YUBA
COMMUNITY COLLEGE DISTRICT

YUBA CITY, CALIFORNIA

AUDIT REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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COSSOLIAS | WILSON
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Yuba Community College District
Yuba City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Yuba Community College District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Yuba 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Yuba Community College District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yuba 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the Yuba 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 the Yuba Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 31, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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–An Amendment of GASB Statement No. 34. The California Community Colleges Chancellor's Office has recommended that all State community college districts follow the business type activity (BTA) model. Yuba Community College District (the District) applied the BTA reporting model to comply with this recommendation and to report in a manner consistent and comparable with other community college districts. The following management's discussion and analysis (MDA) provides an overview of the District's financial activities.

BASIS OF ACCOUNTING

As required by accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The information provided on the statements in the MD&A includes all funds, excluding the Student Associations of Yuba College, Woodland Community College, Clear Lake Campus, and Sutter County Center, and excludes the District Foundation. Each statement will be discussed separately. Separately issued financial statements for the Foundation can be obtained from the District.

Under the BTA model of financial reporting, a single District-wide statement is required to report financial activity for all funds of the District. The following information is provided to help with the understanding of the financial statements.

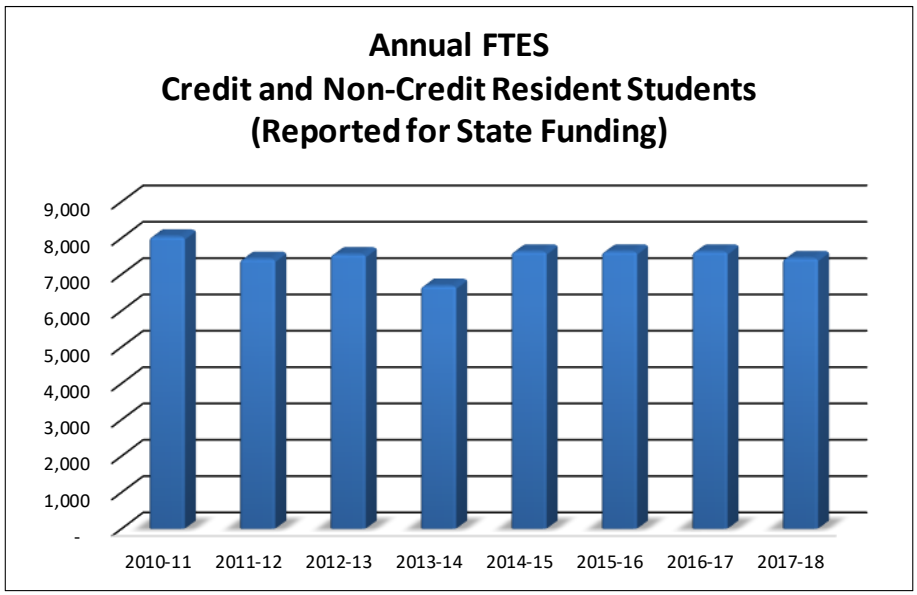
FINANCIAL AND ATTENDANCE HIGHLIGHTS

The discussion and analysis of the Yuba Community College District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018, including comparative information for the year ended June 30, 2017. The intent of the "Management Discussion and Analysis" is to look at the District's financial performance. To provide a complete understanding of the district's financial standing, this analysis should read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statement beginning on page 17 and the notes to the basic financial statements beginning on page 26.

The 2017-18 State Budget Act was adopted on June 27,2017. This state budget reflects an economy that has expanded for eight consecutive years and as in the previous year continues to prepare for a recession in the future. This is reinforced by the limiting of new ongoing spending obligations and increasing the state's rainy-day fund. The COLA for FY 17-18 is 1.56%. There is funding in the form of one-time allocation for instructional equipment and scheduled maintenance, however, it is lower when compared to FY 16-17. Also included in the budget was a slight increase to the base allocation from the state, which includes an increase to the marginal FTES funding rate to $5,151 per FTES. The increase is intended to help partially offset the increases to PERS and STRS.

The Board of Trustees' designated ending fund balance in the Adopted Budget was 12.87%, of budgeted unrestricted appropriations ($6,883,031) with a portion of this amount as undesignated reserves of 5.02% ($2,683,031). At June 30, 2018, the ending unrestricted fund balance was $7,703,099 or 14.40% of 2017-18 unrestricted appropriations.

The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). The District achieved full-time equivalent students (FTES) of 7,444 in 2017-18. See the below chart for a historical perspective on the changes in FTES over the past 8 fiscal years.



STATEMENT 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. The District's Net Position decreased by $40.6 million due primarily to the changes in the net pension liability. The total net position remains negative due to the pension standards implemented in the 2014-15 year. Under the accounting standards, the District is recognizing its proportional share of the underfunded pension systems for both the California Public Employee's Retirement System (PERS) and California State Teachers' Retirement System (STRS) system.

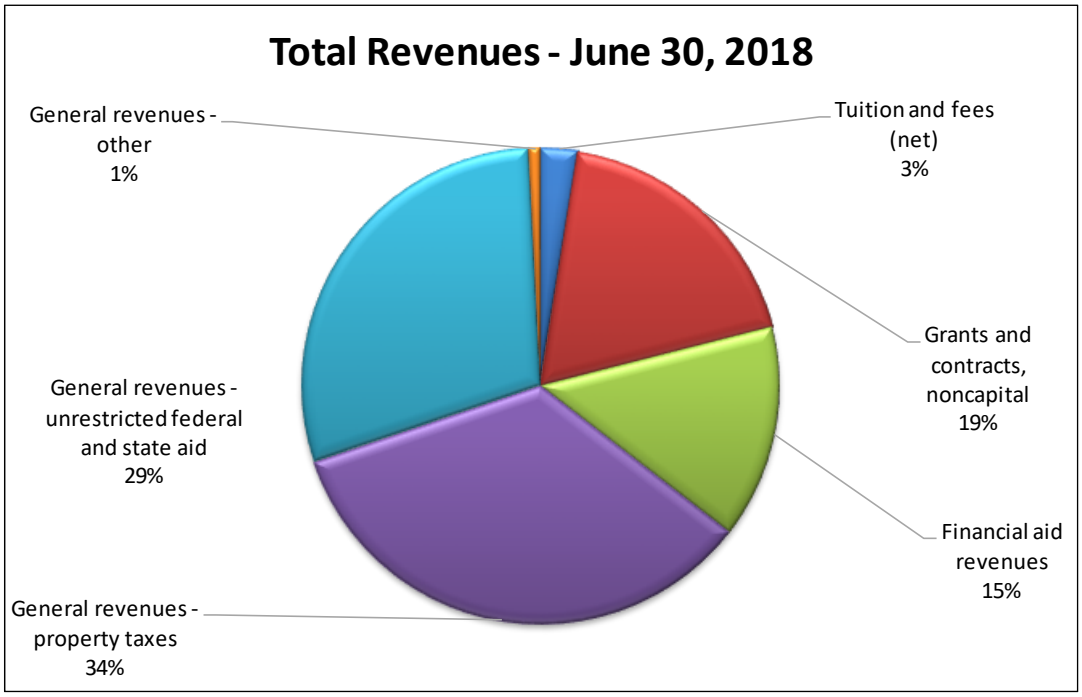
	2018	2017	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	$ 243,660,676	$ 240,339,844	$ 3,320,832
Deferred outflow of resources	28,015,975	23,041,591	4,974,384
Total Assets and Deferred Outflows of Resources	271,676,651	263,381,435	8,295,216
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	17,450,600	14,589,916	2,860,684
Non-current liabilities	293,480,691	254,686,465	38,794,226
Deferred inflows of resources	8,450,846	1,234,515	7,216,331
Total Liabilities and Deferred Inflows of Resources	319,382,137	270,510,896	48,871,241
NET POSITION			
Invested in capital assets, net of related debt	20,294,286	12,312,406	7,981,880
Restricted	12,589,477	13,289,389	(699,912)
Unrestricted	(80,589,249)	(32,731,256)	(47,857,993)
Total Net Position	$ (47,705,486)	$ (7,129,461)	$ (40,576,025)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES 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.

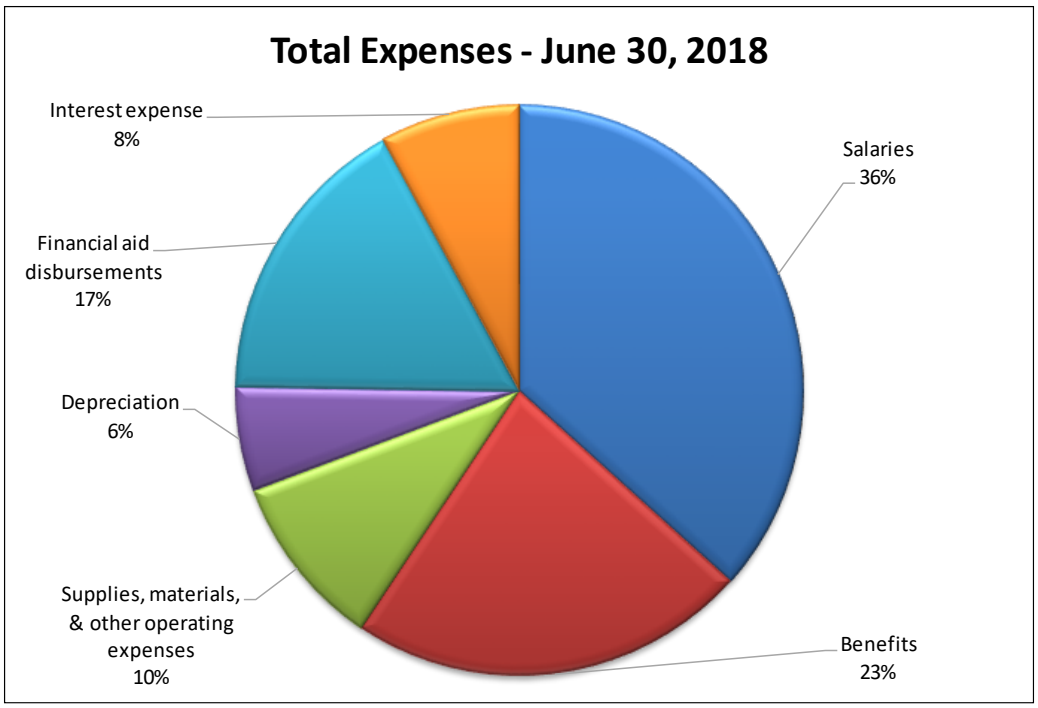
	2018	2017	Change
REVENUES			
Tuition and fees (net)	$ 2,485,188	$ 2,501,287	$ (16,099)
Grants and contracts, noncapital	18,404,993	15,607,073	2,797,920
Financial aid revenues	14,397,538	14,492,093	(94,555)
General revenues - property taxes	34,207,453	33,639,894	567,559
General revenues - unrestricted federal and state aid	29,314,409	29,031,524	282,885
General revenues - other	780,782	887,294	(106,512)
Total Revenues	99,590,363	96,159,165	3,431,198
EXPENSES			
Operating expenses	81,494,989	77,802,664	3,692,325
Financial aid disbursement to students	17,876,131	17,358,641	517,490
Interest	8,913,648	6,878,183	2,035,465
Total Expenses	108,284,768	102,039,488	6,245,280
Change in Net Position	$ (8,694,405)	$ (5,880,323)	$ (2,814,082)

The District's primary revenue is from the State apportionment, local property taxes, student enrollment fees, and grants. The composition of operating and nonoperating revenues for the year ended June 30, 2018 are reflected below:



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

The District's expenses consisted primarily of employee salaries, benefits, supplies and operating items, and payments to students for financial aid. Total salaries increased $2.5 million over the prior year, due primarily to step and column and an increase in categorical positions. Benefits increased $2.4 million due to State contributions on behalf of District employees, changes in the District's net pension liability, implementation of GASB Statement No. 75 for the net OPEB liability, and the District settled three Collective Bargaining Agreements (CSEA, YC-AFT and FAYCCD), with retroactive and current fiscal year payments or the year. Operating and nonoperating expenses are comparatively reflected below:



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $239.4 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2018, the District's net capital assets were $177.9 million. Projects will be accounted for within our Construction in Progress account until the project is completed at which time the cost will be recorded to the depreciable capital asset categories.

	2018	2017	Change
Capital assets not being depreciated	$ 14,475,896	$ 10,051,692	$ 4,424,204
Capital assets being depreciated	224,892,551	223,848,352	1,044,199
Accumulated depreciation	(61,465,907)	(55,177,559)	(6,288,348)
Total Capital Assets	$ 177,902,540	$ 178,722,485	$ (819,945)

We present more detailed information about our capital assets in Note 5 to the financial statements

Long-term Liabilities

At the end of the 2017-2018 fiscal year, the District had $189 million in bonded debt outstanding, including premium on bonds and accreted interest. These bonds are repaid semi-annually, utilizing District Funds, in accordance with the debt service schedules.

In addition to the bonded debt, the District is obligated for other long-term liabilities.

	2018	2017	Change
General obligation and revenue bonds	$ 188,948,471	$ 194,450,027	$ (5,501,556)
Compensated absences	1,584,192	1,365,275	218,917
Net OPEB liability	47,809,628	44,454,718	3,354,910
Net Pension liability	51,447,714	47,602,730	3,844,984
Other long-term liabilities	7,158,265	1,291,829	5,866,436
Total Long-term Liabilities	$ 296,948,270	$ 289,164,579	$ 7,783,691

We present more detailed information about our long-term liabilities in Note 6 to the financial statements.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

On June 27, 2018, the Governor signed the 2018-19 final state budget. The budget is balanced and continues to set aside resources in the rainy-day fund. While the economy continues to expand, even a moderate recession could have a significant impact on state revenues for several years. Early predictions show an economic downturn in 2020.

Major features of the Governor's budget with impacts to the California Community Colleges (CCC's) are summarized below:

- $269.7 million new funding formula
- $173 million for COLA (2.71%)
- $120 million for new Online Education ($100 million as one-time start up)
- $59.6 million (1.0%) in enrollment growth
- $50 million for full-time faculty
- $46 million for College Promise Programs (AB 19)
- $28.5 million in Deferred Maintenance & Instructional Equipment

The 2018-19 California State budget continues to demonstrate the Governor's Commitment to higher education. For community colleges, the Governor's 2018-19 budget provides approximately $800 million in new proposition 98 resources-of which approximately $300 million are in one-time funds. The budget also honors the statutory split under Proposition 98 of 10.93%.

With the signing of the Budget Act (2018-19) two signature proposals were funded, which include a new Student-Centered Funding Formula and a new fully Online Community College focused on innovation in online learning.

The previous funding for community colleges under SB 361 relied solely on an enrollment driven allocation. Significant budget cuts were anticipated for 2018-19 with 32 Districts in stability and 18 not fully restored to the pre- workforce reductions levels of fiscal years 2009-10 and 2010-11. The new funding formula is meant to capture the comprehensive mission of California Community Colleges.

The funding formula provides an increase to community college apportionments of $378 million Proposition 98 funds in 2018-19. Of this funding, $151 million is for the base allocation, $24 million is for the hold harmless provision, and $34 million in one-time discretionary funding for colleges. This allocation recognizes this significant transition will require resources to build institutional capacity.

The new funding formula offers a 3-year transition period as noted below, adopts a hold harmless provision that guarantees that all colleges will at a minimum receive a cost-of-living increase for three years and provides a much-needed measure of stability.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

3 year Transition			
	Base Allocation	**Supplemental (Equity)**	**Student Success**
2018-2019	70%	20%	10%
2019-2020	65%	20%	15%
2020-2021	60%	20%	20%

Table 1

Basic Allocation- Current factors (primarily credit FTES)
Supplemental Allocation – Counts of Low Income Students
Student Success Allocation –Counts of outcomes related to the Vision for Success, with "premiums' for outcomes of low-income students

Online College: Referred to as the 115th College, the fully Online College has authority under the Board of Governors with budgeted appropriations of $100 million in one-time and $20 million in ongoing funds. The purpose of the Online College is to support students who have faced barriers to success. Structurally, an existing California Community College District will be designated for the purposes of collective bargaining, program quality and accreditation. Also, all associated fees will be based on current statues. Details to establish the new Online College can be found in the related trailer bill.

College Promise (AB19): The 2018-19 budget retains a $46 million allocation for college promise programs to support local efforts to build a college going culture with a focus on increasing first-time, full time students and confronting students' growing non-tuition costs.

Consolidation of Certain Categorical Programs: The 2018-19 budget consolidates the Student Success and Support Program (SSSP), the Student Success for Basic Skills Program, and the Student Equity Programs into the Student Equity and Achievement Program (SEA). The primary focus of this block grant allocation is student equity and provide some local control and flexibility for decision-making of resource allocation and program alignment.

Financial Aid: The California Community College League (CCLC) led the charged to address the increased responsibilities placed on financial aid offices for which they are unprepared to absorb. Available data showed enrollment delays are occurring for thousands of students throughout the California community college system and prompted the obligation to address technological needs. The budget act funded $5 million ongoing and $13.5 million one-time funds for technology advancement and innovation to modernize financial aid verification and processing systems. This investment will provide a level of customer service our students need to make timely educational choices.

Open Educational Resources: The 2018-19 Budget Act allocates $6million in one-time funds in open education resources (OER) as an important step to combating the high costs of textbooks. It is noted that 40% of the cost to attend a community college comprise of textbooks.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

The state budget continues not to address the increasing pension costs to employers. Base enhancements funds over the prior three fiscal years was provided to address the escalating costs, however most districts are now exhausting those resources. While the employer pension costs have increased about $320 million between 2013-14 and 2017-18, the Legislative Analyst's Office expects this amount to reach approximately $900 million by 2024-25. It is important for the District properly plan now for how we will absorb the remaining rate increases between now and 2024-25.

District Budget Overview

Impact-Yuba Community College District: The new funding formula, College Promise, consolidation of the categorical programs and financial aid technology upgrades provides a significant opportunity for the District to move forward with the necessary resources to support the Vision for Success initiatives and address essential student support services.

Of the significant budget highlights, the new funding formula has the greatest impact by providing an increased District Apportionment allocation of 13 percent over the prior fiscal year (2017-18). These additional resources offer a life line that requires strategic planning and foresight by the administration and Governing Board. Over the last several months the Board Finance Committee and the administration has engaged in intensive ongoing dialogue to reaffirm budget principles and planning guidelines, establish goals for the Chancellor and the District and shape strategic recommendations for the adoption of the final 2018-19 budget. Because of this work, six focus areas, noted below, were identified as building blocks for this fiscal year final budget development process.

1. **Balancing the Budget-** align current year revenues with current year expenditures. The goal is to alleviate deficit spending.
2. **Investing in the Irrevocable Trust-** Address a Long-Term Liability per Governmental Accounting Standards Board (GASB) Statement 74/75
3. **Fund Balance** - Establish a 15% ending fund balance and 8% reserve of Unrestricted funds. The goal is to address revenue shortfalls and alleviate short-term borrowing.
4. **Investment in Innovation-** Direct support for the Vision for Success Initiatives
5. **Full Time Faculty Hiring Needs -** Support two new (Woodland) and two replacement faculty positions (Yuba)
6. **Other on-going Categorical Apportionment Sources**-provides resources in alignment with the Student Equity and Achievement Program (SEA).

The Board has been conservative and forward thinking in its understanding to maintain access and support student success priorities while balancing economic stability for the District. The Board understands and accepts that the economics of the State are volatile and tremendous revenue fluctuations can occur between good and bad economic years, as seen most recently between 2008-09 and 2012-13.

The District is committed to the State Chancellor's Vision for Success, which requires adapting programs, policies and procedures to align with the goals, requirements, and regulations of the new program funding changes.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

New Funding Formula Model - Student Centered

For 2018-19, the Governor provided a new Student-Centered Funding Formula for community colleges. The 2018-19 revenue budget for apportionment under the new funding formula uses three calculations (1) a Base Allocation, which primarily factors Credit FTES; (2) a Supplemental Allocation, which counts low income students, and (3) a Student Success Allocation, which counts outcomes related to the Vision for Success, with premiums for outcomes of low-income students. In addition, Non-Credit and Special Admit FTES are funded at the current rates. The sources used to support the new funding formula allocations remains the same and includes State General Apportionment with Full-Time Faculty Hiring dollars, Education Protection Act (EPA), Student Enrollment Fees (98%), and Property Taxes.

Yuba Community College District's 2017-18 Total Computational Revenue (TCR) for the Second Principal Apportionment (P2) was $49,665,907. Under the new funding formula, the 2018-19 TCR is $56,129,485. This represents an increase in total apportionment of $6,463,578 or 13 percent. Of this increase, $1,345,946 represents the state provided Cost of Living Adjustment (COLA) factored at 2.71% on the 2017-18 TCR of $49,665,907. At this time estimates for growth are not included.

BOARD BUDGET PLANNING GUIDELINES

Principles of Fiscal Planning

(Reviewed July 18, 2018-Board Finance Committee)

The Yuba Community College District Fiscal Plan incorporates the following principles of fiscal planning as reviewed and affirmed by the Board's Finance Committee on August 1, 2018: Principles are reviewed each year as part of the budget development process.

1. Responsible stewardship of available resources will serve as the foundation for sound management and sustainability
2. Resources are allocated to strategic priorities established by the Governing Board
3. Ongoing expenditures will be funded by ongoing revenues and one-time expenditures will be funded by one-time revenues
4. Total "cost of ownership" considered for new or continued commitments
5. Maintain adequate fund balance to avoid short-term borrowing
6. Revenue analysis is completed prior to making short or long-term commitments
7. Minimize or altogether avoid "structural deficits"
8. Develop college and District Services budgets through transparent and inclusive processes

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

Chancellor/District Goals-Established July 2018

1. Enrollment Management (faculty staffing that anticipates developmental educational reform), potential for District Growth, and strategies to drive facilities and staffing plans
2. Invest in innovation and research-21st Century Academy
3. Develop fiscal stability & sustainability strategies for the District and its programs and services

Annual Budgeting Planning Guidelines

(Reviewed July 18, 2018-Board Finance Committee)

1. Develop annual budgets through a Multi-year Budget Modeling/Philosophy
2. OPEB: Annual budget planning to retire debt liability and invest in trust
3. Plan and budget for other Long-Term Debt Assumptions
4. Salary obligations for health and retirement benefits
5. Budget for increase in pension payments for PERS/STRS
6. Collective Bargaining: strive for employment costs to not exceed 80% of expenditures.
7. Minimum reserve level = 8%

BUDGET ASSUMPTIONS

All California Community Colleges are in year one of a three-year transition to a new Student-Centered Funding Formula. The 2018-19 budget assumptions listed below include the new criteria used for the purposes of allocating and expending resources.

REVENUES

UNRESTRICTED

A. **Apportionment:** The 2018-19 revenue budget for apportionment under the new funding formula uses three calculations (1) a Base Allocation, which primarily factors Credit FTES; (2) a Supplemental Allocation, which counts low income students, and (3) a Student Success Allocation, which counts outcomes related to the Vision for Success, with premiums for outcomes of low-income students. In addition, Non-Credit and Special Admit FTES are funded at the current rates.

   The sources used to support the new funding formula allocations remains the same and includes State General Apportionment with Full-Time Faculty Hiring dollars, Education Protection Act (EPA), Student Enrollment Fees (98%), and Property Taxes.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

Yuba Community College District's 2017-18 Total Computational Revenue (TCR) for the Second Principal Apportionment (P2) was $49,665,907. Under the new funding formula, the 2018-19 TCR is $56,129,485. This represents an increase in total apportionment of $6,463,578 or 13 percent. Of this increase, $1,345,946 represents the state provided Cost of Living Adjustment (COLA) factored at 2.71% on the 2017-18 TCR of $49,665,907.

B. **Cost of Living Adjustment (COLA):** The 2018-19 state budget provides a 2.71% Cost of Living Adjustment (COLA). The District's allocation is $1,345,946. This COLA, while helpful, does not fully cover the increases to salaries or increases to STRS and PERS rates. The district is taking a prudent approach when adding ongoing costs to the budget. Previously negotiated obligations, such as step and column increases to salary and STRS and PERS contribution rate increases, are outpacing increases to revenue.

C. **Increased Operating Expenses:** The new Student-Centered Funding Formula while not specifically addressing base enhancement has done so through the new allocation process. The additional resources will be allocated to address the following:
- Current year deficit identified at the adoption of the Tentative Budget ($1,044,668)
- Long term liabilities (OPEB, STRS and PERS rate increases)
- Required Board ending fund balance -15% and reserve of 8%
- Invest in innovation and research-21st Century Academy
- Support Full Time Faculty Hiring Needs (4.0 fte) 2 new WCC and 2 replacement YC
- Contingencies for revenue shortfalls (property taxes, enrollment fee receipts)
- Support comprehensive planning goals and Vision for Success Initiatives
- Reserved for future use to address sustainable District wide priorities
- Fund State Mandated Costs and legally required costs

D. **Mandated Block Grant:** The Mandated Block Grant funding is being preserved by the Governor's budget. The funding formula will be the same as the past fiscal year ($28 per FTES plus COLA at 2.71%). The per FTES is based on the prior year P2 (second principal apportionment-7,626 FTES). Based on this information, the District is expecting revenue of $219,314.

E. **Full Time Faculty Hiring (FTFH):** The 2018-19 state budget provides an ongoing unrestricted allocation of funds to the District of $455,591. These resources will be allocated to Yuba College to fund two existing positions and Woodland College to fund two new positions. A total of 4 (1.0) full time equivalent employees will be funded. Based on the calculated average cost to hire a faculty position ($122,543), the resources are short $34,581. However, since these hires will more than likely occur later in the academic year, the District can support the cost this fiscal year.

F. **Property Taxes, Enrollment Fees, and Deficit Coefficient:** Based on the 2018-19 budget building assumptions, no deficit coefficient has been applied for a possible decrease in income for property taxes or enrollment fee receipts. The new funding formula has applied a 5.53% increase over 2017-18 totals of property tax receipts. This does not mean the District's eight counties will achieve this growth target, but it is used merely as an average. The budget includes the increase based on the general ledger recorded property tax receipts for 2017-18.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

G. **Lottery:** The District will use a projected rate of $151 per FTES unrestricted non-proposition 20 and $53 restricted per FTES for Proposition 20. In FY 2018-19 the lottery proceeds are based on 7,645 FTES, which is a projection of resident plus nonresident FTES. Any reduction to funded FTES, or a reduction in the rate per FTES, will result in an adverse impact on lottery proceed for both unrestricted and restricted funds. Based on current information, the District is estimating total receipts of $1,559,580 ($1,197,590 unrestricted and $405,185 restricted) in lottery funds for Fiscal Year 2018-19.

H. **Part-Time Faculty Office Hours (One-time):** The 2018-19 state budget provides $50 million in one-time funds for community colleges in support of Part-time Faculty Office Hours. The District has not received its allocation of this funding as the state has not released its methodology for awarding the funds. In the absence of this decision, we have based our estimates using past practices and included in the budget $250,000. This is subject to change once the official distribution of funds is made.

I. **Enrollment Growth:** The District has not identified any expected growth funds in the 2018-19 budget. The Colleges continue to work within their communities and market programs based on their Educational Master Plans. The area where some growth is anticipated is the Special Admits under the Dual Enrollment Program. The new Student-Centered Funding Formula per FTES for Credit is $5,457 for Special Admits.

RESTRICTED

A. **Student Success Programs:** The 2018-19 budget consolidates Student Success and Support (SSSP), Student Equity Program, and Basic Skills Program into the Student Equity and Achievement Program (SEA). The focus of this block grant funding is equity and a thoughtful integration of deliverables and State reporting requirements has been established. The District's allocation for this block grant is $3,657,828.

B. **Financial Aid Technology Systems (Ongoing & One-time):** The responsibilities for Financial Aid Offices is rapidly changing at community colleges and most are unprepared and unable to absorb the new requirements. Support and efficiencies are now at the forefront and resources are needed to address delays in enrollment for thousands of students. This is a California Community league priority that provides a statewide augmentation of $5 million ongoing and $13.5 million one-time for technology advancement and innovations to modernize our financial aid verification and processing systems. The District's portion of this allocation is One-time-$173,577 (YC-$90,102 & WCC-$83,455) and Ongoing-$64,278 (YC-$33,370 & WCC-$30,908)

C. **California College Promise Program:** The California College Promise, established by AB 19 (Santiago, 2017) and funded in the 2018-19 Budget Act, provides our system another important opportunity to implement evidence-based strategies to improve college access and success. Allocations to the District will be released at the First Principal Apportionment (P1) in February 2019. The District has certified for funding as required by September 1, 2018 and expects to receive $208,063 (YC-$146,377 & WCC-$61,686) in funding.

D. **Deferred Maintenance and Instructional Support:** The 2018-19 Budget allocates approximately $28,465,000 to community colleges, which can be appropriated for deferred maintenance and instructional equipment. The District's portion is $192,916. This amount is substantially lower than the prior two fiscal years and the District will need to address the most essential priorities when determining how to allocate these funds. A state match is not required for utilization of these funds.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

E. **CalSTRS On-Behalf Payments**: Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions, introduced new requirements for state and local governments to recognize employer costs and obligations for pensions. Included in the budget is $1,204,468 in pass-through revenue for STRS on-behalf payments made by the state per a change in accounting methods. Historically, the state has made a portion of the payments to STRS on behalf of local employers. Based on a new accounting advisory released by the California Community Colleges Chancellor's Office on July 29, 2016, YCCD is now required to show the revenue and expenditures on its books without ever receiving the revenue or making the payments.

EXPENDITURES

UNRESTRICTED

A. **Step/Column Increase:** The District will fund step and column increases. Historically salaries increase approximately 1% year-over-year.

B. **COLA**: The District received COLA from the state of $1,345,946. Through negotiated settlements with FAYCCD and CSEA, a 100 percent of the state allocated COLA (2.71%) was applied based on negotiated settlement agreements. In the case of FAYCCD a 100 percent of COLA was passed through on the salary schedule. In the case of CSEA, 1.25% was passed through on the salary schedule and the balance of the funds (1.46%) was used to complete the negotiated agreement of squaring the salary schedules, more specifically the ranges. The Management Association and the Police Officer Association received 80% of the allotted COLA (2.168%). YC-AFT currently has an open contract and bargaining with the District is expected to begin in late September.

C. **STRS/PERS:** The employer portion of STRS and PERS increases is included in the 2018-19 expenditure budget. These costs increases are $424,822 and $304,784 respectively.

D. **Health Care Costs** - The 2018-19 budget is enjoying a second year of no cost increase through the Tri-County Schools Insurance group (TCSIG) Joint Powers Authority (JPA) for health benefits for active employees. Retiree health cost decreased by $62,754 and appropriate adjustments are included in the adopted budget.

E. **Full Time Faculty Hiring (FTFH) Ongoing**: The District received $455, 591 in resources to support full-time faculty hiring. These funds support two new additional faculty at WCC and two at YC to backfill for positions reduced in the tentative budget. The College Presidents discipline focus will tie to Vision for Student Success goals.

F. **Debt Service:** The District has included $126,869 in the budget for debt service to support the funding of energy projects as the utility rebates are decreasing.

G. **Accreditation**: The District has included $40,000 in the budget in the final preparation for the Accreditation Comprehensive visit scheduled for October 8 through 11, 2018. Both Yuba and Woodland Community Colleges received an equal split of funding.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

H. **Board Elections**: In anticipation of the upcoming Board elections in November 2018, the District has allocated $75,000 to support the requirements around this activity.

I. **Management Association Salary Schedule**: The Yuba Community College District and the Educational Supervisors Association (ESA) reached an agreement on the decertification thereby integrated the former ESA Administrators salary schedule into the existing Management salary schedule with some modest economic enhancements primarily through the addition of longevity steps. The cost for this change was approximately $47,730 and is included in the budget.

J. **Vacation Liability**: The District has funded an estimated $150,000 vacation payout for the current year (2018-19). Prior years, the liability was booked at the end of the fiscal year and not truly capturing the cost of operations of the District and possibly creating a revenue short fall in the Unrestricted General Fund Budget. This approach is a Generally Accepted Accounting Practice (GAAP).

K. **Long Term Liabilities:** This is an area where the District has made progress by joining the California Public Employees' Retirement System (CALPERS)/California Employers' Retiree Benefit Trust (CERTB) establishing an irrevocable trust to address the unfunded liability for Other Post-Employment Benefits (OPEB). To begin addressing the requirements of the Governmental Accounting Standards Board (GASB) Statements 74/75, the District has invested 2 years of funding in the budget to support the liability for Other Post-Employment Benefits (OPEB). The current year funds account for $2.9M in pay-as-you-go expenditures for current retirees and one additional year ($3M) is to be placed in the irrevocable trust (CALPERS CERTB). All payments will be made from the trust and this approach would allow continual investments against the District's long-term liability. It is important to note that this investment amount does not fully fund what is considered the Annual Required Contribution as evidenced in the latest actuarial study (June 2017) and audited Financial Statement of Net Assets. A financial plan is scheduled to be completed during the fall semester that will inform future investment decisions to address the full liability. Additional funds are reserved to support the adopted investment strategy.

L. **CalSTRS On-Behalf Payments**: Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions, introduced new requirements for state and local governments to recognize employer costs and obligations for pensions. Included in the budget is $1,204,468 in pass-through revenue for STRS on-behalf payments made by the state per a change in accounting methods. Historically, the state has made a portion of the payments to STRS on behalf of local employers. Based on a new accounting advisory released by the California Community Colleges Chancellor's Office on July 29, 2016, YCCD is now required to show the revenue and expenditures on its books without ever receiving the revenue or making the payments.

RESTRICTED:

Restricted expenditures are based on Federal, State and Local granting authority criteria. District Financial Analyst and College Program Managers oversee the use of this category of funding. In addition to the annual auditing of these funds, reporting requirements to granting agencies occur on a quarterly and annual basis and are certified by District Officials.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

RESERVES

Ending Fund Balance: The Unrestricted ending fund balance is budgeted at $8,865,509, which is 15.07% of budgeted appropriations in FY 2018-19. The ending fund balance includes:

- Per Board Policy, a minimum Ending Fund Balance of 15.07 % and reserves of 8% of expenditures $4,705,632
- Contingency for Revenue Shortfall
  - Reserve for Contingency- $400,000
  - STRS and PERS employer increases for fiscal years 2019-20 ($524,360) and 2020-21 ($380,808)

- Restricted Reserves
  - Innovation Fund-21st Century Academy - $500,000

Other Post-Employment Benefits (OPEB) $2,354,709.

8. Minimum total fund balance = 15%
9. Optimize instructional expenses for same level of enrollment
10. Plan for multi-year inflation and fixed costs increase
11. Forecast the economic impact of improving student success
12. Longitudinal study of the state budget and forecasted revenues multi-year

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FINANCIAL SECTION

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2018

ASSETS		
Current Assets:		
Cash and cash equivalents	$	59,472,997
Accounts receivable, net		5,838,211
Prepaid expenditures and other assets		446,928
Total Current Assets		65,758,136
Noncurrent Assets:		
Capital assets, net		177,902,540
Total Noncurrent Assets		177,902,540
TOTAL ASSETS		243,660,676
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		12,868,439
Deferred outflows - pensions		15,147,536
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	271,676,651
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	6,699,129
Unearned revenue		6,614,205
Long-term debt, current portion		4,137,266
Total Current Liabilities		17,450,600
Noncurrent Liabilities:		
Other loans		669,687
Net Pension liability		51,447,714
Long-term debt, non-current portion		241,363,290
Total Noncurrent Liabilities		293,480,691
TOTAL LIABILITIES		310,931,291
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding		3,197,325
Deferred inflows - pensions		5,253,521
NET POSITION		
Net investment in capital assets		20,294,286
Restricted for:		
Debt service		14,285,814
Capital projects		(1,696,337)
Unrestricted		(80,589,249)
TOTAL NET POSITION		(47,705,486)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	271,676,651

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Tuition and fees (gross)	$ 8,225,275
Less: Scholarship discounts and allowances	(5,740,087)
Net tuition and fees	2,485,188
Grants and contracts, noncapital:	
Federal	3,463,683
State	14,558,040
Local	383,270
TOTAL OPERATING REVENUES	20,890,181
OPERATING EXPENSES	
Salaries	40,041,994
Employee benefits	24,542,703
Supplies, materials, and other operating expenses and services	10,621,944
Student aid	17,876,131
Depreciation	6,288,348
TOTAL OPERATING EXPENSES	99,371,120
OPERATING INCOME (LOSS)	(78,480,939)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	21,305,852
Local property taxes	26,405,638
State taxes and other revenues	6,655,443
Financial aid revenues	14,397,538
Investment income - noncapital	668,986
Interest expense on capital asset-related debt	(8,913,648)
Other non-operating revenues	1,353,114
TOTAL NON-OPERATING REVENUES (EXPENSES)	61,872,923
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(16,608,016)
State apportionments, capital	111,796
Local property taxes and revenues, capital	7,801,815
INCREASE (DECREASE) IN NET POSITION	(8,694,405)
NET POSITION -- BEGINNING OF YEAR	(7,129,461)
PRIOR YEAR ADJUSTMENT (SEE NOTE 12)	(31,881,620)
NET POSITION -- END OF YEAR	$ (47,705,486)

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	2,485,188
Grants and contracts		22,675,952
Payments to or on behalf of employees		(58,814,682)
Payments to students		(17,876,131)
Payments to vendors for supplies and services		(11,221,129)
Net Cash Used by Operating Activities		(62,750,802)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments		21,305,852
Property taxes		26,405,638
State taxes and other revenues		6,655,443
Financial aid revenues		14,397,538
Other nonoperating cash flows		1,353,114
Net Cash Provided by Non-capital Financing Activities		70,117,585
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(5,468,403)
State apportionments, capital		111,796
Proceeds from issuance		6,000,000
Local property tax, capital projects		7,801,815
Principal paid on capital debt		(5,881,579)
Interest paid on capital debt		(2,180,402)
Net Cash Used by Capital Financing Activities		383,227
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		668,986
Net Cash Provided/(Used) by Investing Activities		668,986
NET DECREASE IN CASH & CASH EQUIVALENTS		8,418,996
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR		51,054,001
CASH & CASH EQUIVALENTS, END OF YEAR	$	59,472,997

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(78,480,939)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense		6,288,348
Changes in Assets and Liabilities:		
Receivables, net		4,270,959
Prepaid items		7,260
Deferred outflows of resources		(5,667,802)
Accounts payable and accrued liabilities		(1,281,982)
Unearned revenue		675,537
Long-term debt		3,573,827
Net pension liability		3,844,984
Deferred inflows of resources		4,019,006
Total Adjustments		15,730,137
Net Cash Flows From Operating Activities	$	(62,750,802)

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2018

	Trust
ASSETS	
Cash and Cash Equivalents	$ 81,723
Total Assets	81,723
LIABILITIES	
Accounts payable	937
Total Liabilities	937
NET POSITION	
Held in Trust for Student Groups	80,786
Total Net Position	$ 80,786

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Trust
OPERATING REVENUES:	
Local revenue	$ 98,964
Total Operating Revenues	98,964
OPERATING EXPENSES:	
Supplies, materials, and other outgo	99,244
Total Operating Expenses	99,244
Net Change in Net Position	(280)
NET POSITION:	
Beginning of Year	81,066
End of Year	$ 80,786

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF FINANCIAL POSITION – DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION
JUNE 30, 2018

ASSETS		
Current Assets		
Cash and cash equivalents	$	115,541
Accounts receivable - related party		4,989
Short-term investments		1,460,930
		1,581,460
Noncurrent Assets		
Investments - noncurrent		7,403,676
Assets held by third party		463,904
Total Assets		9,449,040
LIABILITIES		
Current Liabilities		
Accounts payable		9,348
Amount held in trust for others		495,084
Total Liabilities		504,432
NET ASSETS		
Unrestricted		95,922
Temporarily restricted		2,924,595
Permanently restricted		5,924,091
Total Net Assets		8,944,608
Total Liabilities and Net Assets	$	9,449,040

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	$ -	$ 87,101	$ 1,500	$ 88,601
Interest and dividend income	44,021	60,800	33,699	138,520
Other income	(12,202)	9,168	2,050	(984)
Net unrealized gain on investments	-	952,733	20,975	973,708
Net assets released from restrictions	140,558	(119,291)	(21,267)	-
Total Support and Revenues after net assets released from restriction	172,377	990,511	36,957	1,199,845
OPERATING EXPENSES				
Program expenses:				
Grants and scholarships	118,473	-	-	118,473
Miscellaneous	21,267	-	-	21,267
Professional charges	-	-	-	-
Supplies	818	-	-	818
Total Program Expenses	140,558	-	-	140,558
Administrative expenses	8,496	-	-	8,496
Total Expenses	149,054	-	-	149,054
CHANGE IN NET ASSETS	23,323	990,511	36,957	1,050,791
NET ASSETS, BEGINNING OF YEAR	72,599	1,934,084	5,887,134	7,893,817
NET ASSETS, END OF YEAR	$ 95,922	$ 2,924,595	$ 5,924,091	$ 8,944,608

See accompanying notes to the financial statements.

YUBA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	1,050,791
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Total investment activity		(1,112,228)
Change in:		
Accounts receivable		7,546
Assets held by third party		(7,204)
Accounts payable		(8,201)
Amounts held in trust for others		124,204
Net Cash Used by Operating Activities		54,908
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash Provided by Investing Activities		28,475
Net decrease in cash and cash equivalents		83,383
Cash and Cash Equivalents - Beginning of Year		32,158
Cash and Cash Equivalents - End of Year	$	115,541

See accompanying notes to the financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Definition of the Reporting Entity Yuba Community College District (the District) is a political subdivision of the State of California and provides higher education. The District consists of two community colleges and four additional centers (the Primary Institution).

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by, or dependent on, the District's executive and legislative branches. Control by, or dependence on, the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

The financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The District and the Yuba Community College District Foundation (the Foundation) have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation as a component unit have been included in the financial statements of the District. The separately audited financial statements of the Foundation may be obtained from the District.

The following are those aspects of the relationship between the District and the Foundation that satisfies GASB:

> *Accountability:* The Foundation operates under a master agreement with the District in accordance with the California Education Code requirements. The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.
>
> *Scope of Public Service:* The Foundation is a nonprofit, public benefit corporation incorporated under the laws of the State of California. The Foundation was formed to promote and assist the educational services of the District.
>
> *Discrete Presentation:* For financial presentation purposes, the Foundation's financial activities have been discretely presented with the financial activities of the District.

Basis of Accounting For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). 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 an obligation has been incurred. All significant interfund transactions have been eliminated.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual*, issued by the Chancellor's Office of the California Community Colleges.

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.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with California Education Code, Section 41001, the District maintains substantially all of its cash in the Yuba County Treasury as part of the common investment pool. The County is restricted by California Government Code, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of less than two years. The fair value of the County pool at June 30, 2018 was 101.8186. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee as required by California Government Code, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of cash and cash equivalents. Realized gains and losses on cash and cash equivalents that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of cash and cash equivalents reported in the prior year. The change in fair value of cash and cash equivalents was insignificant during the year ended June 30, 2018, and there was no significant unrealized gain or loss on cash and cash equivalents held as of June 30, 2018.

Accounts Receivable Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in California. Accounts receivable also include amounts due from the federal, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable based on all student accounts receivable with an age greater than two years old in combination with historical collection information. There was no allowance at June 30, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments Investments are reported at fair value. Fair value is determined from quoted market prices. 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 weighted average maturity of all investments shall 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.

Unamortized Bond Discount Unamortized bond discount represents the difference between the par value of the bonds issued and the gross proceeds received, before issuance costs. This amount is amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective-interest method.

Capital Assets Capital assets are recorded at cost on the date of acquisition or fair value at the date of donation. For equipment, 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 with the monthly convention over the estimated useful life of the assets; generally 50 years for buildings, 10 years for land improvements, 8 years for equipment, and 3 years for technology equipment. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

Assets Held by Third Party The Foundation transfers funds to the Foundation for California Community Colleges (FCCC) in accordance with a partnership agreement dated March 2009 with the California Community Colleges Scholarship Endowment (the Endowment).

Advances From Grantors Advances from grantors include amounts received from grant and contract sponsors that have not yet been earned.

Advances From Students Advances from students include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. The District has a load-banking program for eligible faculty employees whereby the employee may accrue overload service toward a paid leave.

Bond Premium Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are recorded as long-term liabilities.

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

Net Investment in Capital Assets – Represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred for capital assets, but not yet expended, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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, it is the policy of both the District and the Foundation to first apply the expense towards restricted resources and then towards unrestricted resources.

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 toward unrestricted resources.

Classification of Revenue The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Includes 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; and (3) most federal, state, and local grants and contracts, and federal appropriations.

Non-operating Revenues: Includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues, such as State appropriations and investment income, according to GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting; and GASB Statement No. 34, Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments.

Scholarship Discounts and Allowances and Financial Aid Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of activities. The District offers Board of Governors' waivers (BOG) to qualified students, and these tuition waivers are reported as scholarship discounts and allowances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Risk Management The District's property and liability coverage is insured through the Northern California Community Colleges Self Insurance Authority (NCCC SIA). The District retains the risk up to $1,000 per occurrence. The NCCC SIA retains the risk up to $25,000 on property and $25,000 on liability. Insurance above these levels is ceded to another joint power authority, Statewide Association of Community Colleges (SWACC), and to a level of $5 million on liability and $250 million on property.

The District is also a member of the NCCC SIA for workers' compensation coverage. Within NCCC SIA, the workers' compensation insurance program is insured with first-dollar coverage through a joint powers authority, Protected Insurance Program for Schools (PIPS).

Estimates Used in Financial Reporting In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District's largest source of revenues are property taxes, enrollment fees, and state revenues. Each of these revenue types is subject to some estimation at the date of the financial statements.

Budgets and Budgetary Accounting By State law, the District's governing board must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

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 each fiscal year on taxable real and personal property in the counties. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The following counties bill and collect the taxes for the District: Butte, Colusa, Glenn, Lake, Placer, Sutter, Yolo, and Yuba.

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 upon completion of the secured tax roll on approximately October 1 of each year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

General Apportionment and Property Tax, continued

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, Education Protection Account funding, 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.

Reclassifications Certain reclassifications have been made to prior-year amounts to conform with the current-year presentation.

Change in Accounting Principles In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASN Statement No. 75 for the year ended June 30, 2018.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged; however, no such asset retirement obligations are known at this time.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged. This statement is not expected to have a significant effect on the district financial reporting.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District is in the process of determining the effect on the financial reporting.

NOTE 3 – CASH AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

NOTE 3 – CASH AND INVESTMENTS, continued

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2018, consist of the following:

Governmental Funds:		
Cash on hand and in banks	$	1,243,028
County treasurer's investment pool		53,931,574
Cash with fiscal agent		4,298,395
Total cash and investments - Primary Government	$	59,472,997

Deposits and investments of the Fiduciary Funds as of June 30, 2018, consist of the following:

Fiduciary Funds:		
Cash on hand and in banks	$	81,723
Total cash and investments - Fiduciary Funds	$	81,723

Summary of Deposits and Investments

Deposits and investments of the Discretely Presented Component Unit - Foundation as of June 30, 2018, consist of the following:

Foundation:		
Cash on hand and in banks	$	115,541
Corporate bonds		844,908
Municipal bonds		157,710
U.S. Treasuries		2,511,172
Money market mutual fund		1,096,031
Equity securities		4,254,785
Total cash and investments - Foundation	$	8,980,147

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 and Foundation do not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the District's or Foundation's bank balances were uninsured and uncollateralized.

NOTE 3 – CASH AND INVESTMENTS, continued

District – Investment Credit Risk

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 does not have an investment policy that would further limit investment choices.

Investment Type	Fair Value	S&P Rating
County treasurer's investment pool	$ 54,912,370	Unrated

Foundation – Investment Credit Risk

The Foundation does not have an investment policy that limits its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Pursuant to *California Government Code*, Section 53601, no more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises. There were no concentrations of credit risk for the District at June 30, 2018. The Foundation did not have any investments that exceeded 5%.

District – Investment Interest Rate Risk

California Government Code, Section 53601, limits the District's investments to maturities of five years. The District does not have an investment policy regarding interest rate risk.

The schedule of maturities for the District at June 30, 2018, is as follows:

Investment Type	Fair Value	Maturity
County treasurer's investment pool	$ 54,912,370	One to Five Years

NOTE 3 – CASH AND INVESTMENTS, continued

Foundation – Investment Interest Rate Risk

The Foundation's investment policy requires that at least 40% of investments be in fixed income securities and 50% to 60% in equities. Investment decisions are executed with the intent that they will be held to maturity.

Foundation – Highly Sensitive Investments

The U.S. government agency securities (Federal Home Loan Bank) are mortgage-backed securities which entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage securities are sensitive to interest rate changes because principal payments either increase (in a low interest rate environment) or decrease (in a high interest rate environment). A change, up or down, in the payment rate will result in a change in the security yield.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. As of June 30, 2018, accounts receivable amounted to $5,838,211. By December 31, 2018, the date of this audit report, $2,684,686 had been collected.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets not being Depreciated				
Land	$ 6,139,728	$ -	$ -	$ 6,139,728
Construction in progress	3,911,964	4,424,204	-	8,336,168
Total Capital Assets not being Depreciated	10,051,692	4,424,204	-	14,475,896
Capital Assets being Depreciated				
Site improvements	1,077,576	-	-	1,077,576
Buildings & improvements	211,518,395	-	-	211,518,395
Equipment	10,430,487	1,019,181	-	11,449,668
Vehicles	821,894	25,018	-	846,912
Total Capital Assets being Depreciated	223,848,352	1,044,199	-	224,892,551
Total Capital Assets	233,900,044	5,468,403	-	239,368,447
Less Accumulated Depreciation	55,177,559	6,288,348	-	61,465,907
Net Capital Assets	$ 178,722,485	$ (819,945)	$ -	$ 177,902,540

NOTE 6 – LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2018, was as follows:

	Restated Balance July 1, 2017	Additions	Payments and Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	$ 1,365,275	$ 218,917	$ -	$ 1,584,192	$ -
General obligation bonds	171,398,191	30,310,176	35,729,538	165,978,829	2,875,000
QEC Bonds - central plant	4,130,010	-	405,690	3,724,320	418,067
QEC Bonds - solar project	9,125,000	-	665,000	8,460,000	710,000
Unamortized bond premium	9,796,826	2,062,134	1,073,638	10,785,322	-
California Energy Commission note payable	1,291,829	-	133,564	1,158,265	134,199
CREB Leases	-	6,000,000	-	6,000,000	-
OPEB	44,454,718	3,354,910	-	47,809,628	-
Total Long-Term Liabilities	$ 241,561,849	$ 41,946,137	$ 38,007,430	$ 245,500,556	$ 4,137,266

Description of Debt

Payments on the general obligation bonds and lease revenue bonds are made by the Capital Outlay fund. The capital lease payments are made by the General Fund and Capital Outlay fund. The compensated absences are made by the fund for which the employees' salaries are paid from. The District's General Fund makes payments for the golden handshake, supplemental early retirement plan, and load banking obligations from the General Fund.

Bonds Payable

The outstanding bonded debt is as follows:

Series	Issuance Date	Interest Yield	Maturity Date	Amount of Original Issue	Bonds Outstanding July 1, 2017	Additions	Redeemed	Bonds Outstanding June 30, 2018	Due Within One Year
2006 Series A	5/22/2007	3.48-4.98%	8/1/2031	$ 29,504,047	$ 7,144,804	$ 541,910	$ 7,686,714	$ -	$ -
2006 Series C	7/12/2011	0.48-7.25%	8/1/2050	34,935,795	33,978,387	358,266	27,052,824	7,283,829	460,000
2015 Series A Refunding	6/18/2015	1.48-3.64%	8/1/2030	3,790,000	3,790,000	-	-	3,790,000	-
2015 Series B Refunding	6/18/2015	1.48-3.30%	8/1/2030	25,040,000	25,040,000	-	-	25,040,000	-
2006 Series D	4/6/2016	1.14-3.09%	8/1/2039	26,500,000	26,500,000	-	-	26,500,000	-
2016 Series A Refunding	5/12/2016	0.74-3.07%	8/1/2038	72,010,000	72,010,000	-	-	72,010,000	-
2016 Series B Refunding	5/12/2016	0.60-1.20%	8/1/2019	3,805,000	2,935,000	-	990,000	1,945,000	1,000,000
2017 Refunding	12/28/2017	1.19-3.19%	8/1/2047	29,410,000	-	29,410,000	-	29,410,000	1,415,000
				224,994,842	171,398,191	30,310,176	35,729,538	165,978,829	2,875,000
2011 QEC Bonds - Central Plant	6/3/2011	2.84-6.50%	6/3/2026	6,324,000	4,130,010	-	405,690	3,724,320	418,067
2011 QEC Bonds - Solar Project	6/15/2011	2.03-6.29%	6/1/2027	15,040,000	9,125,000	-	665,000	8,460,000	710,000
				21,364,000	13,255,010	-	1,070,690	12,184,320	1,128,067
			Total	$ 246,358,842	$ 184,653,201	$ 30,310,176	$ 36,800,228	$ 178,163,149	$ 4,003,067

NOTE 6 – LONG-TERM LIABILITIES, continued

General Obligation Bonds

The District issued 2006 Series A bonds in the aggregate principal amount of $29,504,047 with interest yields ranging from 3.48 to 4.98 percent and maturing through August 1, 2031. The District refunded 2006 Series B bonds with the issuance of 2017 Refunding Bonds.

General Obligation Bonds, continued

The District issued 2006 Series C bonds in the aggregate principal amount of $34,935,795 with interest yields ranging from .48 to 7.25 percent and maturing through August 1, 2050. The District refunded a portion of the 2006 Series C bonds with the issuance of the 2017 Refunding bonds.

The annual requirements to amortize the 2006 Series C general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
2019	$ 460,000	$ 69,000	$ -	$ 529,000
2020	425,000	46,875	-	471,875
2021	385,000	26,625	-	411,625
2022	340,000	8,500	-	348,500
2023	-	-	-	-
2024-2028	-	-	-	-
2029-2033	-	-	-	-
2034-2038	-	-	-	-
2039-2043	1,143,700	-	6,186,300	7,330,000
2044-2048	-	-	-	-
2049-2051	2,332,405	-	32,022,594	34,354,999
Accretion	2,197,724	-	(2,197,724)	-
Total	$ 7,283,829	$ 151,000	$ 36,011,170	$ 43,445,999

NOTE 6 – LONG-TERM LIABILITIES, continued

General Obligation Bonds, continued

The District issued 2015 Series A refunding bonds in the aggregate principal amount of $3,790,000 with interest yields ranging from 1.48 to 3.64 percent and maturing through August 1, 2030.

The annual requirements to amortize the 2015 Series A general obligation refunding bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 142,106	$ 142,106
2020	120,000	139,706	259,706
2021	145,000	134,406	279,406
2022	175,000	128,006	303,006
2023	205,000	120,406	325,406
2024-2028	1,600,000	418,181	2,018,181
2029-2031	1,545,000	83,134	1,628,134
Total	$ 3,790,000	$ 1,165,945	$ 4,955,947

The District issued 2015 Series B crossover refunding bonds in the aggregate principal amount of $25,040,000 with interest yields ranging from 1.48 to 3.30 percent and maturing through August 1, 2030.

The annual requirements to amortize the 2015 Series B general obligation crossover refunding bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 1,210,300	$ 1,210,300
2020	755,000	1,195,200	1,950,200
2021	935,000	1,161,400	2,096,400
2022	1,135,000	1,120,000	2,255,000
2023	1,345,000	1,070,400	2,415,400
2024-2028	10,615,000	4,032,625	14,647,625
2029-2031	10,255,000	806,375	11,061,375
Total	$ 25,040,000	$ 10,596,300	$ 35,636,300

NOTE 6 – LONG-TERM LIABILITIES, continued

General Obligation Bonds, continued

The District issued 2006 Series D bonds in the aggregate principal amount of $26,500,000 with interest yields ranging from 1.14 to 3.09 percent and maturing through August 1, 2039.

The annual requirements to amortize the 2006 Series D general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 1,019,806	$ 1,019,806
2020	-	1,019,806	1,019,806
2021	-	1,019,806	1,019,806
2022	125,000	1,017,931	1,142,931
2023	265,000	1,010,756	1,275,756
2024-2028	3,435,000	4,702,369	8,137,369
2029-2033	7,275,000	3,552,031	10,827,031
2034-2038	10,475,000	1,616,694	12,091,694
2039-2040	4,925,000	155,080	5,080,080
Total	$ 26,500,000	$ 15,114,279	$ 41,614,279

The District issued 2016 Series A and B bonds in the aggregate principal amounts of $72,010,000 and $3,805,000, respectively, with interest yields ranging from 0.60 to 3.07 percent and maturing through August 1, 2038.

The annual requirements to amortize the 2016 Series A general obligation refunding bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 2,394,150	$ 2,394,150
2020	90,000	2,391,900	2,481,900
2021	970,000	2,365,400	3,335,400
2022	1,020,000	2,315,650	3,335,650
2023	1,070,000	2,263,400	3,333,400
2024-2028	6,205,000	10,451,275	16,656,275
2029-2033	17,155,000	8,945,525	26,100,525
2034-2038	43,010,000	3,816,275	46,826,275
2039	2,490,000	37,350	2,527,350
Total	$ 72,010,000	$ 34,980,925	$ 106,990,925

NOTE 6 – LONG-TERM LIABILITIES, continued

General Obligation Bonds, continued

The annual requirements to amortize the 2016 Series B general obligation refunding bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 1,000,000	$ 23,400	$ 1,023,400
2020	945,000	9,450	954,450
Total	$ 1,945,000	$ 32,850	$ 1,977,850

The District issued 2017 refunding bonds in the aggregate principal amount of $29,410,000 with interest yields ranging from 1.19 to 3.19 percent and maturing through August 1, 2047.

The annual requirements to amortize the 2016 general obligation refunding bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 1,415,000	$ 1,127,781	$ 2,542,781
2020	315,000	1,100,256	1,415,256
2021	335,000	1,085,581	1,420,581
2022	360,000	1,068,206	1,428,206
2023	675,000	1,042,331	1,717,331
2024-2028	3,145,000	4,736,406	7,881,406
2029-2033	3,565,000	4,019,506	7,584,506
2034-2038	3,800,000	3,473,922	7,273,922
2039-2043	6,615,000	2,487,300	9,102,300
2044-2048	9,185,000	996,100	10,181,100
	$ 29,410,000	$ 21,137,391	$ 50,547,391

NOTE 6 – LONG-TERM LIABILITIES, continued

Qualified Energy Conservation Bonds

Interest payments for the qualified energy conservation bonds are subsidized by the government with subsidy payments being sent to the District at regular intervals corresponding to the interest payments being made. These subsidy payments are reported as revenue for the District; therefore, the future interest payments shown in the tables below represent the gross payment amounts.

The District issued 2011 Central Plant qualified energy conservation bonds in the aggregate principal amount of $6,324,000 with an interest yields of 2.84 to 6.50 percent and maturing through June 3, 2026.

The annual requirements to amortize the 2011 Central Plant qualified energy conservation bonds payable are as follows:

Fiscal Year	Principal	Interest	Interest Subsidy	Total
2019	$ 418,067	$ 235,338	$ (125,707)	$ 527,698
2020	430,822	207,958	(111,081)	527,699
2021	443,966	179,742	(96,010)	527,698
2022	457,511	150,667	(80,479)	527,699
2023	471,470	120,704	(64,474)	527,700
2024-2026	1,502,484	173,045	(92,433)	1,583,096
Total	$ 3,724,320	$ 1,067,454	$ (570,184)	$ 4,221,590

The District issued 2011 Solar Project qualified energy conservation bonds in the aggregate principal amount of $15,040,000 with interest yields ranging from 2.03 to 6.29 percent and maturing through June 1, 2027.

The annual requirements to amortize the 2011 Solar Project qualified energy conservation bonds payable are as follows:

Fiscal Year	Principal	Interest	Interest Subsidy	Total
2019	$ 710,000	$ 490,350	$ (306,168)	$ 894,182
2020	765,000	453,076	(280,472)	937,604
2021	825,000	412,912	(252,788)	985,124
2022	850,000	369,600	(222,930)	996,670
2023	915,000	318,600	(192,168)	1,041,432
2024-2027	4,395,000	682,200	(411,480)	4,665,720
Total	$ 8,460,000	$ 2,726,738	$ (1,666,006)	$ 9,520,732

NOTE 6 – LONG-TERM LIABILITIES, continued

Qualified Energy Conservation Bonds, continued

On June 15, 2013, the District entered into an unsecured note payable due to the California Energy Commission. Semiannual installments of $34,828 are due beginning December 22, 2014, through June 22, 2028, at an interest rate of 1.00%.

Additionally, on March 22, 2016, the District entered into an unsecured note payable due to the California Energy Commission for $710,000. The requirements of both agreements are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 134,199	$ 6,455	$ 140,654
2020	134,818	5,837	140,655
2021	135,473	5,183	140,656
2022	136,119	4,535	140,654
2023	136,772	3,882	140,654
2024-2028	480,884	9,401	490,285
	$ 1,158,265	$ 35,293	$ 1,193,558

In 2017-18, the District issued $6,000,000 in Clean Renewable Energy Bonds (CREBs). The bonds mature through August 1, 2037.

The annual requirements to amortize the CREBs are as follows:

Fiscal Year	Principal	Interest	Subsidy	Total
2019	$ -	$ 297,371	(182,942)	$ 114,429
2020	208,000	267,678	(164,675)	311,003
2021	223,000	257,894	(158,656)	322,238
2022	238,000	247,430	(152,218)	333,212
2023	255,000	236,239	(145,333)	345,906
2024-2028	1,525,000	987,110	(607,270)	1,904,840
2029-2033	1,622,000	621,117	(382,110)	1,861,007
2034-2038	1,929,000	226,796	(139,524)	2,016,272
	$ 6,000,000	$ 3,141,635	$ (1,932,728)	$ 7,208,907

NOTE 7 – OPERATING LEASES

On April 12, 2016, The District entered into a building operating lease. The lease agreement is effective for ten (10) years. Total monthly payments are $19,221 and increase by 1.75% yearly, beginning on July 1, 2018. In addition, the District will pay its share of operating expense and real property taxes totaling $4,606 each month. This agreement contains 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:

Fiscal Year	Lease Payment
2019	$ 234,684
2020	238,790
2021	242,969
2022	247,221
2023	251,548
2024-2026	648,872
Total	$ 1,864,084

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description

The District provides certain health care benefits for retired salaried employees. The District's salaried employees may become eligible for those benefits if they reach normal retirement age and length of service while working for the District. The District covers these benefits for retirees and all eligible dependents to age 65 or for the retirees' lifetimes depending on the type of retiree (faculty, classified, academic management, or classified management/confidential).

The District, effective with the approval of the Board of Trustees on August 23, 2017 joined the California Public Employees Retirement System (CALPERS) and California Employers Retirement Benefits Trust (CERTB), an agent multiple-employer defined benefit OPEB plan. The CALPERS CERTB is a joint powers authority as discussed in note 11. The RHBP does not issue a stand-alone financial report.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Funding Policy

The District's agreement with retired employees is for monthly contributions for members who meet the eligibility criteria of their collective agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District through the collective bargaining process.

The following is a summary of the current employee retiree benefit plan:

	Faculty	Classified	Academic Management	Classified Management/ Confidential
Applies to	Regardless of hire date	Regardless of hire date	Hired prior to 7/1/02	Hired prior to 7/1/02
Benefit types provided	Medical only*	Medical only	Medical and life	Medical only
Duration of Benefits	To age 65^^	To age 65***	Lifetime	Lifetime
Required Service	20 years**	20 years+	10 years	10 years
Minimum Age	55	55	55	60~
Dependent Coverage	No*	Yes	Yes	Yes
College Contribution %	100%**	100%	One-third^	One-third~~
College Cap	None	$1,000 per year++	None	None

*Those hired prior to July 1, 2002 also receive dental, vision and life coverage. Dependents also covered.
**Those hired prior to April 1, 1986 need only 10 years. Those hired April 1, 1986 to June 30, 2002 need 10 years of service for one-third payment and 20 years for 100% payment
***Those hired prior to 7/1/08 receive lifetime coverage
+Ten years for those hired prior to January 27, 1986
++No cap for those hired prior to January 1, 2003
^100% for those hired before April 1, 1986
^^Those hired prior to July 1, 2009 receive lifetime coverage
~Age 55 for those hired prior to January 1, 1991
~~100% for those hired prior to January 1, 1991

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Employees Covered by Benefits Term

The following is a table of plan participants as of the June 30, 2017 valuation:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	242
Active Employees	252
Total number of participants	494

Actuarial Assumptions The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	7.00%
Discount rate	7.00%
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 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance July 1, 2016	$ 47,075,343	$ -	$ 47,075,343
Changes for the year:			
Service cost	146,376	-	146,376
Interest	3,208,534	-	3,208,534
Employer contributions	-	2,620,625	(2,620,625)
Benefit payments	(2,620,625)	(2,620,625)	-
Net change	734,285	-	734,285
Balance June 30, 2017	$ 47,809,628	$ -	$ 47,809,628

Sensitivity of the net pension liability to assumptions

The following presents the net OPEB liability calculated using the discount rate of 7.0 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 (6.0 percent) and 1 percent higher (8.0):

	Discount Rate 1% Lower (6.00%)	Current Discount Rate (7.00%)	Discount Rate 1% Higher (8.00%)
Net OPEB liability	$ 53,663,307	$ 47,809,628	$ 42,991,971

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):

	Trend Rate 1% Lower (3.00%)	Trend Rate Current Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	$ 42,842,878	$ 47,809,628	$ 53,754,978

NOTE 9 – NET PENSION LIABILITY

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers' Retirement System (CalSTRS), and Classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 30,946,114	$ 8,801,689	$ 4,497,905	$ 2,996,563
CalPERS	20,501,600	6,345,847	755,616	3,898,907
Total	$ 51,447,714	$ 15,147,536	$ 5,253,521	$ 6,895,470

Pension Plans – California Public Employees' Retirement System (CalPERS)

General Information about the Pension Plan

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

General Information about the Pension Plan, continued

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.89%	13.89%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $1,829,103.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $20,501,600. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.086 percent and 0.090 percent, resulting in a net decrease in the proportionate share of 0.003 percent.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

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

For the year ended June 30, 2018, the District recognized pension expense of $3,898,907. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 365,238	$ -
Differences between expected and actual experience	755,854	-
Changes in assumptions	2,994,581	139,094
Net changes in proportionate share of net pension liability	401,071	616,522
District contributions subsequent to the measurement date	1,829,103	-
Total	$ 6,345,847	$ 755,616

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,479,081
2020	1,370,285
2021	1,402,789
2022	(491,027)
	$ 3,761,128

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

Actuarial assumptions. For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

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. These geometric rates of return are net of administrative expenses:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

*An expected inflation of 2.5% used for this period
**An expected inflation of 3.0% used for this period

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 Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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 in the following table:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	$ 30,164,423	$ 20,501,600	$ 12,485,479

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS CAFR at https://www.calpers.ca.gov.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS)

General Information about the Pension Plan

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

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

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2018 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

General Information about the Pension Plan, continued

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $2,870,179.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately $1,393,551 to CalSTRS.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its

proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	$	30,946,114
State's proportionate share of the net pension liability associated with the District		18,307,608
Total	$	49,253,722

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.033 percent and 0.037 percent, resulting in a net decrease in the proportionate share of 0.004 percent.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

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

For the year ended June 30, 2018, the District recognized pension expense of $2,996,563. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ -	$ 1,263,026
Differences between expected and actual experience	114,441	595,472
Changes in assumptions	5,732,985	-
Net changes in proportionate share of net pension liability	84,084	2,639,407
District contributions subsequent to the measurement date	2,870,179	-
Total	$ 8,801,689	$ 4,497,905

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (121,909)
2020	(121,907)
2021	383,142
2022	(536,881)
2023	856,594
Thereafter	974,566
	$ 1,433,605

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

Actuarial Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 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%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

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 Assembly Bill 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.

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%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	$ 45,438,719	$ 30,946,114	$ 19,184,382

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS CAFR at http://www.calstrs.com/comprehensive-annual-financial-report.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

The District received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 11 – JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint power agreements with the following joint powers authorities (JPAs): Schools Excess Liability Fund (SELF), Tri-County Schools Insurance Group (TCSIG), Northern California Community Colleges Self Insurance Authority (NCCC SIA), California Asset Management Program (CAMP), Statewide Association of Community Colleges (SWACC), and CALPERS CERTB. 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.

TCSIG arranges for and provides health benefits coverage for its member districts. CALPERS CERTB has established the Retiree Health Benefit Program (RHBP) to use funds invested by the District to pay postemployment health care and welfare benefits for eligible employees and retirees. As of June 30, 2018, no funds have been contributed to RHBP. CAMP is a JPA created to provide investment management services for surplus funds and comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of tax-exempt financings. The District participates in the remaining JPAs to mitigate its risks associated with property and liability insurance, as well as workers' compensation coverage, as described further in note 2 above.

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 (except CAMP and CCLC) 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 (except CAMP). Separately issued financial statements can be requested from each JPA.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The beginning net position decreased by $31,881,620. This was due to adjustments made to bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 2, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75.

NOTE 13 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2018 through December 31, 2018, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		2018
Total OPEB liability		
Service cost	$	146,376
Interest on Total OPEB Liability		3,208,534
Benefit payments		(2,620,625)
Net change in total OPEB liability		734,285
Total OPEB liability, beginning of year		47,075,343
Total OPEB liability, end of year (a)	$	47,809,628
Plan fiduciary net position		
Employer contributions	$	2,620,625
Benefit payments		(2,620,625)
Change in plan fiduciary net position		-
Fiduciary trust net position, beginning of year		-
Fiduciary trust net position, end of year (b)	$	-
Net OPEB liability(asset), ending (a) - (b)	$	47,809,628
Covered payroll	$	31,107,043
Plan fiduciary net position as a percentage of the total OPEB liability(asset)		0.00%
Net OPEB liability(asset) as a percentage of covered payroll		153.69%

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

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		2018
Actuarially determined contribution	$	2,725,450
Contributions in relations to the actuarially determined contribution		2,620,625
Contribution deficiency (excess)	$	104,825
Covered-employee payroll	$	31,107,043
Contribution as a percentage of covered-employee payroll		8.42%

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

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cal STRS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.033%	0.037%	0.037%	0.037%
District's proportionate share of the net pension liability	$ 30,946,114	$ 29,913,464	$ 24,782,820	$ 21,833,744
State's proportionate share of the net penesion liability associated with the District	18,307,608	17,031,708	13,107,344	13,202,697
Total	$ 49,253,722	$ 46,945,172	$ 37,890,164	$ 35,036,441
District's covered - employee payroll	$ 19,890,360	$ 18,168,275	$ 14,140,000	$ 10,247,997
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	155.58%	164.65%	175.30%	213.10%
Plan fiduciary net position as a percentage of the total pension liability	69.0%	70.0%	76.5%	76.5%

Cal PERS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.086%	0.090%	0.091%	0.102%
District's proportionate share of the net pension liability	$ 20,501,600	$ 17,689,266	$ 13,485,143	$ 11,533,112
District's covered - employee payroll	$ 13,168,488	$ 11,452,952	$ 10,040,717	$ 10,283,826
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	155.69%	154.45%	134.30%	112.10%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	83.4%	83.4%

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Reporting Fiscal Year			
CalSTRS	2018	2017	2016	2015
Statutorily required contribution	$ 2,870,179	$ 2,285,569	$ 2,031,915	$ 1,536,440
District's contributions in relation to the statutorily required contribution	2,870,179	2,285,569	2,031,915	1,536,440
District's contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 19,890,360	$ 18,168,275	$ 14,140,000	$ 10,274,997
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	14.37%	14.95%

	Reporting Fiscal Year			
CalPERS	2018	2017	2016	2015
Statutorily required contribution	$ 1,829,103	$ 1,590,815	$ 1,447,948	$ 1,233,459
District's contributions in relation to the statutorily required contribution	1,829,103	1,590,815	1,447,948	1,233,459
District's contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 13,168,488	$ 11,452,952	10,040,717	10,283,826
District's contributions as a percentage of covered-employee payroll	13.89%	13.89%	14.42%	11.99%

SUPPLEMENTARY INFORMATION

YUBA COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2018

The District, a political subdivision of the State of California, was established on July 1, 1964, and commenced operations on July 1, 1965. Its territories encompass Yuba, Sutter, and Colusa counties and portions of Glenn, Lake, Yolo, Butte, and Placer counties. There were no changes in boundaries during the fiscal year.

NAME	OFFICE	TERM EXPIRES
Michael Pasquale	President	2020
V. Richard Savarese	Vice President	2020
Richard Teagarden	Clerk	2018
Brent Hastey	Trustee	2020
Gary Sandy	Trustee	2018
Xavier Tafoya	Trustee	2020
David Wheeler	Trustee	2018
Michaela Christensen	Student Trustee	2019
Victoria Young	Student Trustee	2019

DISTRICT ADMINISTRATION

Dr. Douglas Houston
Chancellor

Dr. G.H. Javaheripour
President, Yuba College

Dr. Michael White
President, Woodland Community College

Mazie Brewington
Vice Chancellor Administrative Services

Dr. Sandra Mayo
Vice Chancellor Education and Planning

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
FEDERAL DIRECT AWARDS			
U.S. DEPARTMENT OF EDUCATION			
Financial Aid Cluster			
Federal Work Study Program	*	84.033	$ 352,736
Federal Pell Grant Program	*	84.063	14,252,139
Federal FSEOG	*	84.007	250,600
Total Financial Aid Cluster			14,855,475
TRIO Cluster			
TRIO - Student Support Services	*	84.042	712,798
TRIO - Upward Bound	*	84.047	482,469
Total TRIO Cluster			1,195,267
Total Direct U.S. Department of Education			16,050,742
U.S. DEPARTMENT OF LABOR			
WIOA Adult Program	*	17.258	290,112
Total Direct U.S. Department of Labor			290,112
DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	*	64.028	938
Total Department of Veterans Affairs			938
FEDERAL AWARDS PASSED THROUGH OTHER AGENCIES			
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program	2657-6A	10.558	112,760
Passed through Yuba County Office of Education			
Forest Reserve	*	10.992	2,942
Total U.S. Department of Agriculture			115,702
U.S. DEPARTMENT OF EDUCATION			
Passed Through Chancellor's Office			
Career and Technical Education - Basic Grants to States	*	84.048	411,503
Total U.S. Department of Education			411,503
Balance Forward			$ 16,868,997

*Pass-Through number is either not available or not applicable

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
Balance Brought Forward			$ 16,868,997
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Chancellor's Office			
Temporary Assistance for Needy Families	*	93.558	98,675
Passed Through California Department of Education			
Child Care and Development Block Grant	CCTR-2350	93.575	55,158
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CCTR-2350	93.596	119,997
Total			175,155
Passed Through Sutter County Office of Education			
MAA Medi-Cal Admin	09-86045	93.778	38,733
Total U.S. Department of Health and Human Services			312,563
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 17,181,560

*Pass-Through number is either not available or not applicable

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Entitlements		
	Current Year	**Prior-Year Carryover**	**Total Entitlement**
CATEGORICAL APPORTIONMENTS			
Extended Opportunity Program and Services	$ 1,682,832	$ -	$ 1,682,832
Cooperative Agencies Resources for Education	353,107	-	353,107
Disabled Student Program and Services	926,695	-	926,695
Board Financial Assistance Program	435,641	-	435,641
Full-Time Student Success Grant	756,500	46,636	803,136
Staff Development	-	9,434	9,434
Staff Diversity	-	80,471	80,471
Foster Care Education	343,458	-	343,458
Instructional Equipment	469,458	114,293	583,751
CalWORKS	517,355	-	517,355
Basic Skills	314,705	157,659	472,364
Student Support Services Program	2,234,102	606,890	2,840,992
Strong Workforce	1,827,684	886,626	2,714,310
AB 86 Adult Education	2,997,748	803,885	3,801,633
Veterans Resource Center	60,213	-	60,213
Student Equity Program	1,096,932	540,924	1,637,856
Subtotal	14,016,430	3,246,818	17,263,248
CATEGORICAL PROGRAM ALLOWANCES			
Puente Project	16,500	-	16,500
RN Capacity Building	211,000	-	211,000
Guided Pathways	360,321	-	360,321
Community College Completion	213,000	-	213,000
Dreamer Students	42,411	-	42,411
Hunger Free Campus	16,274	-	16,274
Campus Safety	28,887	-	28,887
Lottery	460,831	-	460,831
Foster Parent	108,500	22,408	130,908
Foster Care Education	31,500	-	31,500
ECE Mentor Teacher	1,000	115	1,115
State Preschool	1,046,294	-	1,046,294
Independent Living Program	155,000	-	155,000
WCC MESA	152,408	-	152,408
Child Development Training Consortium	25,000	1,750	26,750
First 5	42,187	-	42,187
Civic Impact	-	3,786	3,786
CCC Maker	100,000	8,205	108,205
WCC Textbook Program	-	36,000	36,000
WCC Faculty Entrepreneurship	-	5,304	5,304
WCC/BCOE Adelante Program	16,441	-	16,441
DSN	470,000	-	470,000
Nor Cal Stream Pathways	681,443	-	681,443
SB1070 Dual Enrollment	-	24,160	24,160
Apprenticeship Technical Assistance	922,340	-	922,340
IEPI Leadership	-	50,000	50,000
CCC Broadband Connect	71,190	-	71,190
Konocti Middle College	99,840	-	99,840
Innovative and Effectiveness	200,000	-	200,000
Subtotal	5,472,367	151,728	5,624,095
Total State District Funding	$ 19,488,797	$ 3,398,546	$ 22,887,343

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

			Program Revenues		
	Cash Received	Accounts Receivable (Payable)	Grantor Advances	Total Revenue	Program Expenditures
CATEGORICAL APPORTIONMENTS					
Extended Opportunity Program and Services	$ 1,682,832	$ -	$ -	$ 1,682,832	$ 1,682,832
Cooperative Agencies Resources for Education	353,107	-	-	353,107	353,107
Disabled Student Program and Services	926,695	-	-	926,695	926,695
Board Financial Assistance Program	435,641	-	-	435,641	435,641
Full-Time Student Success Grant	802,800	-	87,300	715,500	715,500
Staff Development	9,434	-	9,434	-	-
Staff Diversity	80,471	-	80,471	-	-
Foster Care Education	328,430	15,028		343,458	343,458
Instructional Equipment	952,815	-	478,583	474,232	474,232
CalWORKS	517,355	-	-	517,355	517,355
Basic Skills	472,364	-	273,549	198,815	198,815
Student Support Services Program	2,890,992	-	393,550	2,497,442	2,497,442
Strong Workforce	2,379,902	347,487	1,180,851	1,546,538	1,546,538
AB 86 Adult Education	3,801,632	-	807,866	2,993,766	2,993,766
Veterans Resource Center	60,213		60,213	-	-
Student Equity Program	1,637,856	-	633,891	1,003,965	1,003,965
Subtotal	17,332,539	362,515	4,005,708	13,689,346	13,689,346
CATEGORICAL PROGRAM ALLOWANCES					
Puente Project	16,500	-	11,837	4,663	4,663
RN Capacity Building	84,400	126,600	-	211,000	211,000
Guided Pathways	360,321	-	342,161	18,160	18,160
Community College Completion	200,280	-	8,002	192,278	192,278
Dreamer Students	42,411	-	462	41,949	41,949
Hunger Free Campus	16,274	-	8,257	8,017	8,017
Campus Safety	28,887	-	28,887	-	-
Lottery	460,831	-	-	460,831	460,831
Foster Parent	72,845	44,400	-	117,245	117,245
Foster Care Education	16,735	12,994	-	29,729	29,729
ECE Mentor Teacher	1,971	-	-	1,971	1,971
State Preschool	1,046,294	-	-	1,046,294	1,046,294
Independent Living Program	98,134	56,745	-	154,879	154,879
WCC MESA	29,806	86,031	-	115,837	115,837
Child Development Training Consortium	19,850	3,344	-	23,194	23,194
First 5	31,640	10,547	-	42,187	42,187
Civic Impact	3,786	-	3,786	-	-
CCC Maker	51,836	72,068	-	123,904	123,904
WCC Textbook Program	36,000	-	16,238	19,762	19,762
WCC Faculty Entrepreneurship	5,304	-	5,304	-	-
WCC/BCOE Adelante Program	-	4,933	-	4,933	4,933
DSN	160,000	312,868	-	472,868	472,868
Nor Cal Stream Pathways	-	269,817	-	269,817	269,817
SB1070 Dual Enrollment	24,160	7,723	-	31,883	31,883
Apprenticeship Technical Assistance	611,473	-	11,781	599,692	599,692
IEPI Leadership	50,000	-	17,067	32,933	32,933
CCC Broadband Connect	71,185	-	-	71,185	71,185
Konocti Middle College	80,000	19,840	-	99,840	99,840
Innovative and Effectiveness	200,000	-	106,310	93,690	93,690
Subtotal	3,820,923	1,027,910	560,092	4,288,741	4,288,741
Total State District Funding	$ 21,153,462	$ 1,390,425	$ 4,565,800	$ 17,978,087	$ 17,978,087

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	10.53	-	10.53
2. Credit	156.56	-	156.56
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	-	-	-
2. Credit	743.33	-	743.33
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,792.94	-	4,792.94
(b) Daily Census Contact Hours	189.69	-	189.69
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	190.56	-	190.56
(b) Credit	548.84	-	548.84
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	599.40	-	599.40
(b) Daily Census Contact Hours	211.89	-	211.89
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	7,443.74	-	7,443.74
Supplemental Information (subset of above information)			
E. In-service Training Courses	42.40	-	42.40
F. Basic Skills Courses and Immigrant Education			
1. Credit	561.81	-	561.81
2. Noncredit	193.47	-	193.47
Total Basic Skills FTES	755.28	-	755.28
CCFS 320 Addendum			
CDCP Noncredit FTES	-	-	-
Centers FTES			
1. Credit	1,905.99	-	1,905.99
2. Noncredit	23.50	-	23.50
Total Centers FTES	1,929.49	-	1,929.49

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund Unrestricted
Annual Financial and Budget Report (CCFS-311)	
Fund Balance	$ 7,703,099
Adjustments and reclassifications increasing (decreasing) the fund balance	
Decrease in property tax revenues	(195,724)
Net Adjustment and Reclassifications	(195,724)
Audited Financial Statements Fund Balance	$ 7,507,375

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	8,727,528	-	8,727,528	8,728,040	-	8,728,040
Other	1300	8,458,269	-	8,458,269	8,458,269	-	8,458,269
Total Instructional Salaries		17,185,797	-	17,185,797	17,186,309	-	17,186,309
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,357,008	-	4,357,008
Other	1400	-	-	-	334,364	-	334,364
Total Non-Instructional Salaries		-	-	-	4,691,372	-	4,691,372
Total Academic Salaries		17,185,797	-	17,185,797	21,877,681	-	21,877,681
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	6,821,032	-	6,821,032
Other	2300	-	-	-	950,003	-	950,003
Total Non-Instructional Salaries		-	-	-	7,771,035	-	7,771,035
Instructional Aides							
Regular Status	2200	574,744	-	574,744	574,744	-	574,744
Other	2400	278,489	-	278,489	278,822	-	278,822
Total Instructional Aides		853,233	-	853,233	853,566	-	853,566
Total Classsified Salaries		853,233	-	853,233	8,624,601	-	8,624,601
Employee Benefits	3000	5,560,062	-	5,560,062	11,942,254	-	11,942,254
Supplies and Materials	4000	-	-	-	369,478	-	369,478
Other Operating Expenses	5000	237,659	-	237,659	5,590,128	-	5,590,128
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		23,836,751	-	23,836,751	48,404,142	-	48,404,142
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	94,182	-	94,182
Student Transportation	6491	-	-	-	3,183	-	3,183
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	564,016	-	564,016
Lottery Expenditures							
Academic Salaries	1000	-	-	-	1,197,590	-	1,197,590
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400						
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		$ -	$ -	$ -	$ 1,858,971	$ -	$ 1,858,971
Total for ECS 84362, 50% Law		$ 23,836,751	$ -	$ 23,836,751	$ 46,545,171	$ -	$ 46,545,171
Percent of CEE (Instructional Salary Cost/Total CEE)		51.21%	0.00%	51.21%	100.00%	0.00%	100.00%
50% of Current Expense of Education		$ -	$ -	$ -	$ 23,272,586	$ -	$ 23,272,586

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EPA Revenue	7,058,277

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	7,058,277	-	-	7,058,277
Total		7,058,277	-	-	7,058,277

See accompanying note to the supplementary information.

YUBA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Equity - District Funds Included in the Reporting Entity		$ 52,786,967
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	$ 14,475,896	
Depreciable capital assets	224,892,551	
Accumulated depreciation	(61,465,907)	177,902,540
Unmatured Interest		(2,596,044)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(51,447,714)
Long-term debt		(243,916,364)
Deferred outflows of resources		28,015,975
Deferred inflows of resources		(8,450,846)
Net Position Reported Within the Statements of Net Position		$ (47,705,486)

See accompanying note to the supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organizational Structure

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Revenues and Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

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

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

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

Reconciliation of the ECS 84362 (50 Percent Law) Calculation

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

NOTE 1 – PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

The Board of Trustees
Yuba Community College District
Yuba City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Yuba Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Yuba Community College District's basic financial statements, and have issued our report thereon dated December 31, 2018.

Emphasis of Matter – Change in Accounting Principles
As discussed in Note 2 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yuba 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Yuba Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Yuba 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies (Findings #2018-01 through #2018-03).

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Yuba 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 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.

CWDL, Certified Public Accountants

San Diego, California
December 31, 2018

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

The Board of Trustees
Yuba Community College District
Yuba City, California

Report on Compliance for Each Major Federal Program

We have audited Yuba 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 Yuba Community College District's major federal programs for the year ended June 30, 2018. Yuba 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Yuba 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 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 Yuba Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Yuba Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, Yuba 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, 2018.

Report on Internal Control Over Compliance

Management of Yuba 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 Yuba 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 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 Yuba 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 31, 2018

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Yuba Community College District
Yuba City, California

Report on State Compliance

We have audited Yuba Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Yuba Community College District's compliance with the 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 Community Colleges Contracted District Audit Manual (CDAM) 2017-18*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Yuba 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 with the requirements referred to above. However, our audit does not provide a legal determination of Yuba Community College District's compliance with those requirements.

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Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2018.

Procedures Performed

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

Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Instructional Service Agreements/Contracts
Section 424 – State General Apportionment Funding System
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428 – Student Equity
Section 429 – Student Success and Support Program (SSSP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 435 – Open Enrollment
Section 439 – Proposition 39 Clean Energy
Section 440 – Intersession Extension Program
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 479 – To Be Arranged Hours (TBA)
Section 490 – Proposition 1D State Bond Funded Projects
Section 491 – Proposition 55 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 31, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YUBA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major programs:

CFDA Numbers	Name of Federal Program of Cluster
84.007, 84.033, 84.063	Student Financial Aid Cluster

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

STATE AWARDS

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

Section II – Financial Statement Findings

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

FINDING #2018-01 – CASH ACCOUNT RECONCILIATION

Criteria – District Administrative Procedure 6300 requires proper safeguarding and managing of District assets to ensure ongoing effective operations; maintenance of adequate cash reserves; and implementation and maintenance of effective internal controls.

Condition – In our testing over cash account reconciliations, we noted that bank accounts were not always reconciled timely, and preparer and reviewer signature and date were not in place.

Effect – Non-compliance with District procedures and effective internal controls.

Cause – The District did not have a formal policy or practice in place to ensure accounts are properly reconciled.

Fiscal Impact – No direct fiscal impact.

District Response-The District has evaluated its current practice of waiting to complete bank account reconciliations with the required county cash accounts reconciliations. The reconciliation processes are now separated by county registers and bank accounts and thereby allowing for timely completion and providing stronger internal controls. In addition, a reinstatement of the preparer and reviewer signatures and dates are affixed to completed reconciliations. All statements received so far in the current fiscal year (2018-19) follow the recommended controls. The staff was asked verbally to make these changes, and management is in the process of documenting this internal control procedure.

FINDING #2018-02 – CREDIT CARDS

Criteria – District Administrative Procedure 6300 requires proper safeguarding and managing of District assets to ensure ongoing effective operations; maintenance of adequate cash reserves; and implementation and maintenance of effective internal controls.

Condition – During our review and testing of the District credit card policy, procedures, and transactions we noted an opportunity to strengthen controls by including the following elements:

- Formal credit card policy signed by each cardholder annually
- Identify and document specific spending limits by cardholder – this amount should be included in the cardholder agreement
- Maximum spending limits should be monitored, and any variances documented

Effect – Non-compliance with District procedures and effective internal controls.

Cause – The District did not have a formal policy or practice in place to ensure credit card controls included all necessary elements.

Fiscal Impact – Unknown. The District is undergoing an analysis of card usage to determine whether district purchasing processes have been circumvented, or whether any purchases were unallowable and went undetected under past practices.

District Response – The District is currently undergoing a full and complete analysis of District issued Credit Cards, specifically the CAL Card. A recommendation will be provided to the Chancellor about future usage of the card, authorizations and purchasing limits, and how to best ensure utilization of the District's existing purchasing processes and systems in order to provide the best stewardship of District's funds while providing timely and adequate support services. Also, upon completion of this study, a written process, specifically in the three areas noted above and many others will be addressed. In rare cases, the District is currently issuing the CAL Card to new employees and are ensuring the three controls noted above are completed at the time of issuance. The District is in the process of reviewing all current cardholder agreements and will make any necessary corrections for compliance with this finding.

FINDING #2018-03 – PROPERTY TAX REVENUE

Criteria – District Administrative Procedure 6300 requires proper safeguarding and managing of District assets to ensure ongoing effective operations; maintenance of adequate cash reserves; and implementation and maintenance of effective internal controls.

Condition – During our review and testing of the District property tax revenue and accounts receivable we noted that a thorough reconciliation of all revenues is not being completed by the District. To properly strengthen controls and ensure accurate reporting and budgeting the District should reconcile the projected property taxes as outlined in its Total Computational Revenue with actuals received and reported by all counties. In addition, the District should consistently accrue property taxes revenues received after June 30 of each fiscal that relate to the prior year.

Effect – Non-compliance with District procedures and effective internal controls.

Cause – The District had been reporting property revenue on a cash basis, which is an allowable practice, but was not consistently applying that method and there was no formal reconciliation in place.

Fiscal Impact – Unknown. The District is working with the State Chancellor's Office and the external auditors from CWDL, CPAs to determine the final fiscal impact on the Districts funding of property taxes and apportionment (via apportionment adjustment in 2018-19) and also impact to the District budget.

District Response – The District is in the process of creating a well-defined closing schedule throughout the fiscal year, but specifically at year-end when reconciliations of funds are critical to the District's financial standing. Staff will make better use of the Chancellor Office Local Property Tax Revenue Actual/Estimate Reports throughout the fiscal year in concert with State General Apportionment Reports (Exhibit C). In addition, we will work more closely with the county offices to ensure we adequately correspond on closing figures at year-end.

Section III – Federal Award Findings and Questioned Costs

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

There were no federal award findings or questioned costs identified during 2017-18.

Section IV – State Award Findings and Questioned Costs

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

There were no state award findings or questioned costs identified during 2017-18.

FINDING #2017-1 – CASH RECEIPTS SEGREGATION OF DUTIES

Criteria – District internal control procedures over cash receipts require that no person with access to cash receipts have sole responsibility over access, recording and custody.

Condition – In our testing over cash receipts, we noted that the senior accounting technician receives cash, posts receipts, and deposits the cash to the bank.

Effect – Non-compliance with District procedures.

Cause – Staffing changes during the fiscal year resulted in one employee taking on additional tasks within the cash receipting process, resulting in a segregation of duties issue.

Fiscal Impact – No direct fiscal impact.

Recommendation - We recommend the District segregate the core duties over the cash handling process at the District office.

Corrective Action Plan – The District acknowledges this comment as a result of staffing limitations. Reassignment of these core duties has been made to ensure all controls are segregated over the cash receipt process.

Current Status – Implemented in 2017-18.