Annual Financial Report
June 30, 2019

Palomar Community College District

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PALOMAR COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2019

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palomar Community College District
San Marcos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Palomar Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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, and the 2018-2019 *Contracted District Audit Manual*, 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 the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 25, and other required supplementary schedules on pages 74 through 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

San Diego, California
December 13 2019

The Management's Discussion and Analysis (MD&A) of Palomar Community College District of San Marcos, California (d/b/a Palomar College, the District, or the College) provides an overview of the District's financial activities and results of operations for the years ended June 30, 2019 and 2018. The District's administration prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Since this MD&A is designed to focus on current activities, resulting change and currently known facts, it is best read in conjunction with the District's financial statements and the accompanying notes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's administration.

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

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

THE DISTRICT

The California Community Colleges form the largest system of higher education in the nation composed of 73 districts encompassing 115 colleges serving approximately 2.1 million students per year. Community colleges supply certificate and degree programs, basic skills education, workforce education training, and preparation for transfer to four-year institutions.

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

Rendering of *Rancho Bernardo Education Center*

Rendering of Proposed *Fallbrook Education Center*

Palomar Community College District is a public, two-year community college that offers more than 150 associate degrees and certificates through programs that meet the California Education Code of Regulations, Title 5 curriculum requirements. It also provides noncredit community development and personal entitlement courses for lifelong learning. In fiscal year 2018-19, a total of 4,780 degrees and certificates were earned by students, an increase of 7% from the prior year. At Palomar, students may choose from a variety of courses and programs offered through face-to-face, distance education, or in a hybrid format that lead to associate degrees, certificates of achievement, and/or transfer to four-year institutions. The College is organized into five instructional divisions: 1) Arts, Media, and Business Administration; 2) Career, Technical, and Extended Education; 3) Languages and Literature; 4) Mathematics and the Natural and Health Sciences; and 5) Social and Behavioral Sciences.

Our vision is "***Learning for Success***" and it is our mission "*to provide an engaging teaching and learning environment for students of diverse origins, experiences, needs, abilities, and goals. As a comprehensive community college, we support and encourage our students who are pursuing transfer-readiness, general education, basic skills, career and technical training, aesthetic and cultural enrichment, and lifelong education.*" The District promotes open access and celebrates the diversity of its students, faculty, staff, and the community. Annually, we serve about 36,000 full-time and part-time students. Approximately 31 percent of students are enrolled full-time in credit courses, while about 63 percent are enrolled part-time in credit courses, and 6 percent are enrolled in noncredit courses. About 64 percent of our students are 24 and under, while 36 percent are 25 and older. The diversity of our students and employees creates a dynamic, exciting environment in which to work and learn. We are proud to have been designated by the U.S. Department of Education as a Hispanic-serving institution.

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

ACCREDITATION

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

BUDGETARY AND FINANCIAL INFORMATION

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

The California Community Colleges System has a diverse student body and has a mission that includes reducing equity gaps, providing educational access and opportunity, and strengthening the State's economy. Beginning in fiscal year 2018-19, funding for community colleges is based on the new *Student Centered Funding Formula* that was officially adopted in the California Budget Act of 2018. Details of the new formula can be found in Assembly Bill 1809 and as summarized by the Governor in his annual budget. In reforming the funding formula for general purpose apportionments, the State aims to advance the goals outlined in the *Vision for Success* adopted by the Board of Governors, which includes the goal of closing achievement gaps for historically underrepresented students by 2022. The new formula supports access through enrollment-based funding and also focuses on rewarding student equity and success by targeting funds to districts serving low-income students and by providing additional resources for students' successful outcomes.

The California Community Colleges Chancellor's Office calculates the Total Computational Revenue for the District, subtracts the amount of local property taxes, Education Protection Account funding, and student enrollment fees, and the balance is paid from the State's General Fund. Local property taxes consist primarily of secured and unsecured taxes which are payable to the District in December and April of each year. The County of San Diego collects the taxes on behalf of the District. Student enrollment fees of $46 per credit unit are collected by the District. In 2018-2019, the District's Governing Board adopted a total budget of $529,931,858 for all funds.

MEASURE M (2006) $694 MILLION GENERAL OBLIGATION BOND

Palomar Community College District has been providing quality education to its service area residents for over 70 years. In August 2003, the College completed the comprehensive Educational and Facilities Master Plan 2022, containing the identified needs of the District and the community; these include: construction of new instructional and support buildings, modernization of existing buildings, infrastructure upgrades, equipping the District sites and facilities, and the development of two educational centers in Fallbrook and Rancho Bernardo. In November 2006 General Election, 57.9 percent of registered voters approved Measure M, a $694 million educational facilities bond measure. The total proposition is funded through the sale of several series of bonds. The bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes levied by the San Diego County Board. The amount of the *ad valorem* taxes to repay the bonds is determined by the relationship between the assessed valuation of taxable property within the District's jurisdiction and the amount of debt service due on the bonds in any year. For fiscal year 2018-19, the taxable property within the District's jurisdiction has an assessed valuation of $121,300,684,419.

As a governmental unit, the District's financing activities and choices are bound by federal and State restrictions. An Independent Citizens' Oversight Committee (ICOC) reviews the expenditure of funds to ensure that bond proceeds are expended only for projects to be conducted in completion of the Master Plan 2022.

History of the District's Credit Ratings

Prop M Bonds Issued	Moody's	S&P
April 27,2017	**Aa1**	**AA**
April 8, 2015	Aa2	AA-
November 12, 2010	Aa2	AA-
May 2, 2007	Aa3	AA-

The District has issued 100 percent of the $694 million in bond authorization. The first of four issuances in the amount of $160 million took place in May 2007; the second issuance in the amount of $175 million was made in November 2010; and the third issuance in the amount of $220 million took place in April 2015. In April 2017, the fourth and final series was issued at $139 million with a traditional near 30-year term at an all-in interest rate of 3.95 percent. The ability to achieve this low rate of funding was bolstered by the improved credit ratings assigned by Moody's Investors Service (Moody's) and S&P Global (S&P). Moody's upgraded the District to "Aa1" and S&P upgraded the District to "AA".

The District's administration made the decision to parlay its improved credit ratings and take advantage of the low interest rate environment to refinance almost $100 million of its outstanding bonds. The District was able to reduce the interest rates on the previously issued bonds from an average of almost 5.00 percent to an all-in interest rate of approximately 3.75 percent, saving taxpayers nearly $34.3 million in interest costs over 28 years as the savings in interest rates translates to lower property taxes. The improved credit ratings are estimated to contribute approximately $550,000 of this benefit. The District also structured the refinancing to preserve approximately $7.3 million in future federal interest cost subsidies that were afforded by a program established under the Obama administration's American Recovery and Reinvestment Act of 2009. This refinancing was in addition to the one undertaken in January 2015, which saved taxpayers $17.5 million in future property taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

Palomar Community College District's financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* These statements allow for the presentation of financial activity and results of operations which focus on the District as a whole. The entity-wide financial statements present the overall status of operations whereby all of the District's overall financial activities are consolidated into one total rather than the traditional presentation by individual fund groups. This annual report consists of three parts: MD&A (this section), the basic financial statements, and supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The financial position is presented as of June 30, 2019 and 2018 and consists of three primary statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows.

FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR 2018-19

Key financial highlights for fiscal year ending June 30, 2019, are as follows:

- The District's primary funding source is from the apportionment received from the State of California. The 2018 Budget Act established the new *Student Centered Funding Formula* (SCFF) for general purpose apportionments with system's goals and priorities related to student access, equity, and success. During 2018-19, the District reported a total Resident Full-Time Equivalent Students (FTES) of 17,911 in the *Second Principal* State Apportionment Report as compared to 19,204 in 2017-18 fiscal year, a decrease of 1,293 reported Resident FTES or 6.7%. The State holds districts harmless to the fiscal year 2017-18 funding levels due to the formula change.

- For 2018-19, the District's Governing Board adopted a total budget of $529,931,858, of which $149,978,120 was the General Unrestricted Fund, the chief operating fund of the District. As reported to the State Chancellor's Office on the Annual Financial and Budget Report (CCFS-311), the District ended the year with an Unrestricted General Fund balance of $20,685,860 or 14.6% of total expenditures and outgo. This reflects a $1,204,610 decrease in fund balance from the prior year, based on the modified accrual basis of accounting. A portion of the ending fund balance is set aside to meet the Governing Board's minimum reserve level of 7% (or Chancellor's Office recommended reserve level of 5% of expenditures) for economic uncertainties. The balance above the 7% reserve level has been earmarked to address or partially address certain unfunded cost escalations in the coming years. The CCFS-311 report focuses on fund types rather than on the District as a whole.

- According to the Governmental Accounting Standards Board (GASB) government-wide financial statements, equity is reported as "net position" rather than "fund balance." The District's total net position, reported as a whole, decreased from $(155,774,339) to $(183,153,075), a decrease of $27,378,736 from the prior year.

- Revenues in 2018-2019 increased from the prior year by $13,281,630 or 7.20%. Increases in revenues are primarily attributed to increases in property taxes, investment income, federal and State grants, and State apportionments, which include the Cost-of-Living Allowance (COLA) of 2.71%. Local property taxes are received through the Auditor-Controller's Office for San Diego County. In 2018-19, property taxes received by the District increased from prior year by approximately 5.7% as a result of strengthening economy and increased assessment related to General Obligation Bonds.

- Expenses in 2018-2019 increased from the prior year by $15,263,123 or 7.25%. The primary operating expenditure of the District is the payment of salaries and benefits to instructional and non-instructional faculty and staff as well as District administrators. Capital financing activities relate to the spending of Measure M Bond proceeds. Overall expenses increased due to increases in salaries and benefits, student financial aid, and depreciation. In addition to the costs of current employees, the District provides insurance benefits to retirees meeting plan eligibility requirements. Higher supplies and equipment expenses in 2017-18 compared to 2018-19 are related to the initial purchases of fixtures, furniture, and equipment for the two new education centers. The District's operating expenses for the year, as reflected in the district-wide financial statements, totaled $225,822,223. Operating revenues of $60,403,286 amount to 30.4% of total revenues. Nonoperating and other revenues total $133,887,868 or 69.6% of total revenues.

- Capital asset equipment and building improvements during 2018-19 amounted to $220,925,008. Net depreciation expense totaled $10,063,559.

- Long Term Debt of the District at June 30, 2019 amounted to $1,088,056,410 and consisted primarily of General Obligation Bonds, aggregate net pension obligation, and net OPEB liability. Of this amount, a total of $10,269,126 is due within a year.

- As a condition of the passage of the District's $694 million General Obligation Bond, Measure M (2006), an independent Citizens' Oversight Committee was formed under Proposition 39 requirements and met quarterly. The meetings are generally held at 12:30 p.m. during the months of December, March, June, and September at the Palomar College main campus.

- The District provides student financial aid to qualifying students of the District in the amount of $22,462,992. This aid is provided through grants and loans from the Federal government, State Chancellor's Office, and local funding.

- The District met or exceeded all federal and State mandate requirements, including the Fifty-Percent Law, the Faculty Obligation Numbers (FON), and the State Chancellor's Office general reserve requirement of 5%.

STATEMENT OF NET POSITION

The focus of the Statement of Net Position is to illustrate the financial position of the District at a point in time. The Statement of Net Position combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. This statement presents all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as a whole. It is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position provides a snapshot of the District's overall financial condition as of June 30, 2019 and 2018.

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

Changes in Assets

The District's assets consist of cash, investments, net accounts receivable, capital assets, and other assets. These assets are resources with present capability to enable the College to provide services and continue its operations.

Current cash and investments consist mainly of unrestricted and restricted cash invested primarily in the San Diego County investment pool. As provided for by California Education Code Section 41001, a significant portion of the District's cash balances, totaling $267,253,767, is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool. The District's cash and investments decreased from $407,156,850 to $371,580,026 primarily due to increases in operating expenses, ongoing capital construction, purchases, and acquisitions.

Accounts receivables primarily represent funding owed to the District by students, by federal and State sources for grant and entitlement programs, and by local sources for all other purposes. The District provides for an allowance for uncollectible accounts as an estimation of amounts it may not receive. The total owed to the District by all sources is $12,851,145. Other current assets include prepayments to vendors for goods or services that will not be received until the following fiscal year.

Capital assets represent the District's investment in land, site improvements, buildings, building improvements, construction in progress, and equipment, less the cost of accumulated depreciation. Capital assets are recorded at cost on the date of acquisition or fair value at the date of donation. The District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 50 years for buildings, 30 years for building improvements or additions, 10 years for land improvements, 8 years for equipment, 7 years for library books, and 3 years for technology equipment. Land and construction in progress are considered non-depreciable capital assets; therefore no depreciation is calculated. As of June 30, 2019, the District recorded $597,760,891 invested in capital assets, $85,517,721 in accumulated depreciation, netting 512,243,170 recorded in net capital assets. Capital assets increased by a net value of $12,158,554 from the previous year.

Changes in Deferred Outflows of Resources

Deferred outflows of resources include amounts associated with the refunding of debt, other post-employment benefits (OPEB), and pension contributions made during the fiscal year that are removed from expenses. The net decrease of $3,506,300 from last year reflects increases in statutory rates for pension contributions, the contributions subsequent to the measurement date associated with the OPEB plan of the District and the amortization of the general obligation bond refunding.

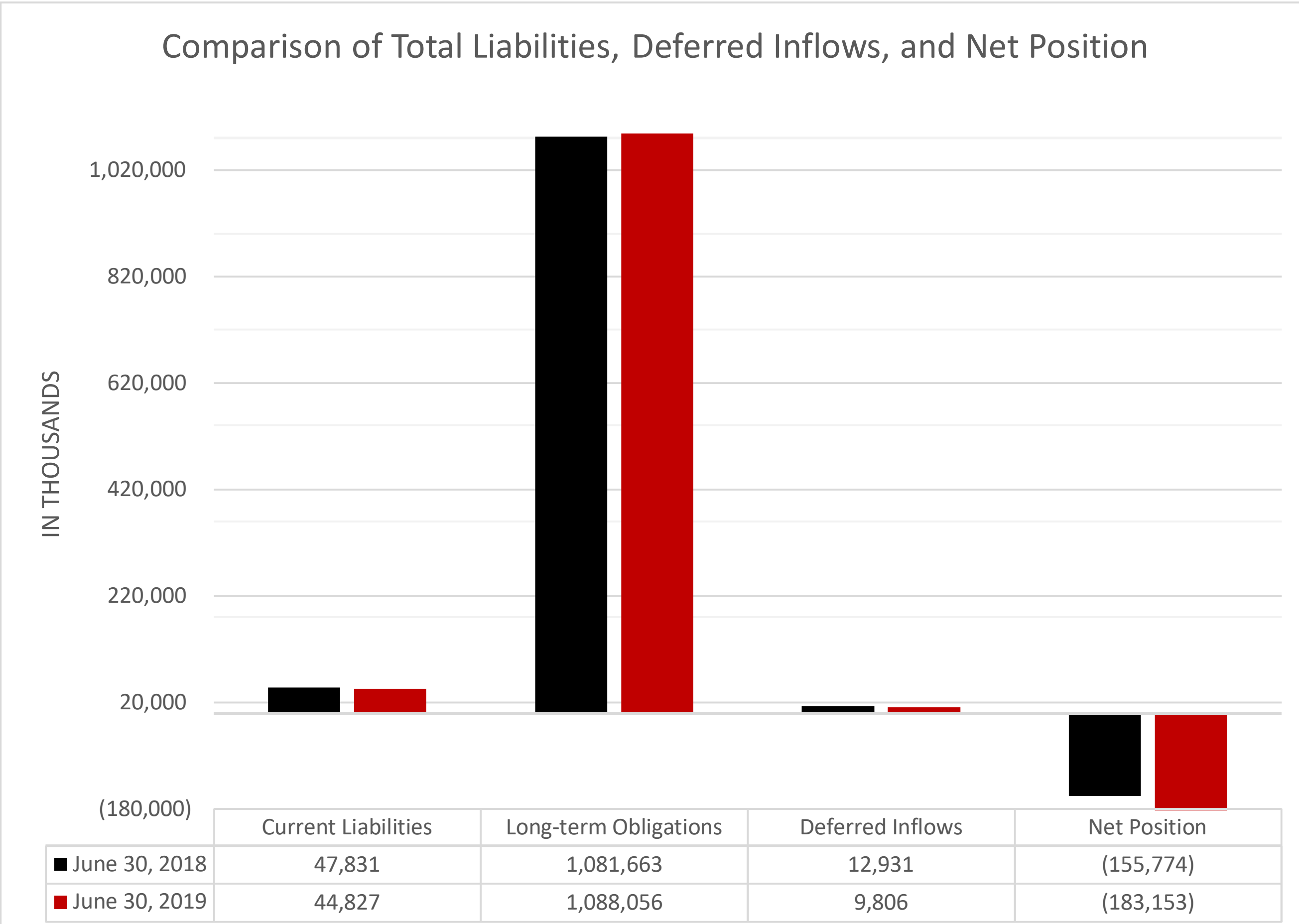
Changes in Liabilities

The District's total liabilities consist of current liabilities and long-term obligations. Current liabilities represent amounts owed to vendors for services and goods received during fiscal year 2018-2019 for which payment would not be made until fiscal year 2019-2020. Also included are accrued payroll and outstanding debt and related interest payable. Unearned revenue includes deferred enrollment fees for the 2018-19 academic year and advances from federal, state, and local program funds received but not yet earned as of June 30, 2019. Most grant funds are earned when expended (up to the grant amount awarded). The District's current liabilities at June 30, 2019, were $3,003,535 less than at June 30, 2018.

The District's long-term obligations are debt with maturities of more than one year, consisting of $842,713,137 in voter-approved general obligation and lease revenue bonds, $141,232,835 in aggregate net pension obligation resulting from GASB 68 - *Accounting and Financial Reporting for Pensions*; $98,482,184 in net OPEB liability resulting from GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and $5,628,254 in other liabilities such as compensated absences, load banking, and Public Agency Retirement Services (PARS) Supplemental Early Retirement Program (SERP) obligation. At year end, the District has a net pension liability of $141,232,835 versus $131,764,723 last year, an increase of $9,468,112 or 7.2 percent. The General Obligation Bonds and Lease Revenue Bonds decreased by $4,484,179. The General Obligation Bonds are repaid through tax assessments on property located within the District boundaries and are not a direct obligation of the District's general fund. The net OPEB liability increased by $2,103,394. At June 30, 2019, the District recorded $1,088,056,410 in long term obligations, of which $10,269,126 is due within one year.

Changes in Deferred Inflows of Resources

Deferred inflows of resources represent pension costs, resulting from net change in proportionate share of net pension liability, the difference between projected and actual earnings on the pension plan investments, differences between expected and actual experience in the measurement of the total pension liability and changes of assumptions related to pension liability. This amount is deferred and amortized over five to seven years. Deferred inflows decreased by $3,125,034.



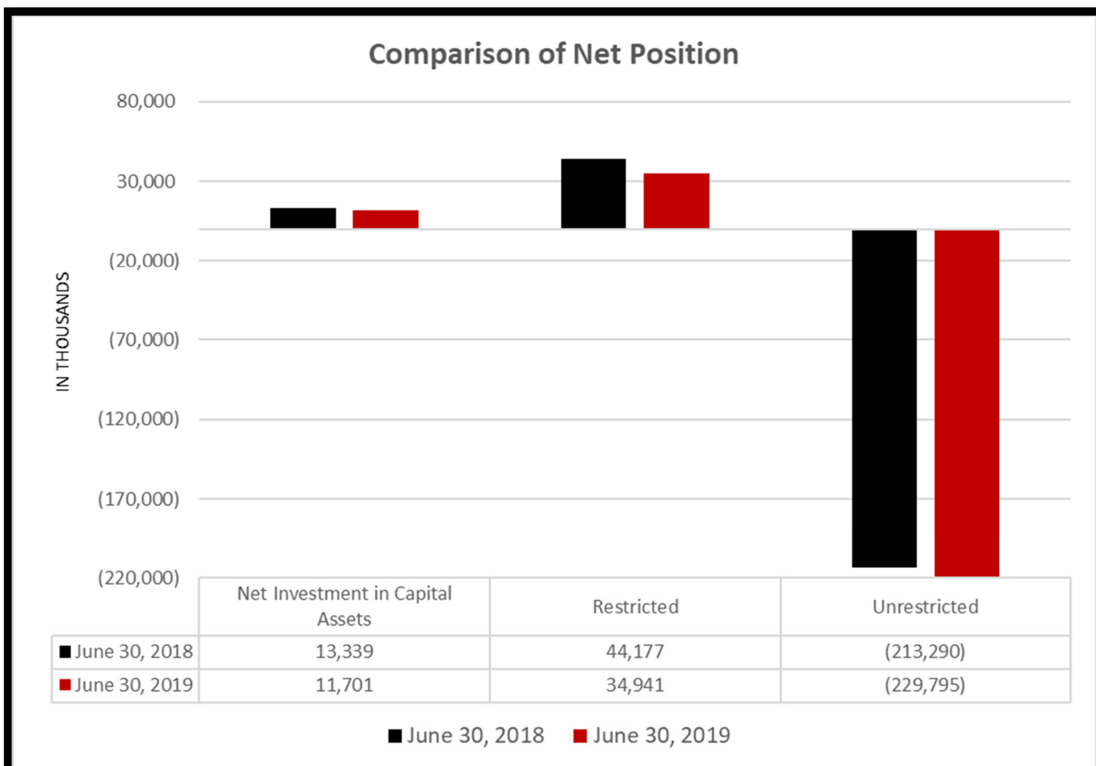
Changes in Net Position

Net position is an accounting concept defined as total assets and deferred outflows less total liabilities and deferred inflows. Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Overall the District's expenditures exceeded revenues resulting in a decrease in net position of $27,378,736, decreasing from $(155,774,339) to $(183,153,075). The net position is categorized between net investment in capital assets, restricted net assets, and unrestricted net assets.

The Net Investment in Capital Assets represents the net amount invested in property, plant, and equipment owned by the District (capital assets less net of accumulated depreciation and outstanding capital-related debt) and deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, or related debt. The Net Investment in Capital Assets of $11,701,269 reflects increased spending on capital assets and the impact of GASB Statements No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65 – *Items Previously Reported as Assets and Liabilities*. These funds are not liquid resources that can be used to fund ongoing operations.

Restricted Net Position represents funds that are constrained to a particular purpose and limited in terms of time for which the funds can be spent. It is subject to externally imposed restrictions governing their use. The Restricted Net Position of $34,940,720 consists of restricted assets less liabilities and deferred inflows of resources related to those assets. When an expense is incurred that can be paid using either restricted or unrestricted resources, the District first applies the expense toward restricted resources, and then towards unrestricted resources.

Unrestricted Net Position is defined by GASB Statements No. 34 and No. 35 as those assets that do not have external legal restrictions against them, including any amounts designated by the Governing Board. The Unrestricted Net Position decreased by $(16,505,084), decreasing from $(213,289,980) to $(229,795,064). reflects the impact of GASB Statements No. 68 - *Accounting and Financial Reporting for Pensions* and No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which require governmental agencies to report their proportional shares of net pension liabilities, resulting in a negative net position for the District. GASB 68 and 71 result in entries and adjustments regarding pension liabilities for reporting purposes only. Without these entries and adjustments, the financial picture would show that the District has reserves that meet current obligations.



STATEMENT OF NET POSITION FOR FISCAL YEARS 2019 AND 2018

A summarized comparison of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2019 and 2018, is presented below:

THE DISTRICT AS A WHOLE

Net Position

	2019	2018	Change
ASSETS			
Current Assets			
Cash and investments	$ 371,580,026	$ 407,156,850	$ (35,576,824)
Accounts receivable (net)	12,851,145	12,172,784	678,361
Prepaid expenses	890,264	777,883	112,381
Total Current Assets	385,321,435	420,107,517	(34,786,082)
Capital Assets (net)	512,243,170	500,084,616	12,158,554
Total Assets	897,564,605	920,192,133	(22,627,528)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	6,754,290	8,845,941	(2,091,651)
Deferred outflows of resources related to pensions	41,992,674	40,590,879	1,401,795
Deferred outflows of resources related to OPEB	2,956,307	5,772,751	(2,816,444)
Total Deferred Outflows of Resources	51,703,271	55,209,571	(3,506,300)
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	24,050,354	24,178,988	(128,634)
Unearned revenue	10,508,424	12,403,325	(1,894,901)
Current portion of long-term debt	10,269,126	11,249,126	(980,000)
Total Current Liabilities	44,827,904	47,831,439	(3,003,535)
Long-Term Obligations	1,077,787,284	1,070,413,807	7,373,477
Total Liabilities	1,122,615,188	1,118,245,246	4,369,942
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	9,805,763	12,930,797	(3,125,034)
NET POSITION			
Net investment in capital assets	11,701,269	13,338,679	(1,637,410)
Restricted	34,940,720	44,176,962	(9,236,242)
Unrestricted deficit	(229,795,064)	(213,289,980)	(16,505,084)
Total Net Position	$ (183,153,075)	$ (155,774,339)	$ (27,378,736)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the District's financial results of operations for the fiscal year. It reflects revenues and expenses recognized as of June 30, 2019 and 2018, and links the results of operations back to the Statement of Net Position by reconciling the beginning of the year net position to the end of the year net position amount.

The revenues and expenses are categorized as operating, nonoperating, and other, are reported by natural and functional classification. Revenues for the year totaled \$198,443,487 and expenditures totaled \$225,822,223 resulting in an overall decrease in net position by \$27,378,736.

Revenues

The two sources of operating revenues are tuition and fees, grants and contracts, and various auxiliary sales and charges. Tuition and fee revenue is reported net of discounts for tuition paid by various federal, State, and local grants, including those associated with the Title IV Higher Education Administration Program and State-mandated exemptions against tuition. Regular enrollment fees are set by the State for all community colleges and were \$46 per unit. Tuition and fee revenue decreased by \$918,504 in 2019 primarily due to the full year effect of an increase in non-resident tuition fees, instructional materials and other course-related fees. Auxiliary sales and charges are primarily bookstore and vending commissions.

State general apportionment, property taxes, grants and contracts, sales taxes and other revenues, and investment income, while budgeted for operations, are prescribed by GASB as nonoperating revenues. Thus, operating expenses exceed operating revenues, resulting in an operating loss of \$165,418,937.

State apportionments increased in 2018-19 by \$1,214,323 from 2017-18 due to the Cost-of-Living Allowance (COLA) funding and increases in categorical funding. Local property taxes increased by \$6,365,665 as the taxable assessed value of properties within the District boundaries increased from \$114.7 billion in 2017-18 to an all-time high of \$121.3 billion in 2018-19; however, the amount received by the District for property taxes is deducted from the total apportionment amount calculated by the State for the District.

Expenses

Operating expenditures increased by \$15,263,123 from the prior year. The vast majority of operating expenses are for the salaries and benefits of academic, classified, and administrative personnel, comprising of \$159,588,189 or 70.7 percent of the total operating expenses from a government-wide full accrual perspective. The \$29,948,058 increase in salaries and benefits was primarily due to such factors as negotiated contractual increases, movement on step and column placements, and additional hires. Benefits increased in 2019 due to the effect of the salary increases on variable benefits, increases in health benefit enrollment, and increases in the District's pension contribution rates. Supplies, maintenance, and equipment expenses are \$18,049,735 less than the prior year. Student financial aid increased by \$1,182,728. The \$2,182,072 increase in depreciation is due to the continued completion, capitalization, and subsequent depreciation of projects primarily resulting from the District's General Obligation Bond program.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

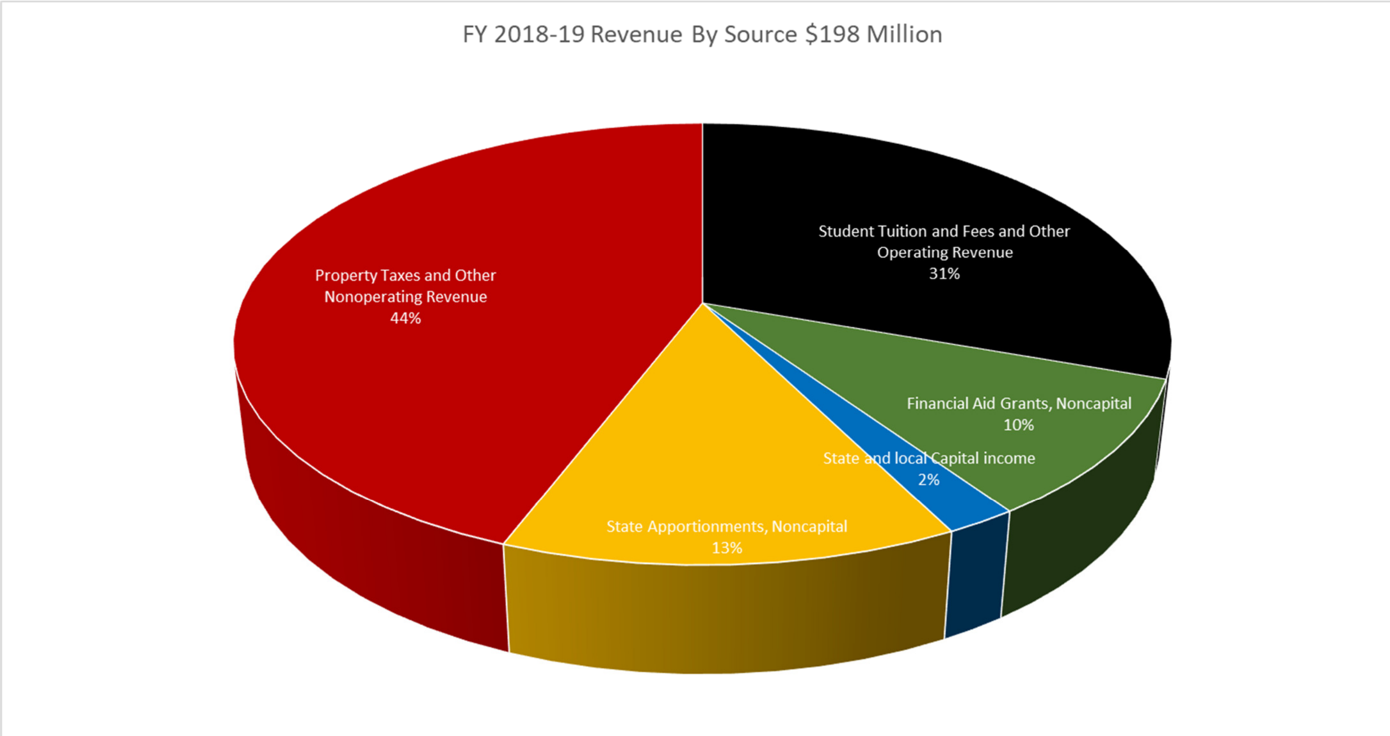
A summarized comparison of the District's revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018, is presented below:

Operating Results for Fiscal Years 2019 and 2018

	2019	2018	Change
Operating Revenues			
Tuition and fees, net	$ 16,170,093	$ 15,251,589	$ 918,504
Grants and contracts, noncapital	43,963,014	36,955,257	7,007,757
Other operating revenues	270,179	70,098	200,081
Total Operating Revenues	60,403,286	52,276,944	8,126,342
Operating Expenses			
Salaries and benefits	159,588,189	129,640,131	29,948,058
Supplies, maintenance, and equipment	33,707,483	51,757,218	(18,049,735)
Student financial aid	22,462,992	21,280,264	1,182,728
Depreciation	10,063,559	7,881,487	2,182,072
Total Operating Expenses	225,822,223	210,559,100	15,263,123
Loss on Operations	(165,418,937)	(158,282,156)	(7,136,781)
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	26,264,409	25,050,086	1,214,323
Property taxes	109,938,968	103,573,303	6,365,665
Financial aid grants, noncapital	19,919,330	19,691,764	227,566
State taxes and other revenues	6,126,082	6,043,289	82,793
Interest expense on capital related debt	(39,178,255)	(31,580,106)	(7,598,149)
Investment income	9,480,881	4,763,175	4,717,706
Other nonoperating revenues (expenses), net	1,336,453	593,437	743,016
Total Nonoperating Revenue (Expenses)	133,887,868	128,134,948	5,752,920
Other Revenues			
State and local capital income	4,152,333	4,749,965	(597,632)
Change in Net Position	$ (27,378,736)	$ (25,397,243)	$ (1,981,493)

Revenue by Source

All revenues, both operating and non-operating, are presented in the chart below:



Expenses by Functional Classification – All Funds

The following represents the fiscal year 2019 operating expenses by function:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 43,851,287	$ 26,699,988	$ 2,778,564	$ 532,192	$ -	$ -	$ 73,862,031
Academic support	16,164,547	13,314,784	5,756,093	429,116	-	-	35,664,540
Student services	14,724,551	7,596,682	2,624,021	42,528	-	-	24,987,782
Plant operations and maintenance	4,709,945	3,600,763	5,134,961	886,316	-	-	14,331,985
Instructional support services	11,656,998	11,268,053	5,436,414	94,493	-	-	28,455,958
Community services and economic development	213,011	104,120	12,830	-	-	-	329,961
Ancillary services and auxiliary operations	3,823,868	1,859,592	597,552	12,917	-	-	6,293,929
Student aid	-	-	-	-	22,462,992	-	22,462,992
Physical property and related acquisitions	-	-	1,421,963	7,947,523	-	-	9,369,486
Unallocated depreciation	-	-	-	-	-	10,063,559	10,063,559
Total	$ 95,144,207	$ 64,443,982	$ 23,762,398	$ 9,945,085	$ 22,462,992	$ 10,063,559	$ 225,822,223

STATEMENT OF CASH FLOWS

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. Cash receipts from operating activities are from student tuition and from Federal, State, and local grants. The primary operating expense of the District is the payment of salaries and benefits to faculty, administrators, and classified staff.

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

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

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

The last part reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Cash Flows for the fiscal years ended June 30, 2019 and 2018, is presented below:

	2019	2018	Change
Cash Provided by (Used in)			
Operating activities	$ (146,550,567)	$ (151,776,023)	$ 5,225,456
Noncapital financing activities	135,234,714	130,032,832	5,201,882
Capital financing activities	(29,811,508)	(96,710,014)	66,898,506
Investing activities	6,634,134	8,487,994	(1,853,860)
Net Increase (Decrease) in Cash	(34,493,227)	(109,965,211)	75,471,984
Cash, Beginning of Year	301,392,134	411,357,345	(109,965,211)
Cash, End of Year	$ 266,898,907	$ 301,392,134	$ (34,493,227)

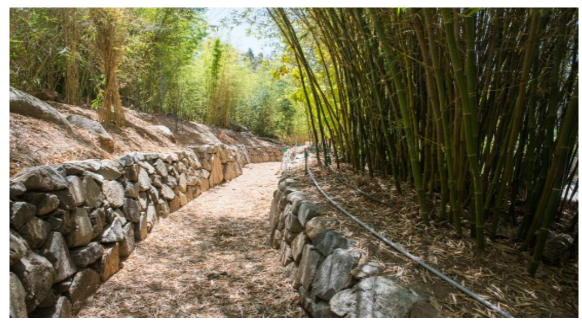
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the District had in place $512,243,170 invested in net capital assets, net of accumulated depreciation of $85,517,721. The District continues to implement its long-range plan to modernize and renew its instructional and support services facilities to fulfill its mission. Construction in progress represents the ongoing expenditures of the long-term capital improvement projects related to the District's Master Plan 2022. As individual projects are completed and placed into service, they are listed as capital assets and depreciated accordingly.

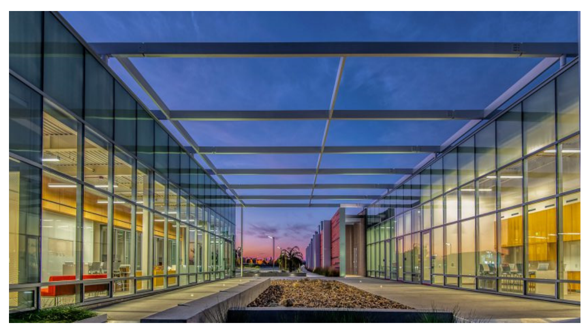
The projects, listed below, were in progress during the fiscal year 2018-19:

Library and Learning Resource Center



Edwin and Frances Hunter Arboretum

Maintenance and Operations Complex



Maintenance and Operations Complex

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Land and construction in progress	$ 272,006,932	$ 22,381,859	$ 221,084,754	$ 73,304,037
Buildings and improvements	281,804,248	219,538,887	-	501,343,135
Furniture and equipment	22,781,087	1,386,121	1,053,489	23,113,719
Subtotal	576,592,267	243,306,867	222,138,243	597,760,891
Accumulated depreciation	(76,507,651)	(10,063,559)	(1,053,489)	(85,517,721)
	$ 500,084,616	$ 233,243,308	$ 221,084,754	$ 512,243,170

Obligations

As of June 30, 2019, the District had $1,088,056,410 in debt primarily made up of general obligation and lease revenue bonds, aggregate pension obligation and OPEB liability. Note 10 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
General obligation and lease revenue bonds	$ 847,197,316	$ 8,960,407	$ 13,444,586	$ 842,713,137
Aggregate net pension obligation	131,764,723	9,468,112	-	141,232,835
Net OPEB liability	96,378,790	2,103,394	-	98,482,184
Other obligations	6,322,104	699,312	1,393,162	5,628,254
Total Long-Term Obligations	$ 1,081,662,933	$ 21,231,225	$ 14,837,748	$ 1,088,056,410
Amount due within one year				$ 10,269,126

2019-2020 BUDGET HIGHLIGHTS

The California Community Colleges (CCC) shares of Proposition 98 funding in the State Budget are 10.99%, 10.97%, and 10.93% for the prior year, current year, and budget year, respectively. In the 2019 Budget Act, the Proposition 98 minimum guarantee grew to $81 billion, which represents a 4% increase in appropriations from the prior fiscal year. Community colleges are slated to receive $8.7 billion, which represents a 3% increase in appropriations from the prior fiscal year.

The 2019 Budget Act, which was approved and signed into law by Governor Newsom on June 27, 2019, is a $214.8 billion spending plan that includes increased funding for public education, education data systems, and changes to statutes for support of the state government for the 2019-20 fiscal year. The enacted budget maintains the State's recent commitment to paying down liabilities, building reserves, increasing spending on onetime initiatives, and focusing on budget resiliency. The Budget passed by the Legislature and signed by the Governor can be accessed at: http://www.ebudget.ca.gov/.

Funding for the *Student Centered Funding Formula* (SCFF) is in its second year of implementation, with adjustments to the formula structure in 2018-19 and 2019-20. The State Budget calculates funding rates as follows: 70% of SCFF funds will be allocated for the Base Allocation, 20% for the Supplemental Allocation, and 10% for the Student Success Allocation. Beginning in 2020-21, those funding rates would simply be adjusted by the Cost-of-Living Allowance (COLA), and the distribution of funds across the three allocations would be determined by changes in the underlying factors.

The 2019 Budget Act extends the minimum revenue provision of the Hold Harmless, specifying that districts will receive at least the 2017-18 Total Computational Revenues (TCR), adjusted by COLA each year, through 2021-22. Previous law provided this commitment through 2020-21. Illustrated below is a comparison of the COLA percentages which will impact District's Apportionment Revenue:

Annual COLA	2019-20	2020-21	2021-22
Governor's Proposed Budget in January 2019	3.46%	2.86%	2.92%
Revised in May 2019	3.26%	3.00%	2.80%
Enacted Budget in June 2019	3.26%		

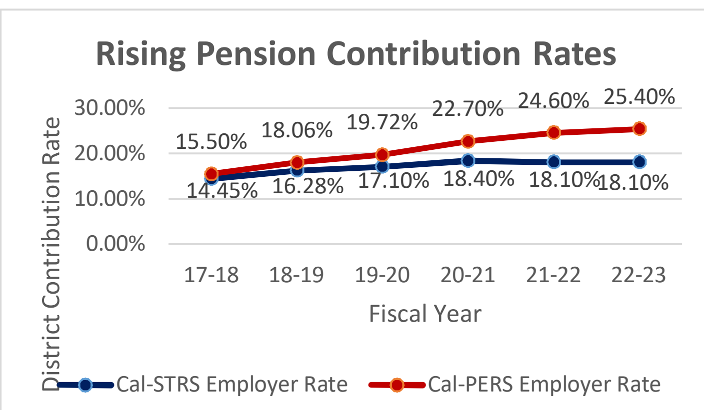
The District's 2019-20 Adopted Budget projects a multi-year deficit of revenues over expenditures indicating that the District is facing challenges to its fiscal health and unknown outcomes of the new *Student-Centered Funding Formula.* The Budget is built using assumptions about enrollment, revenue sources, staffing levels, and expenditure items, etc. The District is evaluating its options for responding to these unknowns, all while providing critically needed services to students. Many of the budget assumptions can change – and do change - throughout the year. This is especially true as the *Student Centered Funding Formula* (SCFF) continues to be modified. The SCFF metrics will be updated based on actual enrollment, student equity outcomes, and performance-based success outcomes, namely transfer and completion rates, which will be reflected in the *First Principal Apportionment Report* for the fiscal year 2019-20. In order to ensure the financial stability of the District, Palomar needs to continue to plan for future expenditures related to negotiated salary increases, health premium increases, pension rate increases, ongoing replacement program for technology, systems integration projects, and deferred facilities maintenance projects.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The financial position of the District is directly affected by the economic strength of California and local economies. The State of California, with the largest population in the United States, remains strong. Home prices in the State have shown record year-over-year growth from 2011 to present. Due to Proposition 13 legislation, most of the additional property tax revenue is generated from housing turnover or new home builds, rather than the annual increase of assessed value of property. This means housing values is less important than housing turnover, thus the District may still attain additional property tax revenue if the housing turnover increases or more housing is built. With the Federal Reserve lowering the federal funding rates, homebuyers will continue to have access to low-cost mortgages which may continue to drive the housing turnover throughout the next fiscal year. As the District General Fund is funded primarily by property taxes, making up 76% of the Apportionment revenue, local property tax revenue will likely be the most significant factor of when District will attain the status of a "Basic Aid" district, where the District may retain any excess property taxes within its jurisdiction.

Whereas Proposition 98 sets an overall funding level, State revenue limit for apportionment is expected to remain constant for subsequent years. Growth in District's expenses is driven by increases in salary schedules that have been set through collective bargaining agreements. The District has active agreements with employee bargaining units: Palomar Faculty Federation (PFF) and Council of Classified Employees (CCE). Additionally, one of the most significant budget challenges for the District is the increase in contribution rates for the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS). Both Cal-STRS and Cal-PERs rates will rise in the future.

The rates below are published in the School Services of California Financial Projection Dartboard based on the 2019-20 State Budget. Cal-STRS and Cal-PERS rates for 2019-20 and beyond are subsidized based on the State Budget.



Fiscal Year	Cal-STRS Employer Rate	Cal-PERS Employer Rate	Estimated Increased Cost
17-18	14.45%	15.50%	$ 1,768,829
18-19	16.28%	18.06%	1,435,698
19-20	17.10%	19.72%	2,098,440
20-21	18.40%	22.70%	1,789,589
21-22	18.10%	24.60%	900,674
22-23	18.10%	25.40%	827,914
		Total	$ 8,821,144

The District will continue to explore innovative ideas and approaches that promote student success in the most cost-effective manner possible. Budget and financial policies, approved by the Governing Board, provide guidance for sufficient planning of resources, maintaining adequate reserve levels, and determining how efficiently and effectively we will carry out our mission.

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

DISTRICT FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported separately in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. Net position of fiduciary activities is excluded from the District's net position because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Palomar Community College District, 1140 West Mission Road, San Marcos, California, 92069.

ACKNOWLEDGMENTS

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

OFFICIALS ISSUING REPORT:

Stephen G. Garcia

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Stephen G. Garcia
Acting Assistant Superintendent, Vice President, Finance and Administrative Services

Carmen M. Coniglio

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Carmen M. Coniglio
Senior Director, Fiscal Services

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2019

ASSETS		
Current Assets		
Cash and cash equivalents	$	1,438,534
Investments - unrestricted		148,352,240
Investments - restricted		221,789,252
Accounts receivable		7,213,666
Student receivable, net		5,636,477
Due from fiduciary funds		1,002
Prepaid expenses		890,264
Total Current Assets		385,321,435
Noncurrent Assets		
Nondepreciable capital assets		73,304,037
Depreciable capital assets, net of depreciation		438,939,133
Total Noncurrent Assets		512,243,170
TOTAL ASSETS		897,564,605
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding		6,754,290
Deferred outflows of resources related to pensions		41,992,674
Deferred outflows of resources related to OPEB		2,956,307
Total Deferred Outflows of Resources		51,703,271
LIABILITIES		
Current Liabilities		
Accounts payable		12,278,514
Accrued interest payable		11,771,840
Unearned revenue		10,508,424
Current portion of long-term obligations other than pensions		10,269,126
Total Current Liabilities		44,827,904
Noncurrent Liabilities		
Noncurrent portion of long-term obligations other than pensions		936,554,449
Aggregate net pension obligation		141,232,835
Total Noncurrent Liabilities		1,077,787,284
TOTAL LIABILITIES		1,122,615,188
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		9,805,763
NET POSITION		
Net investment in capital assets		11,701,269
Restricted for:		
Debt service		16,246,891
Capital projects		12,225,699
Educational programs		6,468,130
Unrestricted deficit		(229,795,064)
TOTAL NET POSITION	$	(183,153,075)

The accompanying notes are an integral part of these financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Student Tuition and Fees	$ 26,624,674
Less: Scholarship discount and allowance	(10,454,581)
Net tuition and fees	16,170,093
Grants and Contracts, Noncapital	
Federal	7,415,451
State	32,712,351
Local	3,835,212
Total grants and contracts, noncapital	43,963,014
Other Operating Revenues	270,179
TOTAL OPERATING REVENUES	60,403,286
OPERATING EXPENSES	
Salaries	95,144,207
Employee benefits	64,443,982
Supplies, materials, and other operating expenses and services	23,762,398
Student financial aid	22,462,992
Equipment, maintenance, and repairs	9,945,085
Depreciation	10,063,559
TOTAL OPERATING EXPENSES	225,822,223
OPERATING LOSS	(165,418,937)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	26,264,409
Local property taxes, levied for general purposes	80,748,804
Taxes levied for other specific purposes	29,190,164
Federal financial aid grants, noncapital	18,163,106
State financial aid grants, noncapital	1,756,224
State taxes and other revenues	6,126,082
Investment income	5,550,537
Interest expense on capital related debt	(39,178,255)
Investment income on capital asset-related debt	3,930,344
Transfer from fiduciary funds	193,543
Transfer to fiduciary funds	(30,000)
Other nonoperating revenue	1,172,910
TOTAL NONOPERATING REVENUES (EXPENSES)	133,887,868
LOSS BEFORE OTHER REVENUES	(31,531,069)
OTHER REVENUES	
Local revenues, capital	4,032,333
Proceeds from capital assets	120,000
TOTAL OTHER REVENUES	4,152,333
CHANGE IN NET POSITION	(27,378,736)
NET POSITION, BEGINNING OF YEAR	(155,774,339)
NET POSITION, END OF YEAR	$ (183,153,075)

The accompanying notes are an integral part of these financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 15,243,511
Federal and state grants and contracts	44,374,472
Other operating receipts	270,179
Payments to or on behalf of employees	(150,279,598)
Payments to vendors for supplies and services	(33,696,139)
Payments to students for scholarships and grants	(22,462,992)
Net Cash Flows From Operating Activities	(146,550,567)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	6,126,082
Federal and State financial aid grants	19,919,330
Property taxes - nondebt related	80,748,804
State taxes and other revenues	29,162,183
Other nonoperating	(721,685)
Net Cash Flows From Noncapital Financing Activities	135,234,714
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(25,291,566)
Property taxes - related to capital debt	33,222,497
Accretion on capital debt	8,960,407
Principal paid on capital debt	(13,444,586)
Interest paid on capital debt	(37,188,604)
Interest received on capital asset-related debt	3,930,344
Net Cash Flows From Capital Financing Activities	(29,811,508)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	1,083,597
Interest received from investments	5,550,537
Net Cash Flows From Investing Activities	6,634,134
NET CHANGE IN CASH AND CASH EQUIVALENTS	(34,493,227)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	301,392,134
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 266,898,907

The accompanying notes are an integral part of these financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (165,418,937)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	10,063,559
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables, net	1,379,777
Prepaid expenses	(112,381)
Accounts payable and accrued liabilities	265,045
Unearned revenue	(1,894,901)
Deferred outflows of resources related to OPEB	2,816,444
Deferred outflows of resources related to pensions	(1,401,795)
Aggregate net pension obligation	9,468,112
Aggregate net OPEB liability	2,103,394
PARS supplemental early retirement obligation	(1,269,126)
Load banking	138,614
Compensated absences	436,662
Deferred inflows of resources related to pensions	(3,125,034)
Total Adjustments	18,868,370
Net Cash Flows From Operating Activities	$ (146,550,567)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,438,534
Cash in county treasury	265,460,373
Total Cash and Cash Equivalents	$ 266,898,907
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 9,131,377

The accompanying notes are an integral part of these financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Retiree OPEB Trust	Other Trusts
ASSETS		
Cash and cash equivalents	$ -	$ 167,573
Investments	7,089,273	1,793,394
Accounts receivable	-	20,137
Student receivable	-	72,961
Total Assets	7,089,273	2,054,065
LIABILITIES		
Accounts payable	-	19,179
Due to primary government	-	1,002
Unearned revenue	-	92,619
Total Liabilities	-	112,800
NET POSITION		
Restricted for postemployment benefits other than pensions	7,089,273	-
Unrestricted	-	1,941,265
Total Net Position	$ 7,089,273	$ 1,941,265

The accompanying notes are an integral part of these financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Retiree OPEB Trust	Other Trusts
ADDITIONS		
District contributions	$ 7,893,134	$ -
Local revenues	301,319	1,091,813
Total Additions	8,194,453	1,091,813
DEDUCTIONS		
Benefit payments	5,893,134	-
Books and supplies	-	11,772
Services and operating expenditures	-	89,285
Total Deductions	5,893,134	101,057
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	30,000
Transfer to primary government	-	(193,543)
Other uses	-	(781,735)
Total Other Financing Sources (Uses)	-	(945,278)
CHANGE IN NET POSITION	2,301,319	45,478
NET POSITION, BEGINNING OF YEAR	4,787,954	1,895,787
NET POSITION, END OF YEAR	$ 7,089,273	$ 1,941,265

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

Palomar Community College District (the District) was established in January 1946 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college, three education centers, and five outreach sites located within North San Diego County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual.* Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year in which they are received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Investments

Restricted investments arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted investments also represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff; the majority of each residing in the State of California. The District has recorded an allowance for uncollectible related to student receivables. This allowance is based upon management's estimates and analysis. The allowance was estimated at $2,006,003 for the year ended June 30, 2019.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Capital Assets and Depreciation

Capital assets are recorded at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, and infrastructure, that cost more than $150,000, and land improvements that cost more than $100,000, and significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	50 years
Buildings and improvements	50 years
Machinery and equipment	5-20 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Debt premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Charges on Refunding

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences

Compensated absences are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include general obligation and lease revenue bonds, compensated absences, load banking, PARS supplemental early retirement obligation, net OPEB liability, and the aggregate net pension obligation with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets: Net position consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $34,940,720 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

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

Property Taxes

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

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

The voters of the District passed a General Obligation Bond in November 2006 for the acquisition, construction, and rehabilitation of facilities. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected by the San Diego County and remitted to the District.

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

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.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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 the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in San Diego County Treasury

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

Primary government	$ 371,580,026
Fiduciary funds	9,050,240
Total Deposits and Investments	$ 380,630,266

Cash on hand and in banks	$ 1,585,030
Cash in revolving	21,077
Cash in County Treasury	267,253,767
Investments	111,770,392
Total Deposits and Investments	$ 380,630,266

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County of San Diego Investment Pool, US Treasury Bonds, and a Master Trust.

Specific Identification

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

Investment Type	Reported Value	Weighted Average to Maturity
County of San Diego Investment Pool	$ 267,253,767	528
US Treasury Bonds	104,681,119	390
Master Trust	7,089,273	N/A
	$ 379,024,159	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County of San Diego Investment Pool is not required to be rated. However, as of June 30, 2019, the County of San Diego Investment Pool and US Treasury Bonds reflected an AAAf/S1 and Aaa ratings by Fitch and Moody's, respectively. The District's investment in the Master Trust is not required to be rated, nor has it been rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's balance of $3,986,124 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the County of San Diego Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

		Fair Value Measurements Using		
		Level 1	Level 3	
Investment Type	Fair Value	Inputs	Inputs	Uncategorized
County of San Diego Investment Pool	$ 267,895,493	$ -	$ -	$ 267,895,493
US Treasury Bonds	104,681,119	104,681,119	-	-
Master Trust	7,089,273	-	7,089,273	-
Total	$ 379,665,885	$ 104,681,119	$ 7,089,273	$ 267,895,493

	Level 3 Inputs
Investments at Fair Value	
Balance at July 1, 2018	$ 4,787,954
Contributions	2,000,000
Interest and investment income	301,319
Balance at June 30, 2019	$ 7,089,273

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 1,281,039	$ -
State Government		
Apportionment	224,374	-
Categorical aid	500,643	-
Lottery	948,330	-
Local Sources		
Property taxes	532,749	-
Interest	2,862,875	20,137
Other local sources	863,656	-
Total	$ 7,213,666	$ 20,137
Student receivables	$ 7,642,480	$ 72,961
Less: Allowance for doubtful accounts	(2,006,003)	-
Total	$ 5,636,477	$ 72,961

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	$ 63,014,087	$ 120,000	$ -	$ 63,134,087
Construction in progress	208,913,795	22,261,859	221,084,754	10,090,900
Works of art	79,050	-	-	79,050
Total Capital Assets Not Being Depreciated	272,006,932	22,381,859	221,084,754	73,304,037
Capital Assets Being Depreciated				
Land improvements	37,446,702	-	-	37,446,702
Buildings and improvements	244,357,546	219,538,887	-	463,896,433
Furniture and equipment	22,781,087	1,386,121	1,053,489	23,113,719
Total Capital Assets Being Depreciated	304,585,335	220,925,008	1,053,489	524,456,854
Total Capital Assets	576,592,267	243,306,867	222,138,243	597,760,891
Less Accumulated Depreciation				
Land improvements	16,427,270	1,762,235	-	18,189,505
Buildings and improvements	41,470,753	7,121,885	-	48,592,638
Furniture and equipment	18,609,628	1,179,439	1,053,489	18,735,578
Total Accumulated Depreciation	76,507,651	10,063,559	1,053,489	85,517,721
Net Capital Assets	$ 500,084,616	$ 233,243,308	$ 221,084,754	$ 512,243,170

Depreciation expense for the year was $10,063,559.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 3,546,323	$ -
Apportionment	3,620,565	-
Construction	2,122,822	-
Other	2,988,804	19,179
Total	$ 12,278,514	$ 19,179

NOTE 8 - UNEARNED REVENUE

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

	Primary Government	Fiduciary Funds
State categorical aid	$ 4,652,044	$ -
Enrollment fees	5,856,380	92,619
Total	$ 10,508,424	$ 92,619

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2019, the fiduciary funds owed the primary government $1,002.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2019 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to $193,543, and the amount transferred to the fiduciary funds from the primary government amounted to $30,000.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Bonds Payable					
General obligation bonds	$ 782,248,321	$ 8,960,407	$ 9,400,000	$ 781,808,728	$ 8,535,000
Unamortized bond premiums	62,228,995	-	3,464,586	58,764,409	-
Lease revenue bonds	2,720,000	-	580,000	2,140,000	465,000
Total Bonds	847,197,316	8,960,407	13,444,586	842,713,137	9,000,000
Other Obligations					
Compensated absences	3,271,300	436,662	-	3,707,962	-
Load banking	512,552	262,650	124,036	651,166	-
PARS supplemental early retirement obligation	2,538,252	-	1,269,126	1,269,126	1,269,126
Net OPEB liability	96,378,790	10,297,847	8,194,453	98,482,184	-
Aggregate net pension obligation	131,764,723	9,468,112	-	141,232,835	-
Total Other Obligations	234,465,617	20,465,271	9,587,615	245,343,273	1,269,126
Total Long-Term Obligations	$ 1,081,662,933	$ 29,425,678	$ 23,032,201	$ 1,088,056,410	$ 10,269,126

Description of Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The lease revenue bonds will be paid by the other debt service fund. The compensated absences and load banking liability will be paid by the fund for which the employee worked. The PARS supplemental early retirement obligation will be paid by the unrestricted general fund. Payments related to the net OPEB liability will be paid by the Internal Service Fund. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee works.

Bonded Debt

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

General Obligation Bonds, Election 2006, Series B

On October 28, 2010, the District issued General Obligation Bonds, Election 2006, Series B in the aggregate principal amount of $91,498,901. The Bonds consisted of $1,500,000 in Current Interest Serial Bonds, $27,883,490 in Capital Appreciation Serial Bonds, and $62,115,411 in Convertible Capital Appreciation Term Bonds. Bonds were issued with a final maturity date of August 1, 2045, and interest rates ranging from 2.36 percent to 6.72 percent, depending on the maturity of the related bonds. Interest is payable semiannually on August 1 and February 1 of each year. During the 2016-2017 fiscal year, the District issued 2017 General Obligation Refunding (Crossover) Bonds. These bonds were issued to refund a portion of the remaining outstanding obligation of the District's General Obligation Bonds, Election 2006, Series B. Monies were placed in an escrow account in the District's name to pay a portion of the remaining balance of the bonds on the crossover date, August 1, 2020. The debt was not considered defeased, therefore, the outstanding balance remains the District's obligation until the crossover date. The outstanding principal balance of these bonds at June 30, 2019, was $149,108,728.

General Obligation Bonds, Election 2006, Series B-1

On October 28, 2010, the District issued General Obligation Bonds, Election 2006, Series B-1 (federally taxable) in the aggregate principal amount of $83,500,000. Bonds were issued with a final maturity date of August 1, 2045, with a current interest 7.94 percent. Interest is payable semiannually on August 1 and February 1 of each year. During the 2016-2017 fiscal year, the District issued 2017 General Obligation Refunding (Crossover) Bonds. These bonds were issued to refund the remaining outstanding obligation of the District's General Obligation Bonds, Election 2006, Series B-1. Monies were placed in an escrow account in the District's name to pay the remaining balance of the bonds on the crossover date, August 1, 2020. The debt was not considered defeased, therefore, the outstanding balance remains the District's obligation until the crossover date. The outstanding principal balance of these bonds at June 30, 2019, was $83,500,000.

2015 General Obligation Refunding Bonds

On January 13, 2015, the District issued 2015 General Obligation Refunding Bonds in the aggregate principal amount of $115,675,000. Bonds were issued with a final maturity date of May 1, 2032, and interest rates ranging from 2.00 percent to 5.00 percent, depending on the maturity of the related bonds. The Bonds were issued to advance refund and defease a portion of the District's obligation related to the General obligation Bonds, 2006 Series A. Interest is payable semiannually on May 1 and November 1 of each year. The outstanding principal balance of these bonds at June 30, 2019, was $105,925,000.

General Obligation Bonds, Election 2006, Series C

On March 17, 2015, the District issued General Obligation Bonds, Election 2006, Series C in the aggregate principal amount of $220,000,000. Bonds were issued with a final maturity date of August 1, 2044, and interest rates ranging from 4.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on August 1 and February 1 of each year. The outstanding principal balance of these bonds at June 30, 2019, was $205,405,000.

General Obligation Bonds, Election 2006, Series D

On April 27, 2017, the District issued General Obligation Bonds, Election 2006, Series A in the aggregate principal amount of $139,000,000. Bonds were issued with a final maturity date of August 1, 2046, and interest rates ranging from 3.25 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on May 1 and November 1 of each year. The outstanding principal balance of these bonds at June 30, 2019, was $136,100,000.

2017 General Obligation Refunding (Crossover) Bonds

On April 27, 2017, the District issued 2017 General Obligation Refunding (Crossover) Bonds in the aggregate principal amount of $101,770,000. Bonds were issued with a final maturity date of August 1, 2045, with an interest rate of 5.00 percent. Interest is paid semiannually on May 1 and November 1 of each year. These bonds were issued to refund a portion of the outstanding District's General Obligation Bonds, Election 2006, Series B and the remaining outstanding obligation of the District's General Obligation Bonds, Election 2006, Series B-1. Monies were placed in an escrow account in the District's name to pay the refunded bonds on the crossover date, August 1, 2020. The debt was not considered defeased, therefore, the outstanding balance related to the refunded bonds remains the District's obligation until the crossover date. The outstanding principal balance of these bonds at June 30, 2019, was $101,770,000. As of June 30, 2019, the amount that remains in the escrow account to satisfy the obligations on the crossover date of August 1, 2020, was $104,681,119.

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Accretion	Redeemed	Bonds Outstanding June 30, 2019
2006 B	10/28/2010	8/1/2045	2.36%-6.72%	$ 91,498,901	$ 141,323,321	$ -	$ 8,960,407	$ 1,175,000	$ 149,108,728
2006 B-1	10/28/2010	8/1/2045	7.94%	83,500,000	83,500,000	-	-	-	83,500,000
2006 C	3/17/2015	8/1/2044	4.00%-5.00%	220,000,000	206,465,000	-	-	1,060,000	205,405,000
2006 D	4/27/2017	8/1/2046	3.25%-5.00%	139,000,000	139,000,000	-	-	2,900,000	136,100,000
Subtotal Election 2006					570,288,321	-	8,960,407	5,135,000	574,113,728
2015 Refunding	1/13/2015	5/1/2032	2.00%-5.00%	115,675,000	110,190,000	-	-	4,265,000	105,925,000
2017 Refunding	4/27/2017	8/1/2045	5.00%	101,770,000	101,770,000	-	-	-	101,770,000
Subtotal Bonds Outstanding					782,248,321	-	8,960,407	9,400,000	781,808,728
Premium on Debt					62,228,995	-	-	3,464,586	58,764,409
Total General Obligation Bonds					$ 844,477,316	$ -	$ 8,960,407	$12,864,586	$ 840,573,137

The Bonds mature through 2047 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Unmatured Accreted Interest	Current Interest to Maturity	Total
2020	$ 8,502,980	$ 32,020	$ 31,479,415	$ 40,014,415
2021	7,568,837	116,163	31,109,365	38,794,365
2022	8,616,630	443,370	30,743,315	39,803,315
2023	10,119,852	730,148	30,434,065	41,284,065
2024	11,445,689	1,079,311	30,086,065	42,611,065
2025-2029	68,439,210	5,390,790	161,369,635	235,199,635
2030-2034	86,072,212	14,352,788	170,813,737	271,238,737
2035-2039	119,645,476	40,054,524	217,150,833	376,850,833
2040-2044	207,005,431	42,059,569	263,210,524	512,275,524
2045-2047	254,392,411	4,357,589	276,019,489	534,769,489
Total	$ 781,808,728	$ 108,616,272	$ 1,242,416,443	$ 2,132,841,443

Lease Revenue Bonds 2001 Series

The District issued Lease Revenue Bonds Series 2001 on July 18, 2001, in the amount of $3,095,000 to be used to remodel and expand the Student Center. Interest rates on the bonds range from 5.0 percent to 5.625 percent depending on the maturity of the related bonds. The bonds will mature on April 1, 2031. The source of revenue to pay off the debt will come from the Student Center Fee Fund. Future principal and interest payments are as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 110,000	$ 94,600	$ 204,600
2021	115,000	89,100	204,100
2022	120,000	83,350	203,350
2023	130,000	76,600	206,600
2024	135,000	69,288	204,288
2025-2029	795,000	225,675	1,020,675
2030-2031	380,000	29,469	409,469
Total	$ 1,785,000	$ 668,082	$ 2,453,082

Lease Revenue Bonds 2010B Series

The District issued Lease Revenue Refunding Bonds, Series 2010B in the amount of $3,780,000 on September 16, 2010. The proceeds were used to refund the District's Certificates of Participation (COPs). The principal amount paid was $4,320,000 with the remaining proceeds deposited in an escrow account for future repayments. The refunding was considered an in-substance defeasance and, therefore, amounts held in escrow are not reported as District assets. Interest rates on the bonds range from 3.0 percent to 4.0 percent for the length of issuance. The bonds will mature on October 1, 2019. The source of revenue to pay off the debt will come from the General Fund. Future principal and interest payments are as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 355,000	$ 5,325	$ 360,325

PARS Supplemental Early Retirement Obligation

In June 2015, the District has entered into a PARS Supplemental Early Retirement Plan for employees retiring as of June 30, 2015, and met certain eligibility requirements. The District will pay the liability over a five-year period per the agreement. Future payments are due as follows:

Fiscal Year	Payment
2020	$ 1,269,126

Compensated Absences

The compensated absences liability outstanding at June 30, 2019, was $3,707,962.

Load Banking

The load banking liability outstanding at June 30, 2019, was $651,166.

Net OPEB Liability

The net OPEB liability outstanding at June 30, 2019, was $98,482,184. See Note 11 for additional information regarding the aggregate net pension obligation.

Aggregate Net Pension Obligation

The aggregate net pension obligation outstanding at June 30, 2019, was $141,232,835. See Note 13 for additional information regarding the aggregate net pension obligation.

NOTE 11 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For the fiscal year ended June 30, 2019, the District reported a net OPEB liability, deferred outflows of resources, and OPEB expense of $98,482,184, $2,956,307, and $12,812,972, respectively.

District Plan

Plan Administration

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

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Retiree Health Benefit Program Trust.

Plan Membership

The Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	524
Active employees	713
	1,237

Retiree Health Benefit OPEB Trust

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District and the District's bargaining units. For fiscal year 2018-2019, the District contributed $7,893,134 to the Plan, of which $5,893,134 was used for current premiums and $2,000,000 was contributed to the Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
U.S. Large Cap	60%
U.S. Small Cap	15%
Long-Term Corporate Bonds	20%
Short-Term Government Fixed	5%

Rate of Return

For the year ended June 30, 2019, the annual money-weighed rate of return on investments, net of investment expense, was 6.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $98,482,184 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	$ 105,571,457
Plan fiduciary net position	7,089,273
District's net OPEB liability	$ 98,482,184
Plan fiduciary net position as a percentage of the total OPEB liability	6.72%

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	3.00 percent
Discount rate	5.80 percent
Health care cost trend rates	8.00 percent for 2018-2019, decreasing to 5.00 percent for 2021-2022 and after

The discount rate was based on historic 30 year real rates of return for each asset class along with assumed long-term inflation assumption to set the discount rate. The expected investment rate of return was offset by 17 basis points for investment expenses.

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

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of plan experience through June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. As such, the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average using geometric means. Best estimates of geometric rates of return for each major asset class included in the target asset allocation as of June 30, 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. Large Cap	7.8%
U.S. Small Cap	7.8%
Long-Term Corporate Bonds	5.3%
Short-Term Government Fixed	3.3%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.80 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	$ 101,166,744	$ 4,787,954	$ 96,378,790
Service cost	1,408,741	-	1,408,741
Interest	5,029,789	-	5,029,789
Contributions - employer	-	7,893,134	(7,893,134)
Expected investment income	-	301,319	(301,319)
Changes of assumptions or other inputs	3,859,317	-	3,859,317
Benefit payments	(5,893,134)	(5,893,134)	-
Net change in total OPEB liability	4,404,713	2,301,319	2,103,394
Balance at June 30, 2019	$ 105,571,457	$ 7,089,273	$ 98,482,184

There were no changes in benefit terms or assumptions and other inputs utilized since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.80%)	$ 110,112,769
Current discount rate (5.80%)	98,482,184
1% increase (6.80%)	88,684,616

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

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

Health Care Cost Trend Rates	Net OPEB Liability
1% decrease (7.00% decreasing to 4.00%)	$ 89,505,843
Current health care cost trend rate (8.00% decreasing to 5.00%)	98,482,184
1% increase (9.00% decreasing to 6.00%)	109,038,368

The deferred outflows/(inflows) of resources related to the changes of assumptions will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 591,261
2020	591,261
2021	591,261
2022	591,261
2022	591,263
	$ 2,956,307

NOTE 12 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The District obtains coverage for these risks as a member of various joint powers authorities or through the purchase of coverage from a risk retention group. The District uses Schools Association for Excess Risk (SAFER) for excess property limits of $250,000,000 per occurrence, with no aggregate and a $5,000 member retained limit. Then, their excess liability has the first $1,000,000 worth of coverage through the Statewide Association of Community Colleges (SWACC) and $25,000,000 excess coverage of $1,000,000 is in SAFER with a $50,000 Member Retained Limit.

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2019, the District contracted with SWACC Joint Powers Authority (JPA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018-2019, the District participated in the Protected Insurance Programs for Schools (PIPS) JPA, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
Protected Insurance Program for Schools (PIPS)	Workers' Compensation	$ 150,000,000
Schools Association For Excess Risk (SAFER)	Excess Workers' Compensation	25,000,000
Statewide Association of Community Colleges (SWACC)	Property and Liability	250,000,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, pension expense, and deferred outflows of resources, deferred inflows of resources and pension expense for each of the above plans as follows:

Pension Plan		Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS		$ 75,692,563	$ 21,655,631	$ 8,511,205	$ 8,417,326
CalPERS		65,540,272	20,337,043	1,294,558	11,527,929
	Total	$ 141,232,835	$ 41,992,674	$ 9,805,763	$ 19,945,255

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, 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 provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with 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, 2019, are presented above, and the District's total contributions were $8,534,549.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 75,692,563
State's proportionate share of net pension liability associated with the District	43,337,533
Total	$ 119,030,096

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 college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018, and June 30, 2017, was 0.0824 percent and 0.0814 percent, respectively, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2019, the District recognized pension expense of $8,417,326. In addition, the District recognized pension expense and revenue of $5,091,183 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,534,549	$ -
Net change in proportionate share of net pension liability	1,127,318	4,497,087
Differences between projected and actual earnings on the pension plan investments	-	2,914,641
Differences between expected and actual experience in the measurement of the total pension liability	234,720	1,099,477
Changes of assumptions	11,759,044	-
Total	$ 21,655,631	$ 8,511,205

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 632,851
2021	(459,213)
2022	(2,445,270)
2023	(643,009)
Total	$ (2,914,641)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,196,346
2021	1,196,346
2022	1,196,347
2023	1,286,278
2024	2,552,615
Thereafter	96,586
Total	$ 7,524,518

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 110,880,748
Current discount rate (7.10%)	75,692,563
1% increase (8.10%)	46,518,144

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	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	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions were $6,469,423.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $65,540,272. 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 college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2458 percent and 0.2366 percent, respectively, resulting in a net increase in the proportionate share of 0.0092 percent.

For the year ended June 30, 2019, the District recognized pension expense of $11,527,929. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,469,423	$ -
Net change in proportionate share of net pension liability	2,489,555	1,294,558
Differences between projected and actual earnings on the pension plan investments	537,577	-
Differences between expected and actual experience in the measurement of the total pension liability	4,296,581	-
Changes of assumptions	6,543,907	-
Total	$ 20,337,043	$ 1,294,558

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,955,287
2021	467,589
2022	(1,498,452)
2023	(386,847)
Total	$ 537,577

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 4,557,725
2021	5,625,323
2022	1,852,437
Total	$ 12,035,485

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 95,423,502
Current discount rate (7.15%)	65,540,272
1% increase (8.15%)	40,747,855

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to $3,999,787 (9.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

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

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

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

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

Financial information for CCLC is not readily available.

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Operating Leases

The District has entered into various operating leases for building space, and equipment with lease terms in excess of one year for various locations within the District boundaries. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2020	$ 1,005,597
2021	1,009,308
2022	193,550
2023	191,338
2024	48,062
Total	$ 2,447,855

Current year expenditures for operating leases is approximately $1,261,656.

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Parking Improvements	$ 2,777,294	January 2020
Fallbrook Education Center	1,827,061	June 2022
Arboretum	879,745	October 2019
Athletics Complex	417,128	June 2023
Borrego Springs Project	14,180	June 2021
	$ 5,915,408	

REQUIRED SUPPLEMENTARY INFORMATION

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total Net OPEB Liability		
Service costs	$ 1,408,741	$ 1,934,593
Interest	5,029,789	5,940,823
Change in assumptions	3,859,317	-
Benefits payments	(5,893,134)	(5,588,742)
Net changes in total OPEB liability	4,404,713	2,286,674
Total Net OPEB Liability - beginning	101,166,744	98,880,070
Total Net OPEB Liability - ending (a)	$ 105,571,457	$ 101,166,744
Plan Fiduciary Net Position		
Contributions - employer	$ 7,893,134	$ 5,588,742
Net investment income	301,319	690,766
Administrative expense	-	(500)
Benefits payments	(5,893,134)	(5,588,742)
Net changes in fiduciary net position	2,301,319	690,266
Plan fiduciary net position - beginning	4,787,954	4,097,688
Plan fiduciary net position - ending (b)	$ 7,089,273	$ 4,787,954
District's net OPEB liability - ending (a) - (b)	$ 98,482,184	$ 96,378,790
Plan fiduciary net position as a percentage of the total OPEB liability	6.72%	4.73%
Covered-employee payroll	$ 88,241,386	$ 79,075,506
District's net OPEB liability as a percentage of covered-employee payroll	111.61%	121.88%

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

See accompanying note to required supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Annual money-weighted rate of return, net of investment expense	6.30%	9.20%

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

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
District's proportion of the net pension liability	0.0824%	0.0814%	0.0809%
District's proportionate share of the net pension liability	$ 75,692,563	$ 75,282,780	$ 65,416,466
State's proportionate share of the net pension liability associated with the District	43,337,533	44,536,657	37,240,427
Total	$ 119,030,096	$ 119,819,437	$ 102,656,893
District's covered-employee payroll	$ 46,626,140	$ 45,243,148	$ 41,606,198
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162.34%	166.40%	157.23%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%
CalPERS			
District's proportion of the net pension liability	0.2458%	0.2366%	0.2221%
District's proportionate share of the net pension liability	$ 65,540,272	$ 56,481,943	$ 43,871,669
District's covered-employee payroll	$ 32,449,366	$ 28,819,657	$ 26,587,887
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.98%	195.98%	165.01%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.0915%	0.0909%
$ 61,617,589	$ 53,119,316
32,588,912	32,075,736
$ 94,206,501	$ 85,195,052
$ 38,026,419	$ 40,938,175
162.04%	129.75%
74%	77%
0.2588%	0.2756%
$ 38,144,438	$ 31,291,747
$ 31,818,546	$ 28,936,290
119.88%	108.14%
79%	83%

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
Contractually required contribution	$ 8,534,549	$ 6,728,152	$ 5,691,588
Contributions in relation to the contractually required contribution	(8,534,549)	(6,728,152)	(5,691,588)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 52,423,520	$ 46,626,140	$ 45,243,148
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%
CalPERS			
Contractually required contribution	$ 6,469,423	$ 5,039,711	$ 4,002,474
Contributions in relation to the contractually required contribution	(6,469,423)	(5,039,711)	(4,002,474)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 35,817,866	$ 32,449,366	$ 28,819,657
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%

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

See accompanying note to required supplementary information.

2016	2015
$ 4,464,345	$ 3,376,746
(4,464,345)	(3,376,746)
$ -	$ -
$ 41,606,198	$ 38,026,419
10.73%	8.88%
$ 3,149,867	$ 3,745,361
(3,149,867)	(3,745,361)
$ -	$ -
$ 26,587,887	$ 31,818,546
11.847%	11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes of Assumptions - There were no changes of assumptions since the previous valuation.

Schedule of OPEB Investment Returns

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

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

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

Supplementary Information

DISTRICT ORGANIZATION
JUNE 30, 2019

Palomar Community College District was established in January 1946 and is comprised of an area of approximately 2,555 square miles located in North San Diego County. There were no changes in the boundaries of the District during the current year. The District is accredited by the Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mark R. Evilsizer	President	2022
John J. Halcón, Ph.D.	Vice President	2020
Nancy Ann Hensch	Secretary	2020
Nina Deerfield	Trustee	2020
Norma Miyamoto	Trustee	2022
Linus Smith	Student Trustee	2020

ADMINISTRATION

Joi Lin Blake, Ed.D.	Superintendent/President
Jack Kahn, Ph.D.	Assistant Superintendent/ Vice President, Instruction
Star Rivera-Lacey, Ph.D.	Assistant Superintendent/ Vice President, Student Services
Stephen G. Garcia	Acting Assistant Superintendent/ Vice President, Finance and Administration Services
Lisa Norman, Ed.D., J.D.	Assistant Superintendent/ Vice President, Human Resources

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 16,694,850	$ -
Federal Pell Grant Program Administrative Allowance	84.063		25,661	-
Federal Work Study Program	84.033		389,488	-
Federal Work Study Program Administrative Allowance	84.033		15,339	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		697,197	-
Federal Direct Student Loans	84.268		842,631	-
Total Student Financial Assistance Cluster			18,665,166	-
TRIO Cluster				
Palomar College North County Educational Opportunity Centers	84.066A		242,428	-
Student Support Services - San Marcos	84.042A		258,237	-
Student Support Services - Escondido	84.042A		188,295	-
Upward Bound	84.047A		59,749	-
Upward Bound Rural	84.047A		54,675	-
Talent Search - Escondido	84.044A		215,142	-
Talent Search - Vista	84.044A		231,067	-
Total TRIO Cluster			1,249,593	-
Increasing Higher Learning Institution Student Participation, Persistence, and Completion in STEM Education	84.031S		568,188	154,065
Gear-Up Partnership in Escondido and San Marcos	84.334A		1,078,523	-
Gear-Up Rural Reservation Collaborative in Pauma, Vista, and Fallbrook	84.334A		1,034,767	-
Passed through from the California Community Colleges Chancellor's Office (CCCCO)				
Career and Technical Education Act, Perkins, IV	84.048A	18-C01-039	637,549	-
Career and Technical Education, Transitions	84.048A	18-C01-039	41,377	-
Total U.S. Department of Education			23,275,163	154,065
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Veterans Educational Assistance	64.028		8,360	-
Total U.S. Department of Veterans Affairs			8,360	-

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

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019, CONTINUED

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the California Department of Education				
Child and Adult Care Food Program	10.558	13666	$ 62,573	$ -
Total U.S. Department of Agriculture			62,573	-
NATIONAL SCIENCE FOUNDATION				
Research and Development Cluster				
Passed through Jefferson Community College and Technical College				
Geospatial Technology Center of Excellence:				
Growing the Workforce	47.076	DUE-1700496	9,566	-
Unmanned Aircraft System Operations Technician				
Education Program (UASTEP)	47.076		182,634	-
Total Research and Development Cluster			192,200	-
Total National Science Foundation			192,200	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF) Cluster				
Passed through from the California Community Colleges				
Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	58,160	-
Total TANF Cluster			58,160	-
Passed through Yosemite Community College District				
Child Development Training Consortium	93.575	18-19-4164	32,056	-
Total U.S. Department of Health and Human Services			90,216	-
Total Federal Expenditures			$ 23,628,512	$ 154,065

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

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Board Financial Assistance Program	$ 672,400	$ -	$ 672,400
CalWorks	321,661	-	321,661
Full-Time Student Success Grant FY 17/18	-	18,500	18,500
CalWorks Regional Efforts	870	-	870
SSCG	1,570,209	-	1,570,209
Financial Aid Technology	238,902	-	238,902
CA College Promise AB19	1,047,410	-	1,047,410
Disabled Students Programs and Services (DSPS)	1,194,683	-	1,194,683
Deaf & Heard of Hearing (DHH)	103,789	-	103,789
Access to Print	11,629	-	11,629
Cooperative Agencies Resources for Education (CARE)	111,678	-	111,678
Extended Opportunities, Programs and Services (EOPS)	1,228,752	-	1,228,752
Pre-Apprenticeship Grant	-	283,165	283,165
Student Success and Support Program	3,140,394	-	3,140,394
Student Success (NonCredit)	231,710	-	231,710
Student Success and Support Program Prior Year	-	607,455	607,455
Student Success Equity	1,779,327	-	1,779,327
Student Success Equity Prior Year	-	646,005	646,005
HUNGER FREE CAMPUS SUPPORT X1	36,044	-	36,044
HUNGER FREE CAMPUS SUPPORT	162,756	-	162,756
Strong Workforce FY 1617	-	484,132	484,132
Strong Workforce FY 1718	-	1,547,537	1,547,537
Strong Workforce FY 1819	2,339,270	-	2,339,270
Nursing Education	210,300	-	210,300
Mental Health Support	162,034	-	162,034
Mental Health Services	250,000	-	250,000
Telecommunications and Technology Infrastructure	3,750,000	-	3,750,000
Telecommunications and Technology Infrastructure FY1718	-	408,893	408,893
Basic Skills FY1718	-	463,047	463,047
Basic Skills FY1819	616,354	-	616,354
Guided Pathway	454,928	-	454,928
Youth Empowerment Strategies for Success (YESS)	22,500	-	22,500
Innovation in Higher Education	-	1,826,330	1,826,330
17-18 DREAMER EMERGENCY GRANT	-	3,827	3,827
Veteran Resource Center	170,382	132,508	302,890
Child and Adult Care Food Program	3,306	-	3,306
Total State Categorical Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 672,400	$ -	$ -	$ 672,400	$ -
320,791	1	-	320,792	320,792
18,500	-	-	18,500	18,500
870	-	-	870	841
1,570,209	-	-	1,570,209	1,472,636
238,902	-	188,920	49,982	49,982
1,047,410	-	-	1,047,410	1,047,410
1,194,683	-	-	1,194,683	1,194,683
103,789	-	-	103,789	103,789
11,629	-	-	11,629	11,629
111,678	-	-	111,678	111,678
1,228,752	-	-	1,228,752	1,228,752
46,662	104,554	-	151,216	151,216
3,140,394	-	-	3,140,394	2,214,649
231,710	-	-	231,710	187,843
607,455	-	-	607,455	607,455
1,779,327	-	-	1,779,327	881,565
646,005	-	-	646,005	646,005
36,044	-	3,354	32,690	32,690
162,756	-	159,355	3,401	3,401
484,132	-	30,355	453,777	453,777
1,547,537	-	755,214	792,323	792,323
2,305,530	-	1,232,444	1,073,086	1,073,086
210,300	-	-	210,300	210,300
162,034	-	154,150	7,884	7,884
-	100,000	33,884	66,116	66,116
2,639,473	274,857	-	2,914,330	2,914,330
408,893	-	-	408,893	408,893
440,247	-	-	440,247	440,247
616,354	-	-	616,354	46,896
834,034	-	644,478	189,556	189,556
832	21,231	-	22,063	21,999
1,826,330	-	1,325,572	500,758	500,758
3,827	-	-	3,827	3,827
302,890	-	124,318	178,572	178,572
3,306	-	-	3,306	3,306
$ 24,955,685	$ 500,643	$ 4,652,044	$ 20,804,284	$ 17,597,386

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2019

CATEGORIES	*(Revised) Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit**	81.12	-	81.12
2. Credit	226.31	-	226.31
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit**	10.17	-	10.17
2. Credit	1,381.29	-	1,381.29
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,335.64	-	10,335.64
(b) Daily Census Contact Hours	828.01	-	828.01
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	582.37	-	582.37
(b) Credit	771.67	-	771.67
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	2,720.07	-	2,720.07
(b) Daily Census Procedure Courses	1,013.70	-	1,013.70
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	17,950.35	-	17,950.35
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	146.99	-	146.99
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	614.30	-	614.30
2. Credit	162.11	-	162.11
CCFS-320 Addendum			
CDCP Noncredit FTES	394.92	-	394.92
Centers FTES			
1. Noncredit**	200.26	-	200.26
2. Credit	1,163.77	-	1,163.77

* Annual report revised as of October 21, 2019.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			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	$ 23,088,013	$ -	$ 23,088,013	$ 23,088,013	$ -	$ 23,088,013
Other	1300	17,897,094	-	17,897,094	17,897,094	-	17,897,094
Total Instructional Salaries		40,985,107	-	40,985,107	40,985,107	-	40,985,107
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	9,291,078	-	9,291,078
Other	1400	-	-	-	977,395	-	977,395
Total Noninstructional Salaries		-	-	-	10,268,473	-	10,268,473
Total Academic Salaries		40,985,107	-	40,985,107	51,253,580	-	51,253,580
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	23,583,769	-	23,583,769
Other	2300	-	-	-	1,375,115	-	1,375,115
Total Noninstructional Salaries		-	-	-	24,958,884	-	24,958,884
Instructional Aides							
Regular Status	2200	1,844,975	-	1,844,975	1,844,975	-	1,844,975
Other	2400	521,641	-	521,641	521,641	-	521,641
Total Instructional Aides		2,366,616	-	2,366,616	2,366,616	-	2,366,616
Total Classified Salaries		2,366,616	-	2,366,616	27,325,500	-	27,325,500
Employee Benefits	3000	19,378,517	-	19,378,517	42,507,879	-	42,507,879
Supplies and Material	4000	-	-	-	996,081	-	996,081
Other Operating Expenses	5000	1,715,662	-	1,715,662	11,089,678	-	11,089,678
Equipment Replacement	6420	-	-	-	3,099	-	3,099
Total Expenditures Prior to Exclusions		64,445,902	-	64,445,902	133,175,817	-	133,175,817

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 461,582	$ -	$ 461,582	$ 461,582	$ -	$ 461,582
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	807,544	-	807,544
Objects to Exclude							
Rents and Leases	5060	-	-	-	204,921	-	204,921
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 4,185,190	$ -	$ 4,185,190
Capital Outlay							
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		461,582	-	461,582	5,659,237	-	5,659,237
Total for ECS 84362, 50 Percent Law		$ 63,984,320	$ -	$ 63,984,320	$ 127,516,580	$ -	$ 127,516,580
Percent of CEE (Instructional Salary Cost/Total CEE)		50.18%		50.18%	100.00%		100.00%
50% of Current Expense of Education					$ 63,758,290		$ 63,758,290

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements for the year ended June 30, 2019.

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				$ 16,981,025
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 16,981,025	$ -	$ -	$ 16,981,025
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 26,595,238	
Special Revenue Funds	558,752	
Capital Project Funds	191,280,716	
Debt Service Funds	127,281,334	
Internal Service Funds	16,814,670	
Fiduciary Funds	3,787	
Total Fund Balance		**$ 362,534,497**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	597,760,891	
Accumulated depreciation is	(85,517,721)	512,243,170
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		6,754,290
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(11,771,840)
Deferred outflows of resources related to OPEB represents a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of OPEB contributions subsequent to measurement date		2,956,307
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	15,003,972	
Net change in proportionate share of net pension liability	3,616,873	
Difference between projected and actual earnings on the pension plan investments	537,577	
Differences between expected and actual experience in the measurement of the total net pension liability	4,531,301	
Changes of assumptions	18,302,951	
Total Deferred Outflows of Resources Related to Pensions		41,992,674

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2019

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	$ (5,791,645)	
Difference between projected and actual earnings on the pension plan investments	(2,914,641)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,099,477)	
Total Deferred Inflows of Resources Related to Pensions		$ (9,805,763)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year end consist of:		
General obligation bonds	785,613,811	
Lease revenue bonds	2,140,000	
Net OPEB liability	98,482,184	
PARS supplemental early retirement obligation	1,269,126	
Compensated absences	3,707,962	
Load banking	651,166	
Aggregate pension obligation	141,232,835	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	54,959,326	(1,088,056,410)
Total Net Position		**$ (183,153,075)**

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position:		$ 25,578,557
Federal Pell Grant Program Administrative Allowance	84.063	706
Federal Work Study Program	84.033	5,441
Federal Work Study Program Administrative Allowance	84.033	(1,184)
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	71,572
FSEOG Administrative Allowance	84.007	(44,380)
Veterans Educational Assistance	64.028	(12,866)
Child Development Training Consortium	93.575	(1,444)
Build America Bonds	N/A	(1,967,890)
Total Expenditures of Federal Awards		$ 23,628,512

Schedule of Expenditures of State Awards

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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 *Education Code* Section 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.

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides 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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS

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

Board of Trustees
Palomar Community College District
San Marcos, 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 business-type activities, and the aggregate remaining fund information of Palomar Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 13, 2019.

Purpose of this Report

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

Eide Bailly LLP

San Diego, California
December 13, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Palomar Community College District
San Marcos, California

Report on Compliance for Each Major Federal Program

We have audited Palomar Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Eide Bailly LLP

San Diego, California
December 13, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Palomar Community College District
San Marcos, California

Report on State Compliance

We have audited Palomar Community College District's (the District) compliance with the types of compliance requirements as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

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Other Matters

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

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

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

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

Eide Bailly LLP

San Diego, California
December 13, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

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

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.