5,577
CTE - Data Unlocked Initiative	34,492	24,127	-	58,619	58,619
CTE - Pathways Initiative	200,029	-	-	200,029	200,029
Disabled Student Program and Services	2,226,590	521,400	-	2,747,990	2,747,989
Dreamer Emergency Aid	298	-	298	-	-
Economically Distressed	1,000,000	-	897,350	102,650	102,650
Ed Futures	22,500	-	20,950	1,550	1,550
Ed Planning Initiatives	87,183	-	69,770	17,413	17,413

(Continued)

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
ED - IDRC	$ 11,128	$ -	$ 11,128	$ -	$ -
Enrollment Growth Nursing	259,620	-	-	259,620	259,620
Extended Opportunity Program and Services	1,959,534	-	-	1,959,534	1,959,534
Foster Care Education	195,423	-	-	195,423	195,423
Full Time Student Success Grant	2,869,921	-	469,260	2,400,661	2,400,661
Guided Pathways	1,141,607	1,346	497,599	645,354	645,354
Hunger Free Campus	172,320	-	137,077	35,243	35,243
Industry Sector Project	-	48,000	31,662	16,338	16,338
Institutional Effectiveness	224,983	-	50,000	174,983	174,983
Instructional Equipment	827,065	-	209,450	617,615	617,615
Lottery	385,189	398,901	-	784,090	784,090
Nursing, Song Brown Capitation	3,943	-	-	3,943	3,943
Prop 39 - Lighting Retrofit	41,375	-	-	41,375	41,375
Scheduled Maintenance	687,789	-	233,819	453,970	453,970
Staff Development	12,951	-	10,127	2,824	2,824
Staff Diversity	115,964	-	59,878	56,086	56,086
Strong Workforce Program	5,014,214	433,948	2,732,630	2,715,532	2,715,532
Student Equity	1,312,632	-	-	1,312,632	1,312,632
Student Success and Support Programs	8,113,883	-	2,681,214	5,432,669	5,432,669
Umoja	16,000	-	16,000	-	-

See accompanying note to supplementary information.

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit	61	-	61
2. Credit	1,251	-	1,251
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit	22	-	22
2. Credit	636	-	636
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	9,157	-	9,157
b. Daily Census Contact Hours	627	-	627
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	401	-	401
b. Credit	273	-	273
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,910	-	2,910
b. Daily Census Contact Hours	593	-	593
c. Non-credit Independent Study/Distance Education Courses (Part VII.C)	6	-	6
D. Total FTES	15,937	-	15,937
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	367	-	367
b. Credit	817	-	817
CCFS 320 Addendum			
CDCP	-	-	-
Center FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying note to supplementary information.

There were no adjustments proposed to any funds of the District.

YOSEMITE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

General fund		$ 19,622,230
Debt service fund		16,057,431
Special revenue funds		1,540,737
Capital projects funds		14,440,254
Fiduciary funds		9,019,005
Total fund balances - business-type activity funds		60,679,657
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
Total District capital assets	$ 406,371,935	
less Proprietary Fund capital assets	(14,617)	
		406,357,318
In government funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	$ 37,332,753	
Deferred outflows of resources relating to OPEB	1,640,978	
Deferred inflows of resources relating to pensions	(8,067,000)	
Deferred inflows of resources relating to OPEB	(365,346)	
		30,541,385
Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(3,869,760)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2019 consisted of:		
General obligation bonds	$ (270,173,899)	
Unamortized bond premiums	(23,926,452)	
Accreted interest	(80,321,620)	
Net pension liability	(129,758,000)	
Net OPEB liability	(7,542,110)	
Compensated absences	(2,319,106)	
		(514,041,187)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		12,295,360
Total net position - business-type activities		$ (8,037,227)

See accompanying note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2019

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 22,829,790	$ -	$ 22,829,790	$ 22,857,080	$ -	$ 22,857,080
Other	1300	14,250,524	-	14,250,524	14,389,602	-	14,389,602
Total instructional salaries		37,080,314	-	37,080,314	37,246,682	-	37,246,682
Non-instructional salaries:							
Contract or regular	1200	-	-	-	4,575,836	-	4,575,836
Other	1400	-	-	-	3,800,272	-	3,800,272
Total non-instructional salaries		-	-	-	8,376,108	-	8,376,108
Total academic salaries		37,080,314	-	37,080,314	45,622,790	-	45,622,790
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	1,508,314	-	1,508,314	21,050,728	-	21,050,728
Other	2300	137,899	-	137,899	527,423	-	527,423
Total non-instructional salaries		1,646,213	-	1,646,213	21,578,151	-	21,578,151
Instructional aides:							
Regular status	2200	-	-	-	1,537,946	-	1,537,946
Other	2400	-	-	-	137,899	-	137,899
Total instructional aides		-	-	-	1,675,845	-	1,675,845
Total classified salaries		1,646,213	-	1,646,213	23,253,996	-	23,253,996
Employee benefits	3000	15,150,322	-	15,150,322	29,490,605	-	29,490,605
Supplies and materials	4000	-	-	-	1,203,253	-	1,203,253
Other operating expenses	5000	-	-	-	7,609,774	-	7,609,774
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 53,876,849	$ -	$ 53,876,849	$107,180,418	$ -	$107,180,418

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION (continued)
For the Year Ended June 30, 2019

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	301,763	-	301,763
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	438,750	-	438,750
Objects to exclude:							
Rents and leases	5060	-	-	-	93,410	-	93,410
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	2,979,079	-	2,979,079
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		-	-	-	3,813,002	-	3,813,002
Total for ECS 84362, 50% Law		$ 53,876,849	$ -	$ 53,876,849	$ 103,367,416	$ -	$ 103,367,416
Percent of CEE (instructional salary cost /Total CEE)		52.12 %	-	52.12 %	100.00%	-	100.00%
50% of current expense of education		-	-	-	$ 51,683,708	-	$ 51,683,708

See accompanying note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT
PROPOSITION 55 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
For the Year Ended June 30, 2019

EPA Proceeds: $ 15,083,558

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	$ -	$ 15,083,558	$ -	$ -	$ 15,083,558

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of [District], and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

B - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's Office.

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students 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 on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

D - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

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

E - Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

G - Prop 55 EPA Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Yosemite Community College District
Modesto, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Yosemite Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2019:

Salaries of Classroom Instructors (50 Percent Law)
Apportionment for Activities Funded From Other Sources
State General Apportionment Funding System
Residency Determination for Credit Courses
Students Actively Enrolled
Dual Enrollment (CCAP and Non-CCAP)
Scheduled Maintenance Program
Gann Limit Calculation
Open Enrollment
Proposition 39 Clean Energy Fund
Apprenticeship Related and Supplemental Instruction (RSI) Funds
Disabled Student Programs and Services (DSPS)
To Be Arranged Hours (TBA)
Proposition 1D and 51 State Bond Funded Projects
Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Yosemite Community College District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Yosemite Community College District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Yosemite Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion in compliance with state laws and regulations. However, our audit does not provide legal determination of Yosemite Community College District's compliance with those requirements.

(Continued)

Opinion with State Laws and Regulations

In our opinion, Yosemite Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2019.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 2, 2019

Crowe LLP
Independent Member Crowe Global

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

Board of Trustees
Yosemite Community College District
Modesto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of activities Yosemite Community College District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Yosemite Community College District's basic financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yosemite Community College District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yosemite Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Yosemite Community College 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 entity'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. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 2, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Yosemite Community College District
Modesto, California

Report on Compliance for Each Major Federal Program

We have audited Yosemite Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Yosemite Community College District's major federal programs for the year ended June 30, 2019. Yosemite Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Yosemite Community College 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, 2019.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
December 2, 2019

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR 200.516(a)?	______ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 93.364	Student Financial Aid Cluster
93.575	Child Care Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,193,389	
Auditee qualified as low-risk auditee?	X Yes	______ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented

No matters were reported.