SAN DIEGO COMMUNITY COLLEGE DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Diego Community College District
San Diego, 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 the San Diego Community College District (the District) as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 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 opinions.

Opinion

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 San Diego Community College District as of June 30, 2018, 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.

Emphasis of a Matter

Changes in Accounting Principles

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period.* As a result of the implementation of Statement No. 75, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

Correction of Errors

As described in Note 14 to the financial statements, the entity identified errors in amounts recorded for capital assets and long-term debt in prior years. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, 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 6, 2018 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

CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

FINANCIAL HIGHLIGHTS FOR 2017-18

- The 2017-18 State Budget Act once again provided an increased investment in California community colleges to improve upon student access and success with a renewed focus on equity for all students particularly those historically underrepresented.
- Furthermore, fiscal year 2017-18 had the state aggressively developing a new funding model for California community colleges, to replace a decades old 100% access/growth apportionment funded model, which includes performance funding and due to be in effect as of July 1, 2018 for fiscal year 2018-19.
- The 2017-18 State Budget Act included $97 million statewide for a 1.56 percent COLA (cost of living adjustment), which is projected to be $ 3.7 million for SDCCD.
- Also included in the state budget was $57.8 million in enrollment access/growth funding, which made SDCCD eligible to achieve approximately $2 million of what was provided in the state budget for student enrollment growth.
- The state budget included $183.6 million to address growing operational costs intended to assist districts with addressing employer pension rate increases, employee benefit costs and other general operational increases. SDCCD anticipates receiving approximately $6.6 million in 2018-19.
- SDCCD's Board of Trustees established a Designated Project Reserve Fund in 2015 to offset the annual increase costs to the CalSTRS/PERS employer contribution rates, which was imposed by both pension systems in 2013-14. The rate increases will more than double the employer's pension related operating costs by 2020-21. During 2017-18, $2.4 million of one-time RAF (Resource Allocation Formula) funds were transferred into this reserve along with another $583 thousand in continuous dollars.
- The District met all of its repayment obligations for Prop S and Prop N General Obligation Bonds, which continues to wind-down.
- The District also met or exceeded all federal and state mandate requirements including the 50% Law and Faculty Obligation Numbers (FON).

DISTRICT BACKGROUND

The California Community College system is comprised of 72 districts, 115 colleges, and 69 approved Education Centers serving 2.1 million students. San Diego Community College District (the "District") is one of five Community College districts located in San Diego County. The District is located within the metropolitan area of the city of San Diego and consists of three colleges: San Diego City College, Mesa College, and Miramar College and San Diego Continuing Education which operates at seven campuses.

The mission of the District is to provide accessible, high quality learning experiences to meet the educational needs of the San Diego community served. The District offers a comprehensive curriculum responding to needs for university transfers, technical, vocational, military and general education, remediation and development, special education, human development, honors, and ethnic and linguistic diversity. The District also provides comprehensive support services, including counseling, financial aid, health services, tutoring, career planning and placement, child care, transfer centers, disabled student services and extended opportunities programs and services. As of 2016 the District offers a bachelor's degree at Mesa College in Health Information Management, which is one of only 15 community colleges system-wide approved to offer a bachelor's degree under a state piloted program.

DISTRICT BACKGROUND (continued)

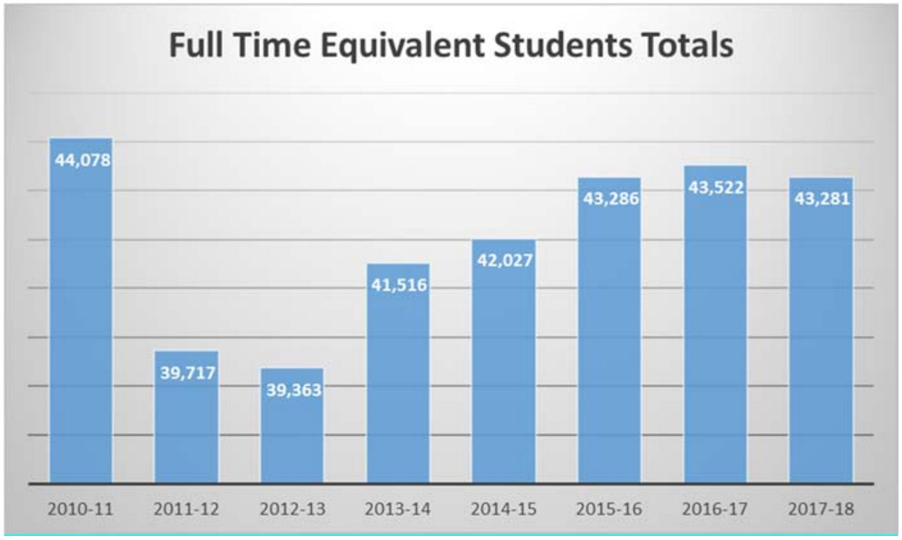
Based upon enrollment, the District is the second largest community college district in California and the sixth largest in the United States. California residents paid an enrollment fee of $46 per credit unit during the 2017-18 academic year. Out-of-state residents paid the enrollment fee plus tuition fees of $211 per credit, while the baccalaureate tuition surcharge is $84 per credit plus the applicable enrollment fee for resident and non-resident students.

The District has transfer agreements with the California State University and University of California systems, and the instructional coursework offered in transferable courses fully prepares students to succeed in four-year colleges and universities.

ENROLLMENT HIGHLIGHTS

The state's economy has consistently improved since funding for community colleges significantly improved as a result of the passage by voters in November 2012 of Proposition 30, which resulted in an increase to the state sales and income tax rates. Proposition 30 was scheduled to sunset after seven years; however, in November 2016, voters approved Proposition 55 which provided for the continuation of the income tax rate increase with the majority of the funding going towards education through 2030. The District's FTES (full-time equivalent students) target for 2017-18 was 44,787 FTES, which if earned and funded would result in a 1.50% or 672 FTES increase over 2016-17. However, student enrollments declined throughout the system in 2017-18 with funded FTES at the colleges and Continuing Educations for the year at 43,281 FTES. Actual funded FTES for 2017-18 will not be known until February or March 2019 when the state releases the final "Recal" reports for all 72 districts. A history of student enrollments is provided in the table on the following page.

FULL TIME EQUIVALENT STUDENTS



ENROLLMENT HIGHLIGHTS (continued)

Under the current state funding model, the amount of FTES funding a district receives is contingent on how much growth funding is available both system and district-wide in the state approved budget for all of the community college districts and the amount of FTES actually served by a district. The funding available for growth for districts can vary throughout a year depending on several factors; and, is subject to change until the state finalizes all apportionment reporting for a given fiscal year. Consequently, the final funded FTES is not confirmed at the District level until February or March of the year after a fiscal year has ended (for 2017-18 would be February or March 2019), when all of the final FTES served system-wide have been reported by the 72 districts and calculated within the constraints of the state approved budget.

Community college enrollments normally fluctuate with unemployment rates. When unemployment is high, people rush to community colleges to prepare for new or improved careers and jobs, thereby boosting enrollments. When the employment situation improves, and people are able to find employment, community college enrollments usually falter or decrease. With an improved employment picture in California, which began in FY 2015-16, including San Diego, nearly half of the California community college districts continued to fall below their base enrollment levels. In spite of strong enrollment management planning at the District based upon smart course scheduling, flexible offerings, great institutional reputations, outstanding academic programs and faculty, and effective community outreach, the District also experienced declining student enrollment as a result of the strong economic conditions in the region, which had students enrolling in less courses each semester. Under the current funding model, districts are not funded based upon individual students (i.e., head count) but rather on a 100% apportionment based state funding tied to an FTES calculation, which is based upon a full-time class load of 15 units or 5, 3-unit class sections.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

The District uses the Business-Type Activity (BTA) model in which financial reports are generated using the full accrual basis of accounting. The California Community College Chancellor's Office through its Fiscal Standards and Accountability Committee, recommends that all community college districts implement the reporting standards under the BTA model. To comply with the recommendations of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District adopted the BTA reporting model for its financial statement reporting.

As required by the Governmental Accounting Standards Board (GASB) reporting standards, the annual report consists of three basic financial statements that provide information on the District as a whole:

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

Each of these statements, along with other selected financial statement summaries, will be described herewith and also will include comparisons between the prior and current year, along with selected highlighted information relevant to each statement presented.

STATEMENT OF NET POSITION

The Statement of Net Position presents the Assets, Liabilities, and Net Position of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net position—the difference between assets and liabilities—is one way to measure the financial health of the District. The net asset data allows readers to determine the resources available to continue the operations of the District. During the 2017-18 independent audit it was determined by the external auditors that the Net Position as of July 1, 2017 was understated by approximately $112 million, the majority of which was related to a refunding of General Obligation Bonds, which was not properly reported in fiscal year 2016-17. Net Position restated as of July 1, 2017 was ($28,184,641) while the changes in Net Position were ($43,124,205) for an ending Net Position of ($71,308,846) as of June 30, 2018.

The Net Position of the District consists of three major categories:

1. Invested in capital assets, net of related debt – the District's equity in property, plant, and equipment.
2. Restricted Net Position (distinguished between major categories of restriction) – the constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, laws or regulations of other governments, or imposed through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – the District can use for any lawful purpose. Although unrestricted, the District's governing board may place internal restrictions on this Net Position, but it retains the power to change, remove, or modify those restrictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

	2018	2017*	Net Change
Assets			
Current assets	$ 174,371	$ 271,516	$ (97,145)
Non-current assets	1,598,630	1,589,372	9,258
Total Assets	1,773,001	1,860,888	(87,887)
Deferred Outflows of Resources	148,681	58,893	89,788
Liabilities			
Current liabilities	96,561	101,397	(4,836)
Non-current liabilities	1,873,587	1,923,296	(49,709)
Total Liabilities	1,970,148	2,024,693	(54,545)
Deferred Inflows of Resources	22,843	23,187	(344)
Net Position			
Net investment in capital assets	99,777	(7,352)	107,129
Restricted	125,508	101,347	24,161
Unrestricted	(296,594)	(222,095)	(74,499)
Total Net Position	$ (71,309)	$ (128,100)	$ 56,791

* Amounts have not been restated for errors noted in prior years (see Note 14)

ASSETS

The District's assets consist of current assets including cash, investments and net accounts receivable. These assets are resources with present capability to enable the District to provide services and continue its operations. Current assets decreased by $97.0 million primarily due to continued expenditures of the Proposition N Building Fund. Non-current assets include capital assets net of accumulated depreciation and restricted cash.

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources include amounts associated with the refunding of debt and pension contributions made during the fiscal year that are removed from expenses.

LIABILITIES

The liabilities of the District consist of current liabilities and non-current liabilities. The major components of the current liabilities are the current portion of outstanding General Obligation Bond debt and related accrued interest payable within one year, accrued payroll and amounts payable to vendors.

Non-current liabilities are debt with maturities of more than one year, which consist of General Obligation Bond repayments, compensated absences payable, net OPEB obligation, and aggregate net pension liability.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent pension costs, resulting from the difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over five years.

NET POSITION

The total net position is one indicator of the District's financial health. Changes in total 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 during fiscal year 2017-18. The change in net position reveals whether the overall financial condition has improved or worsened during the year. Over time, increases or decreases in net position will point out the improvement or erosion of the District's financial health when considered with nonfinancial facts, such as enrollment levels, State changes in funding, facility changes, etc.

Net position represents residual District assets and deferred outflows after liabilities and deferred inflows are deducted. 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 equity amount in property, plant, and equipment owned by the District. Restricted net position represents funds that are limited in terms of the purpose and time for which the funds can be spent. It is subject to externally imposed restrictions governing their use. 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.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total Net Position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the District.

Operating Revenues	2018	2017*	$ Change	% Change
Net tuition & fees	$ 21,202	$ 19,739	$ 1,463	7%
Grants and contracts, non-capital	106,636	101,011	5,625	6%
Auxiliary enterprise, net	14,661	15,287	(626)	-4.09%
Total Operating Revenues	142,499	136,037	6,462	4.75%
Operating Expenses				
Salaries	224,928	218,050	6,878	3%
Benefits	104,846	97,002	7,844	8%
Supplies, materials, & other operating expenses	52,455	178,631	(126,176)	-71%
Financial Aid	63,629	63,415	214	0%
Utilities	9,544	9,402	142	2%
Depreciation	41,003	41,774	(771)	-1.85%
Total Operating Expenses	496,405	608,274	(111,869)	-18.39%
Operating Loss	(353,906)	(472,237)	118,331	-25%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	123,631	120,266	3,365	3%
Local property taxes	112,306	106,859	5,447	5%
State taxes & other revenues	48,705	47,327	1,378	3%
Investment income(loss) - noncapital	3,360	2,526	834	33.02%
Interest expense	(72,167)	(70,291)	(1,876)	2.67%
Other nonoperating revenue	10,149	41,472	(31,323)	-75.53%
Total Nonoperating Revenues (Expenses)	225,984	248,159	(22,175)	-8.94%
Gain Before Capital Revenues	(127,922)	(224,078)	96,156	-43%
Capital Revenues	84,798	62,004	22,794	36.76%
Change in Net Position	$ (43,124)	$ (162,074)	$ 118,950	-73.39%

* Amounts have not been restated for errors noted in prior years (see Note 14)

OPERATING REVENUES AND EXPENSES

Generally, operating revenues are earned for providing educational and programmatic services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire goods or provide services in return for the operating revenues used to fulfill the mission of the District.

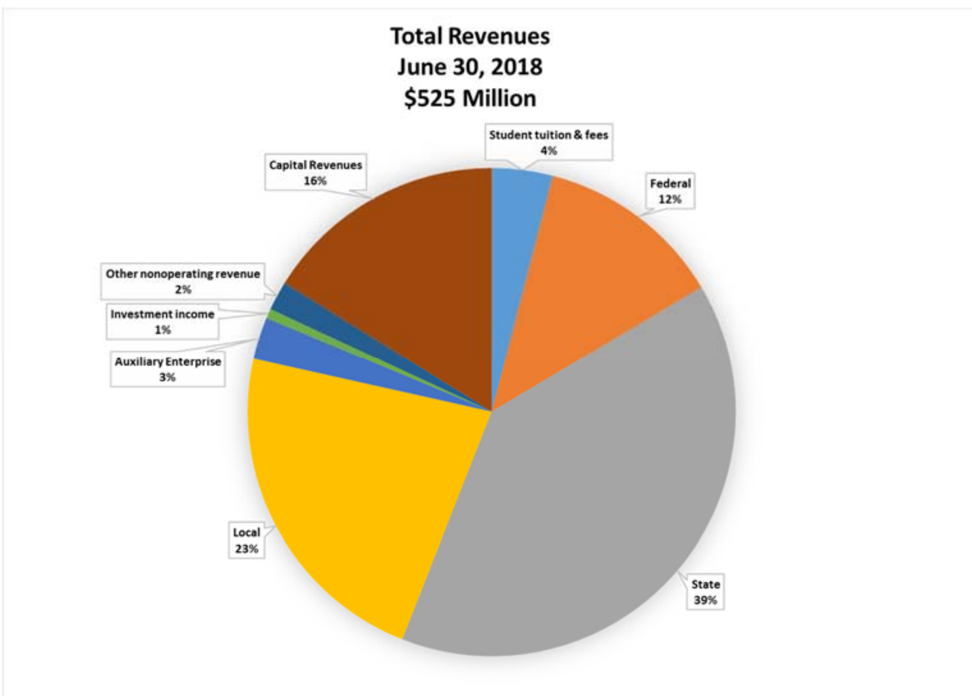
The operating revenues are generated by the resident enrollment fees, non-resident, and out-of-State tuition paid by students, including fees such as health fees, parking fees, and other related fees. Since State apportionments, property taxes, sales taxes and other revenues, and investment income are prescribed by GASB as not operating revenues; operating expenses generally exceeds operating revenues in the Statement of Revenue, Expenses, and Changes in Net Position.

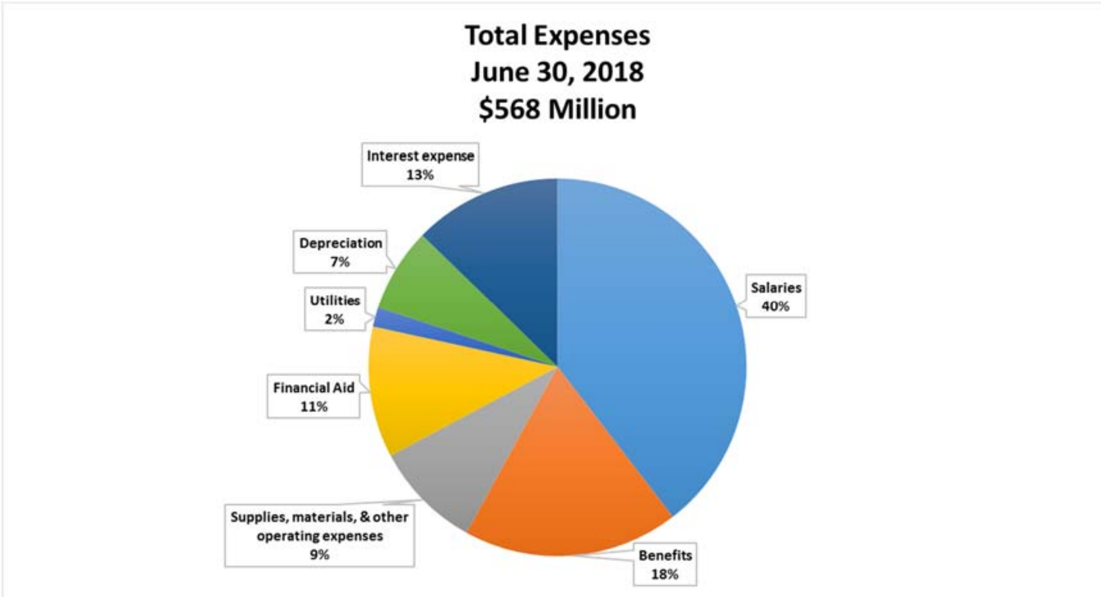
The primary operating expenses of the District are for the salaries and benefits of academic, classified, and administrative personnel, comprising the total operating expenses from a District-wide full accrual perspective. This amount includes the activity from all District funds. These costs decreased from the previous fiscal year, from $608 million to $496 million.

NON-OPERATING REVENUES AND OTHER REVENUES

Non-operating revenues and other State and local revenues are those received or pledged for which goods and services are not provided to the entity providing the revenues. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues. Total non-operating revenues or expenses are an integral component in determining the increases or decreases in net position.

The following two graphs depict total revenues and expenses for all funds on a modified accrual basis of accounting.





STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deal with cash flows from investing activities and reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

	2018	2017*	Net Change	% Change
Net cash provided (used) by:				
Operating activities	$ (321,896)	$ (476,042)	$ 154,146	-32%
Non-capital financing activities	294,790	428,660	(133,870)	-31%
Capital and related financing activities	(96,220)	49,319	(145,539)	-295%
Investment activities	3,360	2,852	508	17.81%
Net increase in cash	(119,966)	4,789	(124,755)	-2605%
Cash - beginning of the year	372,180	245,478	126,702	51.61%
Cash - end of the year	$ 252,214	$ 250,267	$ 1,947	0.78%

* Amounts have not been restated for errors noted in prior years (see Note 14)

CAPITAL ASSETS

Note 5 to the financial statements provides additional information on Capital Assets. Below is a summary of capital assets, net of accumulated depreciation, for 2017 and 2018.

	2018	2017	Net Change
Land and construction in progress	$ 433,515	$ 359,830	$ 73,685
Buildings and equipment	1,387,388	1,371,466	15,922
Accumulated depreciation	(316,074)	(278,039)	(38,035)
Total Capital Assets	$ 1,504,829	$ 1,453,257	$ 51,572

LONG-TERM DEBT

Note 6 to the financial statements provide additional information on long-term debt. Below is a summary of long-term debt for 2017 and 2018.

	2018	2017	Net Change
Compensated absences	$ 12,460	$ 13,374	$ (914)
Claims liability	4,797	4,080	717
Capital leases	-	-	-
Bonds and Notes Payable	1,544,137	1,567,265	(23,128)
OPEB Liability	13,952	14,264	(312)
Medicare Premium Program	825	-	825
Net pension liability	332,589	274,603	57,986
Total Long-Term Liabilities	$ 1,908,760	$ 1,873,586	$ 35,174

DISTRICT'S FIDUCIARY RESPONSIBILITY

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

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS

The major economic factors that impact the District and all California community college districts' financial condition are directly related to the overall economic, budgetary, and fiscal condition of the State of California and any legislation that impacts the funding of all community colleges in the state. According to the Annual Outlook Report released by the Legislative Analyst's Office (LAO) on November 14, 2018, titled "*The 2019-20 Budget: California's Fiscal Outlook*", the state budget is perceived to be better prepared to address an economic downturn than it has ever been in decades. Based upon the LAOs estimate of revenue and spending, the state's constitutional reserve is expected to reach $14.5 billion by the end of 2019-20. The LAO also projects the Legislature will have an additional $14.8 billion in resources available for allocations in the 2019-20 budget process.

In addition, the LAO analysis reports a long-term General Fund outlook with California continuing to experience economic growth under multiple scenarios assuming current law and policies remain the same. The LAO has produced a *Fiscal Outlook* every year since 1995. The 2019-20 California Fiscal Outlook indicates that the state's available surplus in 2019-20 will easily be the largest ever estimated by the LAO. The LAO projects continued growth of the California economy; however, tempered by slower job growth and modest weakness in housing. The LAO also cautions that while current projections suggest the state's economic and budgetary conditions are very strong, they caution that things could change quickly just as it did as a result of the dot-com bust and ensuing recession in 2001. If the state economy continues to grow, the state is projected to have operating surpluses of about $4.5 and $6 billion in 2018-19 and 2019-20. However, if the economy experiences a moderate recession, the LAO projects that the state has enough reserves to cover its deficits over the next couple of years due to Proposition 2 (The Rainy Day Fund) established under Governor Brown and approved by the voters on November 4, 2014. The LAO report notes that at that point, any available reserves are only sufficient to cover a portion of the operating deficit; therefore, the state would need to use some combination of spending reductions or tax increases to address any remaining deficit. The LAO report also notes that decisions by the federal government or state executive branch would certainly influence state budget conditions and hurt the budget's bottom line. Any changes to health care, tax, immigration or other policies by the federal government would impact the state's budget condition. Similarly, the state executive branch has discretion to allocate different levels of revenues from Proposition 55 and 56 to Medi-Cal, which is the state's health care system for low-income earners in California.

Clearly, there are many uncertainties regarding the state's budget and economic situation, which is why Governor Brown and the LAO continue to encourage the Legislature to build more reserves and prepare for the unanticipated or unexpected events in future fiscal years. In addition, with the implementation of a new state funding model for community colleges as of FY 2018-19 that moves from a 100% enrollment

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS (continued)

access based funding model to a model that reduces funding for enrollment access by replacing previously received apportionment revenue funding with performance based funding, the paradigm funding change will have short-term impacts on all districts as the "business model" related to revenue funding is re-evaluated and needs to change in order to align with the new funding model.

The District continued to serve its local student demand with the District's apportionment funded FTES at 43,281 FTES. Enrollment fees, which are established at the state level, once again remain at $46 in FY 2018-19 resulting in California community college enrollment fees continuing to be among the lowest in the nation. The District served its second student cohort in FY 2017-18 and graduated its first student cohort with a bachelor's degree in Health Information Management at Mesa College, which is one of fifteen colleges in the state approved to offer a bachelor's degree as part of a state pilot program.

In addition to a new performance based funding model to be in effect as of FY 2018-19, plans are underway to combine Student Equity and SSSP funding into one program to support student success in achieving educational goals and provide funding to support historically underrepresented students to ensure equity for all students. Clearly, the State's economic outlook continued to improve in FY 2017-18 and is anticipated to continue to improve in FY 2018-19 and FY 2019-20 primarily due to the extension of personal income taxes under Proposition 55, which will continue to support funding for public education.

In addition to state funding uncertainties, a major concern for all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates, which are expected to increase to 19.1% and 20.4% respectively based upon employee payroll for each of the pension systems, more than doubling the cost of employer contributions by FY 2020-21 for each community college district in California as compared to FY 2013-14. In order to minimize, as much as possible, the potential impact on future annual operating budgets, in FY 2015-16 the SDCCD Board of Trustees established a Designated Project Reserve Fund for CalSTRS and CalPERS employer contribution rate costs. As of June 30, 2018, the Board Designated Project Reserve Fund had a balance of $12.0 million to assist with addressing the future costs associated with both pension obligations. Revenues transferred from the FY 2017-18 RAF (Revenue Allocation Formula) to the Board Designated Reserve for both pension systems increasing operating costs were bargained with District employee units to identify continuous revenues over and above the one-time funds that were previously agreed to be transferred into the reserve.

Given the lack of timely details being provided by the as of July 1, 2018, all 72 districts continue to express concern about what changes will be necessary to align operating expenses with apportionment revenue under the new performance outcomes funding model in effect as of FY 2018-19, which made it difficult for all community college districts to develop budgets for

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS (continued)

adoption as required by September 15, 2018. A move from a 100% student access funding model ultimately to a model that reduces access funding in three fiscal years by replacing up to 60% of revenue previously earned and funded with 40% tied to performance outcomes funding requires all districts to undergo a paradigm shift that needs time to allow for major changes in each districts business model.

The District continues to identify ways by which to minimize its dependency upon the state's economic conditions by entering into long-term lease agreements for surplus District property in support of maintenance and operations costs, by maintaining adequate cash reserves, by continuing to focus on ways to minimize future operating budget impacts due to the cost increases associated with CalSTRS and CalPERS employer pension rates, and by preparing for a new state funding model and its potential impact on the District and the San Diego community we serve.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report was designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Vice Chancellor, Business and Technology Services, San Diego Community College District, 3375 Camino Del Rio South, Room 210, San Diego, CA 92108.

BASIC FINANCIAL STATEMENTS

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

Assets	
Current Assets:	
Cash and cash equivalents	$ 158,414,355
Accounts receivable, net	13,562,130
Inventory	2,281,070
Prepaid expenses	113,864
Total Current Assets	174,371,419
Non-Current Assets:	
Restricted cash and cash equivalents	93,800,113
Capital assets, net of accumulated depreciation	1,504,829,862
Total Non-Current Assets	1,598,629,975
Total Assets	1,773,001,394
Deferred Outflows of Resources	
Deferred charge on refunding	45,283,555
Deferred outflows - pensions	103,397,554
Total Deferred Outflows of Resources	148,681,109
Total Assets and Deferred Outflows of Resources	$ 1,921,682,503

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

Liabilities		
Current Liabilities:		
Accounts payable	$	21,882,488
Accrued liabilities		11,959,228
Due to Fiduciary funds		220,682
Accrued interest		22,367,636
Unearned revenue		4,958,508
Current portion of long term liabilities		35,172,720
Total Current Liabilities		96,561,262
Non-Current Liabilities		
Non-current portion of long term liabilities		1,873,587,304
Total Non-Current Liabilities		1,873,587,304
Total Liabilities		1,970,148,566
Deferred Inflows of Resources		
Deferred inflows - pensions		22,770,957
Deferred inflows - OPEB		71,826
		22,842,783
Net Position		
Net investment in capital assets		99,776,860
Restricted for:		
Debt service		59,464,186
Scholarship and loans		4,352,979
Other special purposes		61,691,080
Unrestricted		(296,593,951)
Total Net Position		(71,308,846)
Total Liabilities, Deferred Inflows of Resources and Net Position	$	1,921,682,503

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

Operating Revenues	
Tuition and fees (gross)	$ 44,531,845
Less: Scholarship discounts and allowances	(23,329,790)
Net tuition and fees	21,202,055
Grants and contracts, noncapital	
Federal	65,254,479
State	35,312,892
Local	6,068,489
Auxiliary	14,660,759
Total Operating Revenues	142,498,674
Operating Expenses	
Salaries	224,928,369
Employee benefits	104,845,760
Supplies, materials, and other operating expenses and services	52,454,780
Financial aid	63,629,054
Utilities	9,543,701
Depreciation	41,003,217
Total Operating Expenses	496,404,881
Operating Income (Loss)	(353,906,207)
Non-Operating Revenues (Expenses)	
State apportionments, non-capital	123,630,560
Local property taxes	112,305,872
State taxes and other revenues	48,705,006
Investment Income	3,360,319
Interest expense	(72,166,911)
Other nonoperating revenue	10,148,666
Total Non-Operating Revenues (Expenses)	225,983,512
Loss Before Other Revenues, Expenses, Gains and Losses	(127,922,695)
Other Revenues, Expenses, Gains and Losses	
State apportionments, capital	1,625,914
Local property taxes	82,476,637
Interest and investment income, capital	695,939
Total Other Revenues, Expenses, Gains and Losses	84,798,490
Changes in Net Position	(43,124,205)
Net Position, Beginning of Year Before Restatement	(128,099,764)
Prior period adjustments (Note 14)	112,757,888
Cumulative effect of change in accounting principle (Note 14)	(12,842,765)
Net Position, Beginning of Year After Restatement	(28,184,641)
Net Position, End of Year	$ (71,308,846)

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

Cash Flows From Operating Activities	
Tuition and fees (net)	$ 21,397,077
Federal grants and contracts	66,502,442
State grants and contracts	34,339,350
Local grants and contracts	6,068,489
Sales and services of auxiliary enterprises	14,660,759
Payments to suppliers	(67,247,471)
Payments to/on-behalf of employees	(339,231,460)
Payments to/on-behalf of students	(62,954,456)
Other	4,568,950
Net cash provided (used) by operating activities	(321,896,320)
Cash Flows From Non-Capital Financing Activities	
State apportionments and receipts	123,630,560
Local property taxes	112,305,872
State taxes and other revenue	58,853,672
Net cash provided (used) by non-capital financing activities	294,790,104
Cash Flows From Capital and Related Financing Activities	
State apportionment for capital purposes	1,625,914
Local revenue for capital purposes	82,478,970
Net purchase and sale of capital assets	(88,870,059)
Principal and interest paid on capital related debt	(91,455,042)
Net cash provided (used) by capital and financing activities	(96,220,217)
Cash Flows from Investing Activities	
Interest on investments	3,360,319
Net cash provided (used) by investing activities	3,360,319
Net Change in Cash and Cash Equivalents	(119,966,114)
Cash Balance - Beginning of Year	372,180,582
Cash Balance - End of Year	$ 252,214,468

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	$ (353,906,207)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	41,003,217
Changes in assets and liabilities:	
Receivables, net	5,367,466
Prepaid expenses	(75,890)
Deferred outflows of resources - pensions	(44,504,268)
Accounts payable	(5,675,664)
Accrued liabilities	(22,270,886)
Unearned revenue	208,018
Compensated absences	(913,260)
Cliams Liability	716,635
Medicare Premium Program	824,587
Net pension liabilities	57,986,003
Other postemployment retiree benefits (OPEB)	(311,608)
Deferred inflows of resources - OPEB	71,826
Deferred inflows of resources - pensions	(416,289)
Net cash provided (used) by operating activities	$ (321,896,320)

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Student Trust Funds
Assets	
Cash and cash equivalents	$ 855,144
Accounts receivable	18,242
Due from primary government	220,682
Total Assets	$ 1,094,068
Liabilities	
Accounts payable	44,329
Amounts held in Trust for others	527,800
Total Liabilities	572,129
Net Position	
Unrestricted	521,939
Total Liabilities and Net Position	$ 1,094,068

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
June 30, 2018

	Student Trust Funds
Additions	
Student fees	$ 103,751
Other local revenues	3,066
Other financing sources	112,189
Interest and investment income	2,744
Total Additions	221,750
Deductions	
Salaries	16,414
Employee benefits	1,134
Financial Aid	16,335
Supplies, materials, and other operating expenses and services	173,159
Total Deductions	207,042
Net increase in net position	14,708
Net Position, Beginning of Year	507,231
Net Position, End of Year	$ 521,939

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF PLAN NET POSITION
June 30, 2018

	Retiree Health Benefit (OPEB) Trust
Assets	
Cash and cash equivalents	$ 958,547
Investments	20,293,344
Accounts receivable, net	339,040
Total Assets	$ 21,590,931
Liabilities	
Accounts payable	20,811
Total Liabilities	20,811
Net Position	
Restricted - nonspendable	21,570,120
Total Net Position	21,570,120
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 21,590,931

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN PLAN NET POSITION
June 30, 2018

	Retiree Health Benefit (OPEB) Trust
Additions	
Employer contributions	$ 674,780
Investment income	1,325,121
Sales and other local revenue	29,168
Total Additions	2,029,069
Deductions	
Benefits	-
Operating expenses and services	790,991
Total Deductions	790,991
Net Changes in Net Position	1,238,078
Net Position, Beginning of Year	20,332,042
Net Position, End of Year	$ 21,570,120

See the accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

San Diego Community College District (District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

The San Diego Community College Auxiliary Organization (Organization) was created to further support the District's mission and goals beyond state available funding. The Organization has its own Board of Directors composed of District faculty and administrators; however, the District maintains oversight responsibility for the Organization as carried out by the District Chancellor in accordance with the provisions of section 72670 of the California Education Code. Since the District significantly influences its operations, the Organization has been included in the District's financial statements as a blended component unit. Should the Organization be dissolved, its assets remaining after payment of liabilities would be distributed to the District.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Health (OPEB) Trust, are excluded from the basic financial statements.

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*. 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. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP). These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Material receivables are considered fully collectible. Bad debt is accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018 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.

Restricted Cash and Cash Equivalents

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

Capital Assets

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

unit cost capitalization threshold of $5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure assets as defined in GASB Statement No. 34. Donated capital assets are recorded at estimated acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: infrastructure, 35-60 years; buildings, 50 years; equipment and vehicles, 5 to 6 years; and technology equipment 3 years.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following deferred outflows:

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – Pensions and OPEB: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to pensions and OPEB resulted from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans. Deferred outflows are also recorded for the effects of actuarially-determined changes to the pension plan. These amounts are deferred and/or amortized as detailed in Notes 7 and 8 to the financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable and other accrued expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that eligibility requirements have been met. Unearned revenue is recorded to the extent cash received prior to having met eligibility requirements for specific projects and programs. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

Long-term debt and other obligations financed by proprietary funds are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

Medicare Premium Liability

For purposes of measuring the District’s liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments 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. The related liability for the District’s proportionate share of the MPP Program is reported in the financial statements; as the plan is not material, additional disclosures are not included.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Pension Liability

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 (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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 7 to the financial statements.

Net Position

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

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.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District has no Restricted Net Position – Nonexpendable net assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. The California Community College Chancellor's Office recalculates apportionment on a statewide basis each February of the subsequent year; any difference in computational revenue or state aid will be recorded in the year computed by the State.

The District also receives state apportionments for categorical programs. These allocations are based on various financial and statistical information from the current and previous years.

Property Taxes

The County of San Diego (County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionment payments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on March 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with Fiscal Year 1978-79, general property taxes are based either on flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or the cost of any new constructions after the 1975-76 valuations.

Taxable values of properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of the passage of Proposition 13).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues

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

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarships, Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported gross of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

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 *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal a 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% of an agency's total deposits and collateral that is considered to be held in the name of the District. As of June 30, 2018, the book balance of the District's deposit of $252,764,474, including fiduciary accounts, were entirely insured and collateralized as described above.

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the San Diego 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. Fair value of the pooled investments at June 30, 2018 is measured at 99.264% of amortized cost. 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.

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.

NOTE 2: DEPOSITS

Cash and cash equivalents as of June 30, 2018 are as shown herein.

Primary Government	June 30, 2018
Cash on hand and in banks	$ 1,098,601
Cash in County Treasury	251,115,867
Total cash and cash equivalents	$ 252,214,468

Fiduciary Funds	June 30, 2018
Cash on hand and in banks	$ (19,633)
Cash in County Treasury	874,777
Total cash and cash equivalents	$ 855,144

Retiree Health Benefit (OPEB) Trust	June 30, 2018
Cash on hand and in banks	$ 958,547

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, 2018.

- 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

NOTE 2: DEPOSITS

assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2018 are presented herein.

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 any 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: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Federal and state	$ 11,776,779
Miscellaneous	1,785,351
Total accounts receivable	$ 13,562,130

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

A summary of changes for the District in capital assets for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017*	Additions	Retirements and Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 77,080,989	$ 89,144	$ -	$ 77,170,133
Construction in progress	282,748,534	76,179,424	2,582,413	356,345,545
Total capital assets not being depreciated	359,829,523	76,268,568	2,582,413	433,515,678
Capital assets being depreciated:				
Site improvements	40,487,289	1,981,162	-	42,468,451
Buildings and improvements	1,251,351,019	11,195,797	-	1,262,546,816
Equipment and software	79,628,097	5,715,493	2,970,800	82,372,790
Total capital assets being depreciated	1,371,466,405	18,892,452	2,970,800	1,387,388,057
Less accumulated depreciation for:				
Site improvements	(7,500,259)	(1,046,356)	-	(8,546,615)
Buildings	(200,138,316)	(33,013,419)	-	(233,151,735)
Equipment	(70,400,648)	(6,943,442)	2,968,567	(74,375,523)
Total accumulated depreciation	(278,039,223)	(41,003,217)	2,968,567	(316,073,873)
Depreciable assets, net	1,093,427,182	(22,110,765)	(2,233)	1,071,314,184
Capital assets, net	$ 1,453,256,705	$ 54,157,803	$ 2,584,646	$ 1,504,829,862

* The balance at June 30, 2017 has been restated. See Note 14.

Depreciation expense of $41,003,217 was recorded during the year.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Vendors and others	$ 15,276,958
Retention	6,605,530
Total accounts payable	21,882,488
Payroll and benefits	11,252,749
Accrued expenses	706,479
Total accrued liabilities	11,959,228
Total accounts payable and accrued liabilities	$ 33,841,716

Fiduciary Funds	June 30, 2018
Vendors	44,329
Total accounts payable	$ 44,329

Retiree Health Benefit (OPEB) Trust	June 30, 2018
Vendors	$ 20,811

NOTE 6: UNEARNED REVENUE

Unearned revenue at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Federal financial assistance	$ 1,141,961
State categorical aid	820,391
Enrollment Fee	2,732,799
Local	50,000
Others	213,357
Total unearned revenue	$ 4,958,508

NOTE 7: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

The details of each plan are as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 197,907,200	$ 61,897,876	$ 19,649,590	$ 18,585,851
CalPERS - Schools Pool Plan	134,682,269	41,499,678	3,121,367	24,219,192
Total	$ 332,589,469	$ 103,397,554	$ 22,770,957	$ 42,805,043

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

NOTE 7: EMPLOYEE RETIREMENT PLANS

obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

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

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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 contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were $16,964,270.

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

At June 30, 2018 , the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTE 7: EMPLOYEE RETIREMENT PLANS

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 197,907,200
State's proportionate share of the net pension liability associated with the District	117,081,181
Total	$ 314,988,381

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.2140%.

For the year ended June 30, 2018, the District recognized pension expense of $18,585,851 and revenue of $8,693,266 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 16,964,270	$ -
Difference between expected and actual experience	731,880	3,451,820
Change in assumptions	36,664,620	-
Change in proportion	7,537,106	10,926,950
Net differences between projected and actual earnings on plan investments	-	5,270,820
Total	$ 61,897,876	$ 19,649,590

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 year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are

NOTE 7: EMPLOYEE RETIREMENT PLANS

deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ (255,101)
2020	7,442,479
2021	4,604,838
2022	(556,130)
2023	6,558,994
2024	7,488,936
Total	$ 25,284,016

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

NOTE 7: EMPLOYEE RETIREMENT PLANS

from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect as of February 2017, when the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%) 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%)	$ 290,590,600
Current discount rate (7.10%)	197,907,200
1% increase (8.10%)	122,688,340

NOTE 7: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

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 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 7: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

Provisions and Benefits	CalPERS-Schools Pool Plan	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were $11,592,739.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $134,682,269. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.5642%.

For the year ended June 30, 2018, the District recognized pension expense of $24,219,192. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,592,739	$ -
Difference between expected and actual experience	4,825,111	
Changes of assumptions	19,672,464	1,585,717
Changes in proportion	750,279	1,535,650
Net differences between projected and actual earnings on plan investments	4,659,085	
Total	$ 41,499,678	$ 3,121,367

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The remaining amounts will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ 7,342,039
2020	12,601,421
2021	9,393,425
2022	(2,551,313)
Total	$ 26,785,572

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	2.75%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected ongoing mortality improvement using

NOTE 7: EMPLOYEE RETIREMENT PLANS

Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target 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	47%	5.38%
Fixed income	19%	2.27%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.39%
Inflation assets	6%	1.39%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. 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 Schools Pool Plan 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.

NOTE 7: EMPLOYEE RETIREMENT PLANS

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%)	$ 198,160,777
Current discount rate (7.15%)	134,682,269
1% increase (8.15%)	82,021,531

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Social Security Alternative Plan

Plan Description

The Social Security Alternative plan is a defined contribution plan covering most employees of the San Diego Community College District who are not eligible for membership in CalPERS, CalSTRS or another plan. Upon employment and any re-employment, part-time employees may become a member of the Social Security Alternative Plan. The Social Security Alternative Plan is an alternative plan to social security, and unit members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991.

Funding Policy

Contributions to the Social Security Alternative Plan are shared between the employee and the District. The District contributes 3.75% of eligible wages as defined under Internal Revenue Service regulations, and 3.75% of eligible wages are withheld from the employee's checks for deposit under the plan. The District's contribution to the Social Security Alternative Plan for the fiscal years ended June 30, 2018 and 2017 were $803,740 and $774,363, respectively.

The Social Security Alternative Plan is a qualified pension plan under the Internal Revenue Code 401 and is thereby exempt from all federal income and California franchise taxes.

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description and Eligibility

The District provides medical benefits to its retirees through the Kaiser HMO and four United Healthcare options (PPO, HMO Network 1, 2, & 3, and OOA), as well as their Medicare equivalents for Medicare eligible retirees (United Healthcare Senior Supplement, United Healthcare Medicare Advantage Secure Horizons, and Kaiser Senior Advantage). Dental benefits are provided through Delta Dental.

The District's share of retiree premium depends on classification, age, years of service (YOS) and the applicable cap. For the 2018 calendar year the cap is $1,038 per month (equal to the Kaiser HMO active composite rate).

The District pays for the cost of spousal coverage for all retirees, both before and after age 65, up to the District cap. The cap is set equal to the active employee composite rate for the VEBA Kaiser HMO, which the District pays to active employees. The cap was $86.56 per month in 2016-17. The cap is assumed to grow at the medical trend rate of 8% for healthcare and Medicare Part B and 4% for dental.

The District also pays Medicare Part B premiums for all retirees and spouses of retirees entitled to lifetime District- paid medical benefits beyond age 65. Survivor benefits are provided for the spouses of those retirees eligible for lifetime benefits. Benefits are paid for one year following the retiree's death, and are limited to medical and dental premiums only. An automobile allowance of $100 per month and automobile club dues of $3.58 per month are paid from retirement until age 65 for one retired manager.

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	100
Active employees	2,051
Total	2,151

Funding Policy

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 agreements between the District and the bargaining units. For the fiscal year ended June 30, 2018, the District contributed $2,069,538 to the plan including the implicit rate subsidy.

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

On June 26, 2006, the District contributed $11,000,000 to the Community College League of California - Joint Powers Authority (CCLC-JPA) irrevocable trust and has adopted a goal of fully funding the plan on a fully projected basis by allowing the $11,000,000 to grow with interest until it is sufficient to pay all future retiree benefits.

Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

- Salary increases: 3 percent
- Investment rate of return: 6.5 percent
- Healthcare cost trend rate: 6 percent for 2017; 5 percent for 2018 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges 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. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 6.50 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments.

The discount rate used to measure the District's Total OPEB liability is 6.5 percent based on the long-term expected return of plan investments.

The table herein shows the components of the net OPEB liability of the District:

	Balance June 30, 2018
Total OPEB liability	$ 34,245,554
Plan fiduciary net position	20,293,344
District's net OPEB liability	$ 13,952,210
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	59.26%

Investments

Investment policy. The District's policy regarding the allocation of the plan's invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is the Moderate Objective, which has a dual goal to seek moderate growth of income and principal. The asset allocation ranges for this objective as of June 30, 2018, are listed below:

Asset Class	Target Percentage of Portfolio	Actual Percentage of Portfolio
Cash	0 - 20%	3%
Fixed Income	40% - 60%	47%
Equity	40% - 60%	50%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The investment manager (assisting the District) will rebalance the portfolio when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the objectives.

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

Rate of return. For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was 7.00 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

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. The Plan's investments' fair value measurements at June 30, 2018 are presented below:

		Fair Value Measurements Using		
Investment	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Trust - US Bank	$ 20,293,344	$ -	$ -	$ 20,293,344

Schedule of Changes in Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net	Net OPEB Liability
Balances at June 30, 2017	$ 33,234,298	$ 18,970,480	$ 14,263,818
Changes for the year:			
Service cost	986,766	-	986,766
Interest	2,094,028	-	2,094,028
Employer contributions	-	2,069,538	(2,069,538)
Net investment income	-	1,323,364	(1,323,364)
Benefit payments	(2,069,538)	(2,069,538)	-
Administrative expenses	-	(500)	500
Net changes	1,011,256	1,322,864	(311,608)
Balances at June 30, 2018	$ 34,245,554	$ 20,293,344	$ 13,952,210

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

The following presents the District's net OPEB liability calculated using the discount rate of 6.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

Discount rate	Net OPEB Liability
1% decrease (5.5%)	$ 16,454,229
Current discount rate (6.5%)	13,952,210
1% increase (7.5%)	11,639,822

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 5.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (4.0%)	$ 10,775,436
Current healthcare trend rate (5.0%)	13,952,210
1% increase (6.0%)	17,618,260

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

At June 30, 2018, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

OPEB Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	$ -	$ 71,826
Total	$ -	$ 71,826

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

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

Year ended June 30:	Deferred Inflows of Resources
2019	$ (17,957)
2020	(17,957)
2021	(17,957)
2022	(17,957)
Total	$ (71,828)

OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of $1,829,756.

NOTE 9: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General Obligation bonds	$ 1,408,507,519	$ 11,591,274	$ 25,342,430	$ 1,394,756,363	$ 24,205,306
Premiums, net of amortization	158,757,826	-	9,377,519	149,380,307	9,337,519
Total Bonds and Notes Payable	1,567,265,345	11,591,274	34,719,949	1,544,136,670	33,542,825
Compensated absences	13,373,717	4,925,251	5,838,511	12,460,457	913,260
Claims liability	4,079,996	950,327	233,692	4,796,631	716,635
OPEB liability	14,263,818	-	311,608	13,952,210	-
Medicare Premium Program	-	824,587	-	824,587	-
Net pension liability	274,603,466	57,986,003	-	332,589,469	-
Total Other Liabilities	306,320,997	64,686,168	6,383,811	364,623,354	1,629,895
Total Long Term Debt	$ 1,873,586,342	$ 76,277,442	$ 41,103,760	$ 1,908,760,024	$ 35,172,720

* The balance at June 30, 2017 has been restated. See Note 14.

Liabilities for compensated absences, OPEB, Medicare Premium Program, and the net pension liability are liquidated by the governmental funds in which related salaries and benefits are recorded. Capital leases are liquidated by the General Fund, while the general obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP). The District's proportionate share of the liability is 0.125%. As the plan activity and the District's proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements.

NOTE 10: GENERAL OBLIGATIONS BONDS

On November 5, 2002, by majority election of the District's registered voters, $685,000,000 in general obligation bonds (Proposition S) were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds were to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. On May 15, 2003, Series 2003 A, B and C of the Proposition S bond authorization were issued, which consisted of serial bonds and term bonds with an initial total par amount of $105,000,000 with stated yield rates of 0.95% to 4.39% and maturing through May 1, 2028. Series 2003 was advance refunded during 2011-12 via the issuances of the series 2011 General Obligation Refunding bonds and the issuance of the Series 2012 General Obligation Refunding bonds. On October 5, 2005, Series 2005 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and capital appreciation bonds with an initial par amount of $244,999,901 with stated yield rates of 3.28% to 4.38% and maturing through May 1, 2030. On April 28, 2009, Series 2009 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and convertible capital appreciation bonds with an initial par amount of $131,293,506 with stated yield rates of 2.70% to 6.00% and maturing through August 1, 2033. On July 7, 2011, Series 2011 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds and capital appreciation serial bonds with an initial par amount of $99,999,859 with stated yield rates of 0.27% to 6.69% and maturing through August 1, 2041. On July 7 2011, Series 2011, Refunding, of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of $22,230,000 with stated yield rates of 0.38% to 3.55% and maturing through August 1, 2023. On March 22, 2012, Series 2012, Refunding of the Proposition S bond authorization was issued with an initial par amount of $235,134,077 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired $290,680,000 of debt including $244,320,000 of Series 2003A and Series 2005 of the Proposition S bond authorization. As a result, approximately 84.05% of the debt service related to the Series 2012, Refunding is attributable to Proposition S. On July 17, 2013, Series 2013 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of $103,705,000 with stated yield rates of 0.20% to 4.25% and maturing through August 1, 2032. On November 3, 2016, Series 2016, Refunding of the Proposition S bond authorization was issued, with an initial par amount of $157,257,360 with stated yield rate of 0.74% to 3.00% and maturing through August 1, 2041. The Series 2016 Refunding retired $524,205,000 of debt including $163,715,000 of Series 2009 and Series 2011 of the Proposition S bond authorization and $360,490,000 of Series 2007 and Series 2011 of the Prop N bond authorization. As a result, approximately 31.2% of the debt service related to the Series 2016, Refunding is attributable to Proposition S and approximatively 68.8% of the debt service is attributable to Proposition N. Proposition S bonds were fully issued as of July 2013.

On November 7, 2006 by majority election of the District's registered voters, $870,000,000 in general obligation bonds ("Proposition N") were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds are to be used for acquisition, construction, renovation,

NOTE 9: LONG-TERM DEBT

repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. The bonds are scheduled to be issued in four increments over a ten-year period. On July 18, 2007, Series 2007 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds and capital appreciation bonds with an initial par amount of $224,996,823 with stated yield rates of 3.60% to 4.51% and maturing through August 1, 2032. On July 7, 2011, Series 2011 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds and current interest term bonds with an initial par amount of $250,000,000 with stated yield rates of 0.27% to 4.86% and maturing through August 1, 2041. On March 7, 2012, Series 2012, Refunding was issued with an initial par amount of $44,620,923 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired $290,680,000 of debt including $244,320,000 of Series 2003A and Series 2005 of the Proposition S bond authorization and $46,360,000 of Series 2007 of the Proposition N bond authorization. As a result, approximately 84% of the debt service related to the Series 2012, Refunding is attributable to Proposition S and approximately 16% of the debt service is attributable to Proposition N. On July 17, 2013 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds, capital appreciation bonds and convertible capital appreciation bonds with an initial par amount of $272,996,022 with state yield rates of 0.20% to 6.23% and maturing through August 1, 2043.

On November 3, 2016, Series 2016 of the Proposition N Bond authorization was issued, which consisted of serial bonds and term bonds with an initial par amount of $122,005,000, with stated yield rates of 0.74% to 3.17% and maturing through August 1, 2034.

On November 3, 2016, Series 2016, Refunding was issued, with an initial par amount of $504,030,000 with stated yield rates of 0.74% to 3.00% and maturing through August 1, 2041. The Series 2016 Refunding retired $524,205,000 of debt including $163,715,000 of Series 2009 and Series 2011 of the Proposition S bond authorization and $360,490,000 of Series 2007 and 2011 of the Proposition N bond authorization. As a result, approximately 31.2% of the debt service related to the series 2016, Refunding is attributable to Proposition S and approximately 68.8% of the debt service is attributable to Proposition N.

NOTE 9: LONG-TERM DEBT

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Proposition S					
2009 Series	5/13/2009	8/1/2033	2.70 - 6.00%	$ 131,293,506	$ 33,573,505
2011 Series	7/21/2011	8/1/2041	0.27 - 6.69%	99,999,859	22,054,859
2011 Series, Refunding	7/21/2011	8/1/2023	0.38 - 3.55%	22,230,000	14,385,000
2012 Series, Refunding	3/22/2012	8/1/2029	0.18 - 3.10%	235,134,077	217,815,575
2013 Series	7/17/2013	8/1/2032	0.20 - 4.25%	103,705,000	100,105,000
2016 Series Refunding	11/3/2016	8/1/2041	0.74 - 3.00%	157,257,360	155,747,280
Accreted Interest					29,581,015
Total Proposition S					573,262,234
Proposition N					
2011 Series	7/21/2011	8/1/2021	0.27- 4.86%	250,000,000	15,715,000
2012 Series, Refunding	3/22/2012	8/1/2029	0.18 - 3.10%	44,620,923	41,334,425
2013 Series	7/17/2013	8/1/2043	0.20 - 6.23%	272,996,022	264,356,937
2016 Series	11/3/2016	8/1/2034	0.74 - 3.17%	122,005,000	118,285,000
2016 Series, Refuding	11/3/2016	8/1/2041	0.74 - 3.00%	346,772,640	343,442,720
Accreted Interest					38,360,047
Total Proposition N					821,494,129
Total					$1,394,756,363

The annual requirements to amortize the General Obligation Bonds outstanding as of June 30, 2018 are as shown herein.

Proposition S, 2009 Series

Year Ending June 30,	Principal	Interest
2019	$ 1,575,000	$ 139,375
2020	2,000,000	1,696,400
2021	-	3,292,800
2022	-	3,292,800
2023	-	3,292,800
2024-2028	-	16,464,000
2029-2033		16,464,000
2034	29,998,505	5,678,517
Total	33,573,505	$ 50,320,692
Accreted Interest	20,849,377	
Total	$ 54,422,882	

NOTE 9: LONG-TERM DEBT

Proposition S, 2011 Series

Year Ending June 30,	Principal	Interest
2019	$ 1,425,000	$ 179,063
2020	1,600,000	133,687
2021	1,005,000	89,063
2022	1,575,000	34,219
2023	-	-
2024-2028	-	-
2029-2033	-	-
2034-2038	7,246,920	27,063,080
2039-2042	9,202,939	39,710,423
Total	22,054,859	$ 67,209,535
Accreted Interest	8,731,638	
Total	$ 30,786,497	

Proposition S, 2011 Refunding Series

Year Ending June 30,	Principal	Interest
2019	$ 1,965,000	$ 612,600
2020	2,130,000	530,700
2021	2,295,000	439,800
2022	2,495,000	333,250
2023	2,700,000	207,500
2024	2,800,000	70,000
Total	$ 14,385,000	$ 2,193,850

NOTE 9: LONG-TERM DEBT

Proposition S, 2012 Refunding Series

Year Ending June 30,	Principal	Interest
2019	$ 11,750,190	$ 10,469,415
2020	13,288,305	9,851,858
2021	14,935,685	9,154,663
2022	16,696,532	8,383,567
2023	18,558,240	7,541,050
2024-2028	96,300,288	23,752,477
2029-2033	46,286,335	2,367,058
Total	$217,815,575	$ 71,520,088

Proposition S, 2013 Series

Year Ending June 30,	Principal	Interest
2019	$ -	$ 4,980,075
2020	110,000	4,978,425
2021	505,000	4,967,938
2022	1,000,000	4,934,100
2023	1,500,000	4,879,100
2024-2028	15,705,000	22,809,775
2029-2033	81,285,000	11,016,625
Total	$100,105,000	$ 58,566,038

NOTE 9: LONG-TERM DEBT

Proposition S, 2016 Refunding Series

Year Ending June 30,	Principal	Interest
2019	$ 53,040	$ 7,236,247
2020	56,160	7,233,517
2021	59,280	7,230,631
2022	62,400	7,227,589
2023	2,775,240	7,156,648
2024-2028	32,809,920	31,840,614
2029-2033	76,688,040	19,858,550
2034-2038	23,479,560	6,711,464
2039-2042	19,763,640	1,827,790
Total	$155,747,280	$ 96,323,050

Proposition N, 2011 Series

Year Ending June 30,	Principal	Interest
2019	$ 2,470,000	$ 724,000
2020	3,370,000	578,000
2021	4,385,000	384,125
2022	5,490,000	137,250
Total	$ 15,715,000	$ 1,823,375

Proposition N, 2012 Refunding Series

Year Ending June 30,	Principal	Interest
2019	$ 2,229,810	$ 1,986,760
2020	2,521,695	1,869,567
2021	2,834,315	1,737,262
2022	3,168,468	1,590,933
2023	3,521,760	1,431,050
2024-2028	18,274,712	4,507,460
2029-2030	8,783,665	449,192
Total	$ 41,334,425	$ 13,572,224

NOTE 9: LONG-TERM DEBT

Proposition N, 2013 Series

Year Ending June 30,	Principal	Interest
2019	$ 695,306	$ 6,207,194
2020	1,091,688	6,315,812
2021	1,414,136	6,468,364
2022	1,692,450	6,675,050
2023	1,935,615	6,941,884
2024-2028	20,307,763	48,134,737
2029-2033	32,866,485	93,441,891
2034-2038	45,636,280	152,880,399
2039-2043	113,342,214	119,383,940
2044	45,375,000	1,134,375
Total	264,356,937	$ 447,583,646
Accreted Interest	38,360,047	
Total	$302,716,984	

Proposition N, 2016 Series

Year Ending June 30,	Principal	Interest
2019	$ 1,925,000	$ 4,556,625
2020	2,190,000	4,494,900
2021	2,465,000	4,425,075
2022	2,765,000	4,332,800
2023	3,110,000	4,215,300
2024-2028	30,550,000	17,584,450
2029-2033	47,770,000	9,187,100
2034-2035	27,510,000	929,550
Total	$118,285,000	$ 49,725,800

NOTE 9: LONG-TERM DEBT

Proposition N, 2016 Refunding Series

Year Ending June 30,	Principal	Interest
2019	$ 116,960	$ 15,956,853
2020	123,840	15,950,833
2021	130,720	15,944,468
2022	137,600	15,937,760
2023	6,119,760	15,781,327
2024-2028	72,350,080	70,212,636
2029-2033	169,106,960	43,790,650
2034-2038	51,775,440	14,799,637
2039-2042	43,581,360	4,030,510
Total	$343,442,720	$ 212,404,674

NOTE 11: RISK MANAGEMENT

Property/Liability

The District is self-insured for losses arising from public liability, auto, and property claims. Self-insurance amounts are $100,000 per individual claim for property and $200,000 for auto and public liability. The District is covered for losses in excess of these amounts by outside insurance carriers.

Workers' Compensation

As of July 1, 2001, the District elected to be self-insured for workers' compensation claims. Currently, the District covers claims up to $500,000 per individual claim. Claim reserves and related incurred-but-not-reported (IBNR) liabilities are recorded for all periods of self-insurance. The outstanding claims which are expected to become due and payable within the subsequent fiscal year, have been reflected as an accrued liability as of year-end. Such claim exposure is estimated based on information provided by the third-party actuary and is reflected in the District's Statement of Net Position.

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

NOTE 11: RISK MANAGEMENT

Reported Liability	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 4,079,996	$ 950,327	$ 233,692	$ 4,796,631

Liability and Crime Policy

The District maintains a Liability insurance policy for California whereby the District pays the first $200,000 per occurrence with coverage up to $50,000,000 including excess liability with no self-retention between the coverage ranges of $1-$20 million. The District also maintains a Crime policy with a deductible of $2,500 with a $5,000,000 limit.

Health/Dental/Vision/Life

These programs are fully insured.

Student Accident

This program is fully insured and provides coverage for up to $25,000 per accident.

NOTE 12: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

Functional Expense	Salaries	Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	$109,168,626	$ 40,867,530	$ 10,912,827	$ -	$ -	$160,948,983
Instructional Administration and instructional governance	19,117,968	14,989,660	1,491,683	-	-	35,599,311
Instructional Support Services	5,181,478	2,133,165	1,517,251	-	-	8,831,894
Student services	36,853,633	15,778,011	4,497,346	-	-	57,128,990
Operation and maintenance of plant	11,212,023	6,369,143	15,776,410	-	-	33,357,576
Planning, Policymaking & Coordination	7,967,494	3,465,190	2,238,317	-	-	13,671,001
General Institutional Support Services	26,398,011	17,313,614	25,564,647	-	-	69,276,272
Community services and economic development	1,269,756	706,343	-	-	-	1,976,099
Ancillary services and auxiliary operations	7,759,380	3,223,104	-	-	-	10,982,484
Transfers, student aid and other outgo	-	-	-	63,629,054	-	63,629,054
Depreciation expense	-	-	-	-	41,003,217	41,003,217
Total	$224,928,369	$104,845,760	$ 61,998,481	$ 63,629,054	$ 41,003,217	$496,404,881

NOTE 13: COMMITMENTS AND CONTINGENCIES

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

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

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2019	$ 232,612
2020	203,159
2021	204,170
2022	103,074
2023	65,967
Total	$ 808,982

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $19.8 million. Projects will be funded through state funds and general obligation bonds.

NOTE 14: PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT FOR CHANGE IN ACCOUNTING PRINCIPLES

The beginning net position has been restated by an increase of $112,757,888 as a result of errors in prior periods related to capital assets and long-term debt. The individual errors are listed below.

Effective July 1, 2017, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions.* The statement established standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expenses. The implementation of the statement required the District to adjust the beginning net OPEB liability.

The beginning OPEB liability of $14,263,818 offset by the liability recorded at June 30, 2017 of $1,421,053 under the previous standard, resulted in the net cumulative effect of the implementation of GASB Statement No. 75 (See Note 8).

Net position at June 30, 2017, as originally reported	$ (128,099,764)
Prior Period Adjustment	
Recognition of deferred charge on in fiscal year 2017 bond refunding	47,224,279
Removal of General Obligation Bonds refunded in fiscal year 2017	72,509,738
Removal of General Obligation Bond Premiums refunded in fiscal year 2017	17,736,053
Addition of accrued interest at June 30, 2017	(20,467,816)
Removal of construction in progress placed into service in prior years	(14,137,575)
Overstatement of net pension liability at June 30, 2017	1,421,053
Removal of legal claims long term liability recorded in the fund statements	8,472,156
Total Prior Period Adjustment	112,757,888
Cumulative effect of change in Accounting Principle	
OPEB liability at June 30, 2017 as calculated under GASB 75	(14,263,818)
OPEB liability originally recorded at June 30, 2017	1,421,053
Net cumulative effect of change in Accounting Principle	(12,842,765)
Net Position at June 30, 2017, as restated	$ (28,184,641)

Had the errors not been made, the change in net position would have increased by the amount shown above for the year ended June 30, 2017.

NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2018, 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.

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

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. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and 3) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

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.

REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDUDLE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1950%	0.2100%	0.2020%	0.2140%
District's proportionate share of the net pension liability (asset)	$ 113,952,150	$ 139,938,870	$ 163,779,231	$ 197,907,200
State's proportionate share of the net pension liability (asset) associated with the District	68,809,228	74,012,037	93,250,321	117,081,181
Total	$ 182,761,378	$ 213,950,907	$ 257,029,552	$ 314,988,381
District's covered payroll	$ 88,422,180	$ 95,865,557	$ 105,341,887	$ 115,111,575
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	128.87%	145.97%	155.47%	171.93%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.46%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.5720%	0.5650%	0.5610%	0.5642%
District's proportionate share of the net pension liability (asset)	$ 64,981,337	$ 83,290,413	$ 110,824,235	$ 134,682,269
District's covered payroll	$ 60,093,558	$ 62,528,696	$ 67,438,815	$ 72,195,412
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.13%	133.20%	164.33%	186.55%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	73.90%	71.87%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDUDLE OF THE DISTRICT'S CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	$ 7,306,278	$ 11,176,072	$ 14,444,153	$ 16,964,270
Contributions in relation to the contractually required contribution	7,306,278	11,176,072	14,444,153	16,964,270
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
	$ 95,865,557	$ 105,341,887	$ 115,111,575	$ 117,685,016
Contributions as a percentage of covered payroll	7.62%	10.61%	12.55%	14.41%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
Contractually required contribution	$ 6,875,902	$ 5,424,269	$ 8,671,845	$ 11,592,739
Contributions in relation to the contractually required contribution	6,875,902	5,424,269	8,671,845	11,592,739
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 62,528,696	$ 67,438,815	$ 72,195,412	$ 75,056,239
Contributions as a percentage of covered payroll	11.00%	8.04%	12.01%	15.45%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2018
Service Cost	$ 986,766
Interest	2,094,028
Benefit Payments	(2,069,538)
Net Change in Total OPEB Liability	1,011,256
Total OPEB Liability - beginning	33,234,298
Total OPEB Liability - ending (a)	$ 34,245,554

Plan Fiduciary Net Position	2018
Contributions - Employer	$ 2,069,538
Net Investment Income	1,323,364
Benefit Payments	(2,069,538)
Administrative Expense	(500)
Net Change in Plan Fiduciary Net Position	1,322,864
Plan Fiduciary Net Position - beginning	18,970,480
Plan Fiduciary Net Position - ending (b)	$ 20,293,344
Net OPEB Liability - ending (a) - (b)	$ 13,952,210
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59.26%
Covered-employee payroll	$ 267,093,712
Net OPEB liability as a percentage of covered-employee payroll	5.22%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018

OPEB Contributions	2018
Actuarially Determined Contribution (ADC)	$ 1,775,405
Contributions in relation to the ADC	1,521,272
Contribution deficiency (excess)	$ 254,133
District's covered-employee payroll	$ 267,093,712
Contributions as a percentage of covered-employee payroll	0.57%

See the accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan

The 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, 10 years of information will be presented.

Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

SUPPLEMENTARY INFORMATION

SAN DIEGO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF TRUSTEES

Member	Title	Term Expires
Maria Nieto Senour	President	2018 (Reelected)
Bernie Rhinerson	Executive Vice President	2020
Mary Graham	Vice President for Institutional Effectiveness	2020
Rich Grosch	Vice President for Educational Collaboration	2018
Peter Zschiesche	Vice President for Community Development	2018

Member	Title
Constance M. Carroll, Ph.D.	Chancellor
Ricky Shabazz, Ed.D.	President, San Diego City College
Pamela T. Luster, Ed.D.	President, San Diego Mesa College
Patricia Hsieh, Ed.D.	President, San Diego Miramar College
Carols O. Turner Cortez, Ph.D.	President, San Diego Continuing Education
Bonnie Ann Dowd, Ed.D.	Executive Vice Chancellor, Business and Technology Services
Lynn Ceresino Neault, Ed.D.	Vice Chancellor, Student Services
Stephanie Bulger, Ph.D.	Vice Chancellor, Instructional Services
Christopher Manis	Vice Chancellor, Facilities Management
Will Surbrook	Vice Chancellor, Human Resources

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster			
Federal Pell Grant Programs (PELL)	84.063	(1)	$ 50,183,769
Federal Pell Administrative Allowance	84.063	(1)	10,434
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	1,433,503
Federal Supplemental Educational Opportunity Grants Adminstrative Allowance	84.007	(1)	74,662
Federal Direct Student Loan	84.268	(1)	3,425,902
Federal College Work Study (FWS)	84.033	(1)	50,450
Federal College Work Study Adminstrative Allowance	84.033	(1)	939,255
Total Student Financial Aid Cluster			56,117,975
Federal TRIO Program- Upward Bound	84.047	(1)	170,482
Higher Education- Institutional Aid	84.031	(1)	2,192,814
Student Suport Services	84.042		304,726
Pass Through Funds			
Pass through California Department of Education			
Career Technical Education Act			
Basic Grants To States (Perkins Title I-C)	84.048	17-C01-016	2,076,781
Basic Grants To States (CTE Transitions)	84.048	17-C01-016	124,920
Total Career Technical Education Act			2,201,701
Pass through California Department of Education			
Adult Education Basic Grants to States			
Adult Ed El Civics	84.002A	(2)	383,870
Adult Ed & Family Literacy	84.002A	(2)	1,462,635
Adult Ed/ECE/ET	84.002A	(2)	224,104
Total Adult Education Basic Grants to States			2,070,609
Pass through California Department of Rehabilitation			
College to Career program	84.126A	(2)	237,159
Workablility III (WA III)	84.126A	(2)	468,412
Total State Vocational Rehabilitation Services Program			705,571
Total U.S. Department of Education			63,763,878
U.S Department of Labor			
VETS Adminstrative Allowance	17.802	(1)	14,571
WIA Youth Activities	17.259	(1)	375,274
Total U.S Department of Labor			389,845

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Health and Human Services			
Suicide Prevention Program	93.243	(1)	111,936
Biomedical Research and Research Training	93.859	(1)	334,889
Professors for the Future	93.859	(1)	12,920
Pass through County of San Diego			
CalWorks Welfare to Work	93.558	(2)	139,560
Pass through San Diego State University Research Foundation			
Biomedical Research and Research Training	93.859	(2)	4,047
Total U.S. Department of Health and Human Services			603,352
U.S. Department of Defense:			
NAVCOMBRIG Continuing Education	*12 unk	(2)	83,175
CIP Meridian 18	*12 unk	(2)	90,844
CIP Corry Station 17-18	*12 unk	(2)	26,043
CIP Meridian 18-19	*12 unk	(2)	24,594
CIP Meridian 17	*12 unk	(2)	2,048
Combat Systems Grt Lakes 17	*12 unk	(2)	13,786
Corry Station 17	*12 unk	(2)	27,957
Total U.S. Department of Defense			268,447
U.S. Department of Justice:			
Victim Advocacy Support & Services	16.525	(1)	33,365
Total U.S. Department of Justice			33,365
U.S. Department of Agriculture			
Seeds of Scholars	10.223	(1)	92,666
Pass through Funds			
Child and Adult Care Food Program	10.558	(2)	102,926
Total U.S. Department of Agriculture			195,592
Total Federal Programs			$ 65,254,479

(1) Pass-through entity identifying number not applicable, direct funded
(2) Pass-through entity identifying number not applicable

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018

Program Name	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
General Fund						
Extended Opportunity Program & Services	$ 2,493,372	$ (100,690)	$ -	$ -	$ 2,392,682	$ 2,504,009
Cooperative Agencies Resources for Education	237,094				237,094	237,094
Disabled Student Services and Programs	5,190,279				5,190,279	5,162,262
Student Success - Student Equity	5,481,285				5,481,285	5,830,375
Student Success - Credit	8,101,068				8,101,068	9,788,068
Student Success - Non Credit	2,444,781				2,444,781	2,432,720
Nursing Retention	5,842	245,200		(11,382)	239,660	239,660
Deputy Sector Navigator	376,278	636,658			1,012,936	1,018,523
Apprenticeship	(93,305)	382,722			289,417	367,563
Basic Skills	1,262,314	101,933			1,364,247	1,648,727
Sector Navigator	2,514	363,190			365,704	366,645
BFAP Administration	1,966,972				1,966,972	1,967,598
Career Technical Education						
Advanced Transportation Renewables	130,209	251,837			382,046	382,046
Child Development Center Bailout	(49,301)	75,000			25,699	64,861
Child Development	872,958				872,958	791,375
Adult Education Block Grant	3,187,946				3,187,946	2,184,696
SD Early Middle College	29,933	100,000			129,933	129,933
Instructional Equipment	1,083,943				1,083,943	1,529,509
Strong Workforce	5,324,901				5,324,901	2,215,666
College Completion Grant	77,250			470,250	547,500	77,250
CalGrant	4,441,628	(46,400)		4,030	4,399,258	4,441,628
IEPI Innovation	56,256				56,256	249,817
Full time Student Success	1,747,300			314,521	2,061,821	1,747,300
Emergency Aid for Dreamers	153,086			22,289	175,375	153,086
AB1725 Staff Diversity/Development	50,000				50,000	74,115
Miscellaneous State Assistance						
Project Concern International	3,183	5,000			8,183	7,207
Industry Driven Collabr 16-17	73,428				73,428	127,828
Interg Teacher Prep Prg MMR	10,377				10,377	8,508
Legal Innovation Pilot	31,138				31,138	2,881
Interg Teacher Prep Prg MS	10,000				10,000	10,000
Interg Teacher Prep Prg City (ITTP)	10,658				10,658	10,658
Self Employment Pathways -Gig Ec	-	2,606			2,606	2,606
Zero Textbook Gt Implemnt 16-17	(4,185)	50,000			45,815	45,808
Zero Textbook Gt Implemnt 17-18	54,434				54,434	23,977
Hunger Free Campus Support	94,006				94,006	5,418
Puente Program	6,000				6,000	1,577
Ca Energy Comm - (ARFVTP)	1,809,299	436,539			2,245,838	1,907,477
Network & Computer Systms Trng	798				798	798
Veterans Resource Centers	243,230				243,230	-
Zero Textbook Grt Planning 16-17	32,515				32,515	32,515
CDTC - Yosemite CCD	6,352	4,795			11,147	11,357
Part-Time Faculty Compensation	909,910				909,910	909,910
CalWorks Welfare to Work	2,528				2,528	2,528
SWP - Grossmont Cuy - City	871	76,478			77,349	77,349
BS Partnership Pilot Prg Mesa 17-18	71,327				71,327	47,728
BS Partnership Pilot Prg MMR	126,331				126,331	93,478
SWP - Grossmont Cuy- MMR	126,409	11,246			137,655	137,655
SWP - Grossmont Cuy- MESA	125,000				125,000	80,509
BS Partnership Pilot Prg City	56,179				56,179	31,073
Student Equity Plan 15-16	137				137	(114)
SWP - Grossmont Cuy- Cont Ed	125,000				125,000	33,350
Guided Pathways 17-18	1,098,893				1,098,893	-
Industry Sector Projects in Common	-	80,000			80,000	-
Math ESA/CCCP City	3,942				3,942	3,942
MESA- City	32,109	44,709			76,818	76,818
Campus Safety & Sexual Assault	81,469				81,469	48,000
Cal-Works	2,152,372				2,152,372	2,262,528
TANF	296,148	91,190			387,338	464,574
Prop 39 Clean Energy Wrkforce Prg	28,880				28,880	-
CAYFS	802,770				802,770	-
Proposition 20 Lottery funds	1,757,765	944,854			2,702,619	1,607,864
Commision on POST	80,279	118,616			198,895	199,273
	$ 54,834,153	$ 3,875,483	$ -	$ 799,708	$ 59,509,345	$ 53,879,604

Note : Certain programs use resources from the prior year ending balance and/or carry over balances into the subsequent fiscal year beginning fund balance;

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
For the Fiscal Year Ended June 30, 2018

	Annual - Factored			
Categories	Reported Data	District Adjustments	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)				
1. Noncredit[1]	874.66			874.66
2. Credit[1]	453.46			453.46
B. Summer Intersession (Summer 2017 - Prior to July 1, 2018)				
1. Noncredit[1]	440.52			440.52
2. Credit[1]	3,839.12			3,839.12
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	20,752.72			20,752.72
(b) Daily Census Contact Hours	2,963.14			2,963.14
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit[1]	6,550.11			6,550.11
(b) Credit[1]	970.78			970.78
3. Independent Study/Work Experience				
(a) Weekly Census Contact Hours	3,363.73			3,363.73
(b) Daily Census Contact Hours	2,713.71			2,713.71
(c) Noncredit Independent Study/Distance Education Courses	297.50			297.50
D. Total FTES	43,219.45	-	-	43,219.45
Supplemental Information (subset of above information)				
E. In-service Training Courses (FTES)	1,339.17			1,339.17
H. Basic Skills courses and Immigrant Education				
(a) Noncredit[1]	4,275.69			4,275.69
(b) Credit[1]	2,401.74			2,401.74
CCFS 320 Addendum				
CDCP Noncredit FTES	6,112.91			6,112.91
Centers FTES				
(a) Noncredit[1]	7,953.75			7,953.75
(b) Credit[1]				

1 Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

The audit resulted in no adjustments to the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	$ 6,565,629
Restricted Fund Balance	60,456,251
Debt Service Funds	59,464,186
Child Development Fund	1,234,829
Capital Outlay Funds Balance	80,638,374
Enterprise Funds Balance	(789,785)
Auxiliary Fund Balance (not included on CCFS-311)	754,340
Self Insurance Fund Balance	11,580,657
All Other Funds	4,352,979
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 224,257,460

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 224,257,460
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets. Capital assets, net of accumulated depreciation of $124,132 are already recorded in the governmental funds.	1,504,705,730
Deferred charges associated with debt refundings are capitalized. These amounts will be amortized to interest expense over the life of the refunded debt.	45,283,555
Deferred outflows associated with pension costs and OPEB result from pension and OPEB contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	103,397,554
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of $913,260 is already recorded in the General Fund.	(11,547,197)
Claims payable on self-insured programs are not due and payable in the current period and therefore are not reported in the government funds. The short term portion of claims payable of $4,104,038 is already recorded in the governmental funds.	(692,593)
Long term liability related to general obligation bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long term obligations are added to the statement of net position which reduces the total net assets reported.	(1,544,136,670)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan and OPEB is recorded as net pension and OPEB liabilities. The proportionate share of STRS Medicare Premium Program is also recorded as a liability.	(347,366,266)
Interest related to bonds incurred through June 30, 2018 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(22,367,636)
Deferred inflows associated with pension costs and OPEB represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	(22,842,783)
Total net position	$ (71,308,846)

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2018

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries - Contract or Regular	1100	44,487,866		44,487,866	44,487,866		44,487,866
Instructional Salaries - Other	1300	49,254,201		49,254,201	49,254,201		49,254,201
Total Instructional Salaries		93,742,067	-	93,742,067	93,742,067	-	93,742,067
Non-Instructional Salaries - Contract or Regular	1200			-	22,691,493		22,691,493
Non-Instructional Salaries - Other	1400			-	2,030,907		2,030,907
Total Non-Instructional Salaries		-	-	-	24,722,400	-	24,722,400
Total Academic Salaries		93,742,067	-	93,742,067	118,464,467	-	118,464,467
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100	-		-	54,024,416		54,024,416
Non-Instructional Salaries - Other	2300	-		-	2,598,017		2,598,017
Total Non-Instructional Salaries		-	-	-	56,622,433	-	56,622,433
Instructional Aides - Regular Status	2200	6,808,017		6,808,017	6,808,017		6,808,017
Instructional Aides - Other	2400	1,509,904		1,509,904	1,509,904		1,509,904
Total Instructional Aides		8,317,921	-	8,317,921	8,317,921		8,317,921
Total Classified Salaries		8,317,921	-	8,317,921	64,940,354	-	64,940,354
Employee Benefits	3000	38,297,279	-	38,297,279	72,744,817		72,744,817
Supplies and Materials	4000	-	-	-	3,241,996		3,241,996
Other Operating Expenses	5000	340,669	-	340,669	24,165,808		24,165,808
Equipment Replacement	6420			-	4,739,762		4,739,762
Total Expenditures Prior to Exclusions		140,697,936	-	140,697,936	288,297,204	-	288,297,204
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	178,379		178,379	178,379		178,379
Student Health Services Above Amount Collected	6441			-	-		-
Student Transportation	6491			-	1,260		1,260
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	1,149,135		1,149,135
Objects to Exclude							
Rents and Leases	5060			-	357,326		357,326
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-	-		-
Employee Benefits	3000			-	-		-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-	-		-
Other Operating Expenses and Services	5000			-	7,026,954		7,026,954
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-	4,727,810		4,727,810
Equipment - Replacement	6420			-	11,952		11,952
Other Outgo	7000			-			-
Total Exclusions		178,379	-	178,379	13,452,816	-	13,452,816
Total for ECS 84362, 50% Law		140,519,557	-	140,519,557	274,844,388	-	274,844,388
Percent of CEE (Instructional Salary Cost/Total CEE)		51.13%	0%	51.13%	100%	0%	100%
50% of Current Expense of Education					137,422,194	-	137,422,194

See the accompanying notes to the supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 34,644,775
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 34,644,775	$ -	$ -	$ 34,644,775
					-
					-
Total Expenditures for EPA*		$ 34,644,775	$ -	$ -	34,644,775
Revenue less Expenditures					

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

See the accompanying notes to the supplementary information.

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance. The District dot not provide federal awards to subrecipients during the year ended June 30, 2018.

Schedule of State Financial Assistance – Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Proposition 55 Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

OTHER INDEPENDENT AUDITOR'S REPORT

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
San Diego Community College District
San Diego, 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*, issued by the Comptroller General of the United States, the basic financial statements of San Diego Community College District (the District), as of and for the year ended June 30, 2018, 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 6, 2018.

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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

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*.

Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

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
San Diego Community College District
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited San Diego Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be a significant deficiency.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
San Diego Community College District
San Diego, California

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

Auditor's 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 *2017-18 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:

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
444	Apprenticeship Related and Supplemental Instruction Funds (RSI)	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

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, 2018.

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 *2017-2018 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 6, 2018

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				*Unmodified*
Internal control over financial reporting:				
Material weakness(es) identified?	X	*Yes*		*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?	X	*Yes*		*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 2 CFR 200.516(a)?	X	*Yes*		*No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs:				$1,957,634
Auditee qualified as low-risk auditee?	X	*Yes*		*No*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2018

Finding 2018-001: Internal Controls Over Financial Reporting

Condition
Our audit procedures applied to the beginning balances revealed the lack of a systematic method to insure the financial statements are prepared accurately and in compliance with generally accepted governmental accounting principles. The following deficiencies were noted related to the beginning balances and to the closing process:

- The reconciliations between the combining balance sheet to the statement of net position and the combining schedule of revenue, expenditure and changes in fund balance to the statement of revenues, expenses and changes in net position were not prepared properly. The amounts included on the reconciliations did not tie to the actual financial statements. The net position balance at June 30, 2017 was overstated by $18.7 million.
- The refunding of General Obligation Bonds were not properly recorded resulting in the balance of general obligation bonds liability and the related premium to be overstated by $90.2 million. In addition, generally accepted governmental accounting standards requires a deferred charge to be calculated when bonds are refunded. Evidence that this calculation was done for the 2016-17 fiscal year was not available. The calculation was completed in September 2018 and resulted in the recording of a deferred charge on refunding of $47.2 million.
- Long term debt at June 30, 2017 included $8.5 million in legal claims. Supporting documentation for this balance could not be provided. After additional research, it was determined that this amount is related to the liability for open and incurred but not recorded claims. The general ledger already includes $4.1 million for this liability, therefore, long term debt was overstated by the $8.5 million.
- Ending fund balances for the Auxiliary Organization and the Other Internal Service Fund did not reconcile to the general ledger by $333,378 and $93,070, respectively.
- Various schedules were either not completed or did not reconciled to the general ledger at the time of the audit. Additional work was needed to complete these tasks and audit fieldwork was postponed from August 2018 to November 2018
    - Final schedule of general obligation bonds, accreted interest, premiums and accrued interest were provided at the end of October 2018
    - Final schedule of capital assets was provide at the end of October 2018

Criteria
GAAP

Effect
Required prior period adjustments.

Cause
Nonconformity with GAAP.

Recommendation:
Establish a system of consistent monthly reconciliations and closing procedures at the District Office and campus levels. To provide more accurate financial statements, establish effective review and reconciliation policies and procedures as a customary part of the business operations and accounting process. This would include monthly reconciliations of all accounts, including general obligation bonds and capital assets, recording adjustments throughout the year that have typically been made at year-end only and perform regular reviews of the general ledger throughout the year.

Management Response:
Clearly, management is responsible for ensuring financial statement information is accurate and has been properly reported, for the selection and application of accounting principles and for the preparation and fair presentation of the financial statements. During the course of the CLA audit for FY 2017-18, the District became aware of several issues related to the prior year's audit, which has resulted in this finding.

All of the items requiring a restatement of financial statements as of June 30, 2017 in accordance with Generally Accepted Accounting Principles (GAAP) listed in Finding 2018-001 are the direct responsibility of the District and are specifically assigned to the District Controller and the Fiscal Services department under his management. The fact that certain balances reported in the June 30, 2017 financial statements and/or the accompanying footnotes are not in agreement, and in some cases, do not reconcile to the general ledger or other supporting documentation is unacceptable.

Executive Vice Chancellor, Business and Technology Services will be directing the District Controller to ensure that monthly reconciliations and annual closing procedures at the District Office and campus levels are completed. Executive Vice Chancellor, Business and Technology Services will also direct the establishment of an effective review and reconciliation process as an ongoing activity by the District's Fiscal Services and Campus' Business Services offices. Review and reconciliation activities need to be handled on a monthly basis and not wait until year-end. In addition to improving upon internal control process through monthly reconciliation of all accounts as recommended by CLA, the District will conduct staff training with regard to Fiscal Services' business operations and also related to annual audit processes. Based upon issues that arose this year it became clear that there has not been adequate training of staff, which will to be corrected immediately.

In addition to the District's responsibility for the accuracy of financial statements, given that a sizeable portion of the prior year's $112 million Net Position adjustment being related to the refunding of several General Obligation Bonds not being properly recorded, the District will be in contact with the prior auditing firm. CLA has already notified, on behalf of the District, the auditing firm that had conducted the 2016-17 audit of the issues related to the need for a restatement during the 2017-18 auditing process. The response from the principal of the firm clearly pointed to the District being responsible for the accuracy of the financial statements and supporting documentation. While this is true and the District decided in the interest of time in order to timely complete the 2017-18 audits, CLA did the work related to the restatement, for which CLA will be compensated. Further action with the former auditing firm is being considered by the District.

Finding 2018-002: Special Tests and Provisions: Enrollment Reporting

Federal agency: Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Numbers: 84.268 – Federal Direct Student Loans

Award Period: July 1, 2017 through June 30, 2018

Type of Finding:
Significant Deficiency in Internal Control over Compliance; Compliance

Criteria:
Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 682.610). These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure student enrollment status changes are accurately and timely reported to the NSLDS.

Condition*:*
During our testing we noted discrepancies for 5 out of 40 students tested, which is a statistically valid sample.

The District utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. However, it is possible for college to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Questioned costs:
None

Context:
The District utilizes the National Student Clearinghouse (NSC) as a third-party provider in order to submit student information to NSLDS.

Cause:
The District relied on NSC in order to submit student information to NSLDS.

Effect:
The District did not update student enrollment statuses correctly or timely to NSLDS.

Repeat Finding:
This was not a finding in the prior year.

Auditor's Recommendation:
We recommend that the District put a process in place to ensure determination of all students who withdraw or graduate are accurately and timely reported to NSLDS.

The system should include understanding if and when the NSC third-party servicer has corrected the failed software programming.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:
Please refer to the accompanying management's corrective action plan.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS June 30, 2018

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS RELATED TO FINANCIAL STATEMNTS, FEDERAL OR STATE AWARDS
June 30, 2018

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

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Business and Technology Services
Office of the Executive Vice Chancellor 619-388-6975
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December 3, 2018

SAN DIEGO COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

U.S. Department of Education

San Diego Community College District respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: 2017-18

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2018-002 Enrollment Reporting

Federal agency: Department of Education

Program name: Student Financial Aid Cluster

Recommendation: We recommend that the District improve policies and procedures to ensure the timely reporting of student status changes to the NSLDS.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District recently upgraded its Student Legacy administrative system to Oracle's PeopleSoft ERP system. The District has been in the process of transitioning after 20 plus years in its Legacy system to the new ERP system. Consequently, during 2017-18 the District was maintaining its current system (Legacy) while Financial Aid years overlapped with reporting processes. Maintaining two systems, while defining business processes and implementing the new system has been taxing on both functional and technical staff.

With the new PeopleSoft system, it was evident to the District early on that a new Business Analyst position was needed to support the productions processes and reporting for Financial Aid. The new position was brought on board in June 2018, the fiscal year-end for this audit period. The Business Analyst is responsible for centrally monitoring all reporting for the Financial Aid departments, including confirmation of NSLSD timely reporting.

Names of the contact persons responsible for corrective action: Vice Chancellor, Student Services, Dr. Lynn Neault and assigned Business Analyst.

Planned completion date for corrective action plan: Immediately.

Sincerely,

Bonnie Ann Dowd

Bonnie Ann Dowd, Ed.D, MBA, CMA
Executive Vice Chancellor
Business and Technology Services