CALIFORNIA ONLINE COMMUNITY COLLEGE DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
INCLUDING REPORTS ON COMPLIANCE
June 30, 2019
INDEPENDENT AUDITORS’ REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS................................................................. iv
BASIC FINANCIAL STATEMENTS .........................................................................................1
  Statement of Net Position ......................................................................................................2
  Statement of Revenues, Expenses and Changes in Net Position ...........................................3
  Statement of Cash Flows .....................................................................................................4
NOTES TO THE FINANCIAL STATEMENTS .....................................................................5
REPORTS ON COMPLIANCE.................................................................................................11
INDEPENDENT AUDITORS’ REPORT

Board of Trustees
California Online Community College District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Online 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 entity’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditors’ 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ 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, we consider 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.

**Opinion**

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

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, 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 and 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.

**CliftonLarsonAllen LLP**

Glendora, California

REPORT DATE
INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

In June of 2018, legislation was signed and passed into law by then-Governor Jerry Brown and the first online-only community college district was founded. The new California Online Community College District was officially named Calbright College in June of 2019. Calbright commenced pilot programs in October 2019, beginning with partnerships in medical coding, cybersecurity and career readiness training.

Calbright’s goal is to provide economic mobility for working adults who lack easy access to traditional forms of higher education. In California, there are more than 8 million “stranded” workers, that is, people who describe themselves as stuck in “go nowhere” jobs. Additionally, 25 percent of working adults living in poverty already have some sort of experience with college.

Calbright College is designed to focus on careers, not credentials. Unlike other community colleges, rather than working toward an associate’s degree, Calbright’s adult learners work toward a job. While many community colleges offer online classes, they are still structured like traditional college courses, with specific requirements and timelines. Calbright is different. Each adult learner can start their program at any time, and work around their own schedule, at their own pace. Furthermore, Calbright will seek to offer a full range of supportive and learning services to our adult learners, from pre-enrollment to post-employment, to ensure they get and keep the better-paying, upwardly-mobile jobs for which they have been prepared.

There are many career colleges and vocational schools that offer job training and certifications, but they often charge high fees and with no guarantee of employment upon completion. Calbright is different. Calbright partners directly with organizations and set up paid apprenticeships prior to employment, so that by the time adult learners have completed their program, they will have a clear understanding of exactly what they’ll be doing in their new role. Hiring managers are connected with a reliable pool of qualified graduates who are ready to succeed on day one of employment, meaning there’s more time for regular responsibilities and less time spent on searching for applicants or developing on-the-job training. This model builds confidence and reduces stress on both sides: Calbright learners master the skills they need for the specific job they’re training for, and hiring managers are confident that when it’s time to make a hire, graduates are prepared to hit the ground running.

The California Online Community College District presents its financial statements in the Business-Type Activities reporting format required by statements released by the Government Accounting Standards Board (GASB) in 1999. The format prescribed by GASB focuses on the District as a whole rather than on individual funds.
The following management’s discussion and analysis provides an overview of the financial position and activities of the California Online Community College District’s Financial Report for the year ended June 30, 2019. The financial statements that provide information on the District as a whole are:

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

Each of these statements will be reviewed and significant events discussed.

**STATEMENT OF NET POSITION**

The Statement of Net Position presents information on the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

In thousands:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$118,256</td>
<td>$-</td>
<td>$118,256</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>118,256</td>
<td>$-</td>
<td>118,256</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,262</td>
<td>$-</td>
<td>1,262</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,262</td>
<td>$-</td>
<td>1,262</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>16,638</td>
<td>$-</td>
<td>16,638</td>
</tr>
<tr>
<td>Restricted - Expendable</td>
<td>100,356</td>
<td>$-</td>
<td>100,356</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$116,994</td>
<td>$-</td>
<td>$116,994</td>
</tr>
</tbody>
</table>

**Assets**

Total assets includes approximately $118,162 of Cash in the County Treasury resulting from state appropriations received during fiscal year 2019.

**Liabilities**

Liabilities consists of accounts payable and accrued expenses, including approximately $1,056 due to the Foundation for California Community Colleges for administrative services rendered.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>$ Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>3,434</td>
<td>-</td>
<td>3,434</td>
</tr>
<tr>
<td>Operating Loss</td>
<td>(3,434)</td>
<td>-</td>
<td>(3,434)</td>
</tr>
<tr>
<td>Total Nonoperating Revenues</td>
<td>120,428</td>
<td>-</td>
<td>120,428</td>
</tr>
<tr>
<td>Income Before Other Revenues</td>
<td>116,994</td>
<td>-</td>
<td>116,994</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>116,994</td>
<td>-</td>
<td>116,994</td>
</tr>
<tr>
<td>Net Position - Beginning of Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Position - End of Year</td>
<td>$ 116,994</td>
<td>$ -</td>
<td>$ 116,994</td>
</tr>
</tbody>
</table>

**Operating Revenues**

The District did not have any operating revenues.

**Operating Expenses**

Total Operating Expenses included approximately $2,970 in administrative services related to start-up activities.

**Non-Operating Revenues**

The District received $120,000 appropriations from the State of California.
ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR’S BUDGET

California Online Community College District is supported by State of California appropriations that include a one-time, start-up fund of $100 million and annual operating funds of $20 million per year for seven years. As the District begins to achieve scale, it intends to incrementally generate revenues through employer partnerships in two ways:

- As employers accept Calbright graduates as apprentices, they will contract for that employment through the College and pay direct and indirect costs.
- For employers who opt to directly employ a Calbright graduate and bypass the apprenticeship phase, they will pay a placement fee on the first year base compensation for the position.

The goal in 2020 is to place 300 to 400 of Calbright graduates into paid apprenticeships and/or upwardly mobile jobs. The plan is to be able to secure a total of 44,450 jobs for our adult learners by the end of 2027. Initially, the cost per enrollee successfully placed in the job will start out quite high as systems and processes are built and scaled. By 2027 the cost per enrollee will drop dramatically and the average cost per enrollee placed in a job over seven years is $5,580 per learner.

As of December 2019, Calbright surpassed 2,500 applications started from 4,400 people who've expressed interest in Calbright’s programs, with over 430 learners enrolled. Spring of 2020 will be a critical time for Calbright as the first major employment partnerships are developed. These partnerships will include paid apprenticeship, on-the-job training/mentorship, and learner employment readiness. Agreements with large employers, each with their own network of downstream jobs, will cover the widest geographic area possible, with the aim of serving learners across the state.

REQUEST FOR INFORMATION

If you have questions about this report or need additional financial information contact Nick Schweizer at 1102 Q Street, Suite 4800 Sacramento, CA 95811.
BASIC FINANCIAL STATEMENTS
## Assets

Current assets:
- Cash and cash equivalents: $118,161,532
- Prepaid expenses: 94,390

Total Current Assets: $118,255,922

### Total Assets

$118,255,922

## Liabilities

Current Liabilities:
- Accounts payable: $1,262,026

Total Liabilities: $1,262,026

## Net Position

Unrestricted: 16,638,177
Restricted - Expendable: 100,355,719

Total Net Position: $116,993,896

### Total Liabilities and Net Position

$118,255,922
CALIFORNIA ONLINE COMMUNITY COLLEGE DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$ -</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
</tr>
<tr>
<td>Administrative Services</td>
<td>2,969,117</td>
</tr>
<tr>
<td>Supplies, materials, and other operating expenses and services</td>
<td>452,913</td>
</tr>
<tr>
<td>Utilities</td>
<td>12,486</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>3,434,516</strong></td>
</tr>
<tr>
<td>Operating Loss</td>
<td>(3,434,516)</td>
</tr>
<tr>
<td>Non-Operating Revenues</td>
<td></td>
</tr>
<tr>
<td>State revenues, non-capital</td>
<td>120,000,000</td>
</tr>
<tr>
<td>Interest and investment income, non-capital</td>
<td>428,412</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenues</strong></td>
<td><strong>120,428,412</strong></td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>116,993,896</td>
</tr>
<tr>
<td>Net Position, Beginning of Year</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Position, End of Year</strong></td>
<td><strong>$ 116,993,896</strong></td>
</tr>
</tbody>
</table>
# CALIFORNIA ONLINE COMMUNITY COLLEGE DISTRICT
## STATEMENT OF CASH FLOWS
### For the Fiscal Year Ended June 30, 2019

See accompanying notes to the financial statements.

-4-
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

California Online Community College District was established in June of 2018 as a public institution of higher education. The College was established to provide instructional programming for working adults who lack easy access to traditional forms of higher education. Beginning in June 2019, the District is doing business as Calbright College.

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of officials who are appointed by the Governor of the State of California.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District’s financial activities.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District’s basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor’s Office of the California Community College’s Budget and Accounting Manual.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

Cash and Cash Equivalents

The District’s cash and cash equivalents, are considered to be cash on hand and demand deposits. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Capital Assets

The District maintains an initial unit cost capitalization threshold of $5,000 for capital expenditures including land, building and improvements, furniture and equipment with an estimated useful life greater than one year. The District did not incur any expenditures that meet the capitalization policy as of June 30, 2019.

Accounts Payable

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30.

Net Position

Net position is the difference between the District’s total assets and total liabilities. Net position is required to be classified into the following two categories:

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for specific future purposes.

Restricted Net Position - Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State Revenues

Revenues from the state were based upon enabling legislation.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as tuition revenue, federal grants and contracts and most state grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 2: DEPOSITS

Deposits - Custodial Credit Risk

Custodial credit risk 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 deposit policy for custodial risk. As of June 30, 2019, the District’s bank balance of $7,816,382 were either insured or collateralized.

Cash in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Solano County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. The District’s investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.
NOTE 2: DEPOSITS

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The County is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, state treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Cash and cash equivalents as of June 30, 2019 are as shown herein.

<table>
<thead>
<tr>
<th>Primary Government</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>7,779,868</td>
</tr>
<tr>
<td>Cash in County Treasury</td>
<td>110,381,664</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>$118,161,532</td>
</tr>
</tbody>
</table>

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy Section 3130, the District may invest in the types of investments shown herein. The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2019.

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer’s Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.
NOTE 2: DEPOSITS

Interest rate risk is the risk that changes in 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.

Credit Risk

Credit risk is the risk an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in one issuer.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: RISK MANAGEMENT

During fiscal year ending June 30, 2019, the District contracted with commercial insurers for liability coverage.

NOTE 4: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2019, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District’s financial statements has not been assessed at this time.
NOTE 4: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

Statement No. 84 – Fiduciary Activities

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – Leases

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

Statement No. 91 – Conduit Debt Obligations

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2021-22.
OTHER INDEPENDENT AUDITORS’ REPORTS
Board of Trustees  
California Online Community College District  
Sacramento, California  

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the business-type activities of California Online Community College District (the District), as of 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 REPORT DATE.

**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 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

CliftonLarsonAllen LLP
Glendora, California
REPORT DATE
INDEPENDENT AUDITORS’ REPORT ON STATE COMPLIANCE

Board of Trustees
California Online Community College District
Sacramento, California

We have audited the California Online Community College District District’s (the District) compliance with the types of compliance requirements described in the 2018-2019 Contracted District Audit Manual, published by the California Community Colleges Chancellor’s Office for the year ended June 30, 2019. The District’s state compliance requirements are identified in the table provided.

Management’s Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditors’ Responsibility

Our responsibility is to express an opinion on the District’s compliance based on our audit of the types of compliance requirements referred to below.

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 2018-2019 Contracted District Audit Manual, published by the California Community Colleges Chancellor’s Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 state compliance. However, our audit does not provide a legal determination of the District’s compliance.
Compliance Requirements Tested

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

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Procedures Performed</th>
</tr>
</thead>
<tbody>
<tr>
<td>421</td>
<td>Salaries of Classroom Instructors (50 Percent Law)</td>
<td>(1)</td>
</tr>
<tr>
<td>423</td>
<td>Apportionment for Activities Funded From Other Sources</td>
<td>(2)</td>
</tr>
<tr>
<td>424</td>
<td>State General Apportionment Funding System</td>
<td>(3)</td>
</tr>
<tr>
<td>425</td>
<td>Residency Determination for Credit Courses</td>
<td>(3)</td>
</tr>
<tr>
<td>426</td>
<td>Students Actively Enrolled</td>
<td>(3)</td>
</tr>
<tr>
<td>427</td>
<td>Dual Enrollment of K-12 Students in Community College Credit Courses</td>
<td>(3)</td>
</tr>
<tr>
<td>430</td>
<td>Scheduled Maintenance Program</td>
<td>(4)</td>
</tr>
<tr>
<td>431</td>
<td>Gann Limit Calculation</td>
<td>(5)</td>
</tr>
<tr>
<td>435</td>
<td>Open Enrollment</td>
<td>(3)</td>
</tr>
<tr>
<td>439</td>
<td>Proposition 39 Clean Energy Funds</td>
<td>(2)</td>
</tr>
<tr>
<td>444</td>
<td>Apprenticeship and Supplemental (RSI) Funds</td>
<td>(2)</td>
</tr>
<tr>
<td>475</td>
<td>Disabled Student Programs and Services (DSPS)</td>
<td>(3)</td>
</tr>
<tr>
<td>479</td>
<td>To Be Arranged Hours (TBA)</td>
<td>(3)</td>
</tr>
<tr>
<td>490</td>
<td>Proposition 1D State Bond Funded Projects</td>
<td>(2)</td>
</tr>
<tr>
<td>491</td>
<td>Education Protection Account Funds</td>
<td>(2)</td>
</tr>
</tbody>
</table>

(1) Not applicable as the District did not incur costs of education during fiscal year 2019.
(2) Not applicable as the District did not receive any such funding during fiscal year 2019.
(3) Not applicable as the District did not provide any courses during fiscal year 2019.
(4) Not applicable as the District did not incur any related expenses during fiscal year 2019.
(5) Not applicable as the District did not prepare a Gann Limit Calculation for fiscal year 2019.

Opinion on State Compliance

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

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the 2018-2019 Contracted District Audit Manual. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP
Glendora, California
REPORT DATE