

**SAN JOSÉ/EVERGREEN
COMMUNITY COLLEGE DISTRICT**

**RETIREMENT FUTURIS PUBLIC ENTITY
INVESTMENT TRUST FINANCIAL STATEMENTS**

June 30, 2019



**COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT**
CERTIFIED PUBLIC ACCOUNTANTS

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
San Jose, California

FINANCIAL STATEMENTS
June 30, 2019

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COSSOLIAS | WILSON
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
San José/Evergreen Community College District
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of San José/Evergreen 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 Trust's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust, a fiduciary fund of San José/Evergreen Community College District, as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Trust and do not purport to, and do not, present fairly the financial position and results of operations of the San José/Evergreen Community College District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 5 and the Required Supplementary Information, such as the Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns on pages 14, 15, and 16, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing 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 financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Trust. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Trust. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San José/Evergreen Community College District's internal control over financial reporting and compliance for the Trust.

CWDL, Certified Public Accountants

San Diego, California
October 22, 2019

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

This section provides an overview and analysis of the financial activities of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust") for the fiscal year ended June 30, 2019. The Trust was established in February 2008 by the District's Board of Trustees and assets held for Other Post-Employment Benefits were transferred to an irrevocable trust in May 2009. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in San José/Evergreen Community College District's (the "District") financial statements.

FINANCIAL HIGHLIGHTS

The net position of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust at the close of fiscal year 2019 is \$44,720,185 (net assets held in trust for retiree medical benefits). The net position is available to meet the Trust's ongoing obligations to participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. The Trust was initially funded by the District by a one-time transfer in 2009 of \$39,957,416 from its issuance of OPEB taxable bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Position
2. Statement of Changes in Trust Net Position
3. Notes to Financial Statements

The Statement of Trust Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Trust Net Position, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standards. These Standards require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Position and the Statement of Changes in Trust Net Position report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

These two statements report the Trust's net position held in an irrevocable trust account for retirees' medical benefits. Net position, the difference between assets and liabilities, is one way to measure the Trust's financial position. Over time, increase and decrease in net position is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Trust's progress in funding its obligations to provide retiree medical benefits to members.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of the fiscal years ended June 30, 2019 and 2018.

| | 2019 | 2018 |
|-----------------------------|---------------|---------------|
| Investments in mutual funds | \$ 44,720,185 | \$ 44,997,973 |
| Net position | \$ 44,720,185 | \$ 44,997,973 |

The \$278 thousand decrease reflects payments for retiree benefits (\$3.4 million), and net investment gains and other contributions of \$3.1 million.

The changes to Trust net position during the fiscal year ended June 30, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|--------------------------|---------------|---------------|
| Investment income/(loss) | \$ 3,085,316 | \$ 3,565,372 |
| Retiree benefits | (3,363,104) | (4,158,944) |
| Beginning balance | 44,997,973 | 45,591,545 |
| Net position | \$ 44,720,185 | \$ 44,997,973 |

For the year ended June 30, 2019, net investment gains of \$2.3 million were recorded.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: San José/Evergreen Community College District, 40 South Market Street, San Jose, California 95113 or visit the District's website at <http://www.sjeccd.edu/>.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF TRUST NET POSITION
June 30, 2019

ASSETS

Investments:

| | |
|-----------------------------|------------------|
| Mutual funds - equity | \$ 16,514,224 |
| Mutual funds – fixed income | 26,303,685 |
| Real estate | <u>1,902,276</u> |
| Total investments | 44,720,185 |
| Total assets | 44,720,185 |

LIABILITIES

| | |
|----------------------|----------|
| Total OPEB Liability | <u>-</u> |
|----------------------|----------|

NET POSITION

| | |
|--------------------------------------------------------------------------|----------------------|
| Net position restricted for postemployment benefits other than pensions: | <u>\$ 44,720,185</u> |
|--------------------------------------------------------------------------|----------------------|

See accompanying notes to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF CHANGES IN TRUST NET POSITION
For the Year Ended June 30, 2019

ADDITIONS

Net investment income:

| | |
|----------------------------------------------|------------|
| Realized and unrealized gains net | \$ 461,415 |
| Dividends and other income | 1,847,898 |
| Investment fees and charges | (222,280) |
| Other receipts - settlement payment received | 998,283 |

| | |
|-----------------|------------------|
| Total additions | <u>3,085,316</u> |
|-----------------|------------------|

DEDUCTIONS

| | |
|------------------|------------------|
| Retiree benefits | <u>3,363,104</u> |
|------------------|------------------|

| | |
|--------------------------------------------|-----------|
| Excess of additions over deductions | (277,788) |
|--------------------------------------------|-----------|

Net position restricted for postemployment benefits other than pensions:

| | |
|--------------|-------------------|
| July 1, 2018 | <u>44,997,973</u> |
|--------------|-------------------|

| | |
|---------------|----------------------|
| June 30, 2019 | <u>\$ 44,720,185</u> |
|---------------|----------------------|

See accompanying notes to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – DESCRIPTION OF PLAN

The following information of the San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of the San José/Evergreen Community College District (the "District"), provides only general information of the Trust's provisions. Readers should refer to the Trust agreement for a more complete description. These financial statements include only the resources of the Trust and are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

General: The District administers the Trust, a contributory single-employer defined benefit healthcare plan through a third-party. The Trust provides postemployment medical, prescription drug and employee assistance program benefits to eligible retirees and their spouses by paying member premiums. Benefit provisions are established and amended through contract negotiations with labor unions and must be approved by the District's Board of Trustees. Membership consists of 296 retirees and 330 beneficiaries currently eligible to receive benefits.

Contributions: Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the District and the American Federation of Teachers Association (AFT), the local California Service Employees Association (CSEA) and unrepresented groups. In 2009, the District issued an OPEB Taxable Bond of \$46,775,000 for the purpose of financing the District's obligation to pay certain healthcare retiree costs related to the defined benefit plan (the "Plan"). The District transferred \$39,957,416 to the Trust to fund the Plan. Contributions are not required and any additional contributions by the District would be discretionary. There were no contributions to the Plan during the fiscal year ended June 30, 2019. Retiree benefits and administrative expenses are funded from the prior contribution and investment earnings.

Funded Status and Funding Progress: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Trust and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the net OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents information about whether the plan fiduciary net position is increasing or decreasing over time relative to the total OPEB liability.

As of June 30, 2019, the most recent actuarial valuation date, the plan was 134 percent funded. The total OPEB liability was \$34,383,314, the actuarial value of assets was \$44,720,185, resulting in a funding surplus of \$10,336,871. As of the last actuarial study, the covered payroll (annual payroll of active employees covered by the Plan) was \$35,025,000, and the ratio of the funding excess to the covered payroll was 33 percent.

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SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – DESCRIPTION OF PLAN, continued

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2019 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio.

Investment Options: As appointed by the Retirement Board of Authority, Benefit Trust Company, the Asset Custodian, maintains the Trust's investments in various mutual funds, and is the record keeper and Morgan Stanley is the investment advisor. Funds allocated to the Asset Custodian are invested as directed by the Retirement Board of Authority in a combination of equity and fixed income investments.

Plan Termination: In the event of Plan termination, the net position of the Trust would be allocated as prescribed in the Trust documents, generally to pay in the order indicated below:

- District's remaining retiree medical benefit liabilities.
- Reasonable expenses of administering the Trust.

Any assets remaining in the Trust after paying off the above liabilities shall revert back to the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due, pursuant to formal commitments as well as statutory or contractual commitments. Retiree benefits are recognized when due and payable.

The financial statements of the Trust have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. In the U.S. the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The financial statements have been prepared consistent with GASB Codification Po50, *Postemployment Benefit Plans Other than Pension Plans*, and new standards set forth in GASB Statement No. 74 *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*.

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investment Valuation: Investments are reported at fair value based upon market prices, when available, or estimates of fair value, and unrealized and realized gains and losses are included in the Statement of Changes in Trust Net Position.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Trust to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – INVESTMENTS

The Trust has adopted an internally developed investment policy that authorizes the use of a broad range of investment choices that have distinctly different risks and return characteristics. In general, investments held in the Trust Fund are for the primary purpose of meeting present and future OPEB liability obligations and may be invested in accordance with California Government Code Sections 53600 through 53622 that, subject to applicable legal requirements, may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

As stated in the Investment Policy, the Trust will invest predominantly in open-end mutual funds. The fair value of the Trust's individual investments is established at net asset value (NAV) and at June 30, 2019 are as follows:

| | |
|-------------------|----------------------|
| Mutual funds: | |
| Common stocks | \$ 16,514,224 |
| Fixed income | 26,303,685 |
| Real estate | 1,902,276 |
| Total investments | <u>\$ 44,720,185</u> |

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 – INVESTMENTS, continued

During the fiscal year ended June 30, 2019, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

| | | |
|-----------------------------|----|------------------|
| Unrealized gains net | \$ | 387,789 |
| Realized gains, net | | 73,626 |
| Dividends and other income | | 1,847,898 |
| Investment fees | | (222,280) |
| Settlement payment proceeds | | 998,283 |
| Total investment gains | \$ | <u>3,085,316</u> |

Custodial Credit Risk: The California Government Code requires California banks and savings and loan associations to secure the Trust's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Trust. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: The Trust's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Retirement Board of Authority, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2019, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Interest Rate Risk: The Trust 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. At June 30, 2019, the Trust had no significant interest rate risk related to investments held.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 – INVESTMENTS, continued

Concentration: As required under provisions of GASB Statement No. 74 *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, the plan is required to disclose investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5 percent or more of the plan's fiduciary net position. At June 30, 2019, the following mutual fund holdings exceeded 5 percent of the plan's fiduciary net position:

| Description | Market Value | Percentage of Fiduciary Net Position |
|----------------------------------------------|--------------|-----------------------------------------|
| BLACKROCK TOTAL RETURN - CLASS K SHARES | \$ 4,153,199 | 9.29% |
| GUGGENHEIM INVESTMENTS - MACRO OPPORTUNITIES | \$ 3,899,185 | 8.72% |
| GUGGENHEIM INVESTMENTS - BOND FUNDS | \$ 4,014,499 | 8.98% |
| PRUDENTIAL FUNDS TOTAL RETURN - BOND FUNDS | \$ 4,201,488 | 9.40% |
| WESTERN ASSET CORE PLUS BOND - CLASS I | \$ 4,201,149 | 9.39% |
| ALGER SPECTRA FUNDS - CLASS Z | \$ 2,744,899 | 6.14% |

Rate of return: For the year ended June 30, 2019, the annual money-weighted rate of return on investments was 4.81%.

NOTE 4 – NET OPEB ASSET

The components of the Net OPEB Asset of the plan at June 30, 2019 were as follows:

| | |
|-----------------------------|-------------------|
| Total OPEB Liability | \$ (34,383,314) |
| Plan Fiduciary Net Position | <u>44,720,185</u> |
| Net OPEB Asset | \$ 10,336,871 |

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

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 – NET OPEB ASSET, continued

Return on Assets: 7.5% - The long-term expected rate of return on the OPEB trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges were determined based on past investment history and are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

| Asset class | Allocation* | Long-term expected real rate of return |
|------------------------|-------------|----------------------------------------|
| Fixed income | 55 | 2.75% |
| Domestic Equities | 33 | 5.50% |
| International Equities | 8 | 6.50% |
| Alternative Assets | 4 | 5.00% |
| Cash | 0% | 0.00% |
| Total | 100.0% | |

* Actual reported at June 30, 2018

Discount Rate: 7.9% - The discount rate of 7.5% is based on the rate of return at 7.5%. The projection of cash flows used to determine the discount rate assumed that ongoing contributions will be made at the actuarially determined contribution rate. Based on that assumption, the OPEB plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members in all future years. Based on earnings on assets of 7.5%, expected future assets are projected to be sufficient to pay out projected District payments for retiree health benefits.

Sensitivity of the net OPEB liability to changes in the discount rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--------------------|-----------------------|------------------------------------|-----------------------|
| Net OPEB liability | \$ (8,033,980) | \$ (10,336,871) | \$ (12,857,275) |

Trend Rate: The trend rates grade down from current market trends to an ultimate rate sensitivity of the net OPEB liability to changes in the discount rate:

| | 1% Decrease Ultimate Trend Rate (5.5%) | Ultimate Trend Rate (6.5%) | 1% Increase Ultimate Trend Rate (7.5%) |
|--------------------|-------------------------------------------|-------------------------------|----------------------------------------------|
| Net OPEB liability | \$ (13,245,860) | \$ (10,336,871) | \$ (7,613,764) |

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 – RELATED PARTY TRANSACTIONS

Retiree benefit costs of the Trust are paid by San José/Evergreen Community College District. The District transferred \$3,363,104 from the Trust fund to the District to pay retiree benefits.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
SCHEDULE OF THE NET OPEB
LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2019

SCHEDULE OF THE NET OPEB LIABILITY AND RELATED RATIOS

| | Increase (Decrease) | | |
|-------------------------------------------------------------------------|----------------------|-----------------------------|--------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (a)-(b) |
| Balances at 6/30/2018 | \$ 35,138,989 | \$ 44,997,973 | \$ (9,858,984) |
| Changes for the year: | | | |
| Service Cost | 124,454 | - | 124,454 |
| Interest | 2,475,240 | - | 2,475,240 |
| Changes in assumptions | 1,165,117 | - | 1,165,117 |
| Net investment income | - | 3,307,596 | (3,307,596) |
| Benefit payments | (4,520,486) | (3,363,104) | (1,157,382) |
| Administrative expense | - | (222,280) | 222,280 |
| Net changes | (755,675) | (277,788) | (477,887) |
| Balances at 6/30/2019 | \$ 34,383,314 | \$ 44,720,185 | \$ (10,336,871) |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 130.1% | |
| Estimated Covered Payroll | | \$ 35,025,000 | |
| Net OPEB asset as percentage of covered-employee payroll | | -30.2% | |

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
 RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
 SCHEDULE OF CONTRIBUTIONS
 For the Year Ended June 30, 2019

SCHEDULE OF CONTRIBUTIONS

| Fiscal Year Ended | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) |
|-------------------|-------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------|
| June 30, 2009 | \$ 39,957,416 | \$ 39,957,416 | \$ - |
| June 30, 2010 | \$ - | \$ - | \$ - |
| June 30, 2011 | \$ - | \$ - | \$ - |
| June 30, 2012 | \$ - | \$ - | \$ - |
| June 30, 2013 | \$ - | \$ - | \$ - |
| June 30, 2014 | \$ - | \$ - | \$ - |
| June 30, 2015 | \$ - | \$ - | \$ - |
| June 30, 2016 | \$ - | \$ - | \$ - |
| June 30, 2017 | \$ - | \$ - | \$ - |
| June 30, 2018 | \$ - | \$ - | \$ - |
| June 30, 2019 | \$ - | \$ - | \$ - |

Notes to Schedule:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, requires a 10-year trend analysis for the schedule of contributions. The District will continue to display information for all years available until the full 10-year illustration is present.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

SCHEDULE OF INVESTMENT RETURNS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|
| Annual money-weighted rate of return, net of investment expense | 4.81% | 4.76% | 5.26% | 4.40% | 5.13% | 6.03% | 3.62% | 7.43% | 11.76% | 2.76% | 0.00% |

Notes to Schedule:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, requires a 10-year trend analysis for the schedule of investment returns. The District will continue to display information for all years available until the full 10-year illustration is present.



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
San José/Evergreen Community College District
San Jose, 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 accompanying financial statements of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of San José/Evergreen Community College District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 22, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over the Trust's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Trust.

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
October 22, 2019