

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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**SAN DIEGO COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the San Diego Community College District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Diego Community College District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the San Diego Community College District adopted the requirements of Governmental Accounting Standards Board Statement (GASB) 87 effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Diego Community College District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Diego Community College District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Community College District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of the net pension liability (CalSTRS-STRP and CalPERS-Schools Pool Plan), schedule of the District's pension contributions (CalSTRS-STRP and CalPERS-Schools Pool Plan), schedule of changes in the net postemployment healthcare benefits liability, and schedule of postemployment healthcare benefits contributions, schedule of postemployment healthcare benefits money-weighted rate of return on plan assets, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego Community College District's basic financial statements. The schedule of state financial assistance - grants, schedule of workload measures for state general apportionment annual (actual) attendance, reconciliation of annual financial and actual budget report with fund financial statements, reconciliation of the 50 percent law calculation and schedule of education protection act (EPA) expenditures report and 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* (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the schedule of state financial assistance - grants, schedule of workload measures for state general apportionment annual (actual) attendance, reconciliation of annual financial and actual budget report with fund financial statements, reconciliation of the 50 percent law calculation and schedule of education protection act (EPA) expenditures report and 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the history and organization but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **January 12, 2023** January 12, 2023, on our consideration of the San Diego Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 San Diego Community College 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 San Diego Community College District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
January 12, 2023

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

FINANCIAL HIGHLIGHTS FOR 2021-2022

- The California Budget Act for 2021-22 signed into law on July 12, 2021 reflecting \$263 billion in state expenditures that included \$196 billion in General Fund expenditures.
- The state budget provided \$3.5 billion in funding for California Community Colleges apportionment and categorical programs along with full repayment for \$1.5 billion in cash payment deferrals that were unpaid to districts in 2020-21. The public health emergency due to the coronavirus/COVID-19 pandemic that began in spring 2020 resulted in severe hardships for families, businesses, and government at all levels, which also caused a significant downward shift in the state's economic condition in 2020-21 resulting in the cash payment deferrals.
- Fortunately, the state budget outlook greatly improved after the release of the Governor's 2021-22 budget on January 8 and continued to improve in the months that followed. The revenue improvements were primarily from personal income tax, sales tax, and corporate taxes coming in ahead of projections and bringing in significantly more revenues than originally anticipated by the state.
- The Budget Act projected total revenues of \$203.6 billion and total reserves of \$25.2 billion, equal to 13% of General Fund expenditures. The budget continued the state's focus on maintaining reserves as protection against economic downturns and spending priorities that focused on helping the state recover from the impact of the COVID-19 pandemic.
- The state budget included overall state General Fund spending of \$196.4 billion for an increase of approximately 18% as compared to 2020-21. The enacted state budget reflected a correction to the overestimated state deficit of the prior year provided as 5.07% cost-of-living adjustment (COLA); significant one-time deferred maintenance funding; funding for student basic needs and support; and funding to increase full-time faculty throughout the system.
- The District's Adopted Budget for 2021-22 of \$872.4 million consisted of \$552.2 million in General Fund Unrestricted and Restricted Funds and \$320.3 million in Other Funds representing a \$92.4 million increase in all funds as compared to 2020-21.
- The District met all of its repayment obligations for Prop S and Prop N General Obligation Bonds in 2021-22. The vast majority of construction projects throughout the District are LEED-certified, sustainable buildings, which provide state-of-the-art classroom equipment to allow the District to serve student demand, support student success, and containment of ever-increasing utility and other operating costs.
- The District's 2021-22 Adopted Budget was once based on the SCFF's "hold harmless" apportionment revenue provisions, which are currently scheduled to sunset in FY 2024-25.
- The District also met or exceeded all federal and state mandated requirements including the 50% Law and Faculty Obligation Number (FON).

DISTRICT BACKGROUND

The California Community College system is comprised of 73 districts, 116 colleges, and 74 approved and grandfathered 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 credit colleges: San Diego City College, Mesa College, and Miramar College, and one non-credit college: San Diego College of Continuing Education which operates at seven campus sites.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

DISTRICT BACKGROUND (CONTINUED)

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, 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 began offering a bachelor's degree in Health Information Management at Mesa College, which is one of 15 community colleges system-wide approved to offer a bachelor's degree under a state piloted program.

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 2020-21 academic year. Out-of-state residents paid the enrollment fee plus non-resident tuition of \$290 per credit, and students in the baccalaureate program also paid a surcharge of \$84 per credit on top of either resident or non-resident fees.

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.

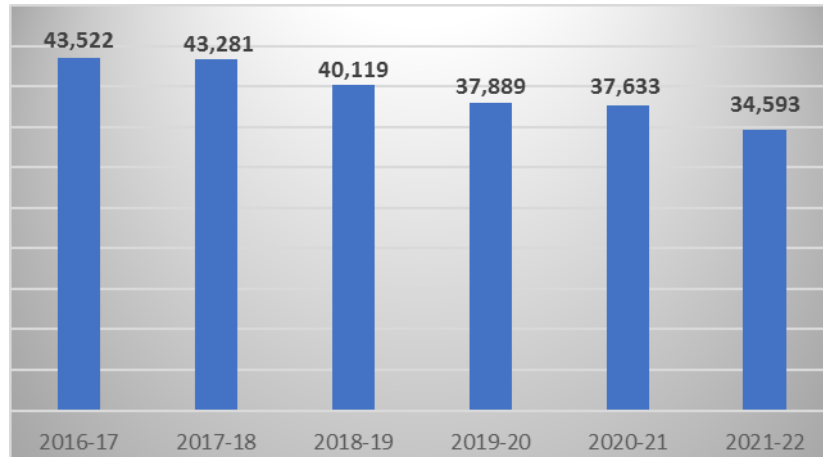
ENROLLMENT HIGHLIGHTS

The state's enrollment funding for community colleges significantly improved because 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 full-time equivalent students (FTES) target for 2021-22 was targeted at 37,545 FTES in order to align FTES funding in accordance with the Student Centered Funding Formula (SCFF) model, which decreased apportionment FTES revenue funding from 100% down to 70% with the remaining 30% funding tied to specific accountability measurements as compared to how community colleges were previously funded. As with the previous funding model, actual apportionment revenue earned and to be funded by the state for 2021-22 will not be known until February or March 2023 when the state releases the final "Recal" reports for all 73 districts based upon available state funding. In accordance with the declared state health emergency, the state chancellor's office declared emergency conditions that allowed districts to either report actual earned FTES or request the option of reporting its FTES based upon 2019-20 FTES (pre-pandemic), which SDCCD chose to do for 2020-21 and 2021-22. A history of student enrollments is provided in the table on the following page:

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

ENROLLMENT HIGHLIGHTS (CONTINUED)

FULL TIME EQUIVALENT STUDENTS



As previously stated under the SCFF model, districts will only receive 70% state funding tied to student enrollment as compared to the previous funding model, which funded districts based upon 100% FTES tied to enrollment. The remaining 30% funding in the 2021-22 State Budget Act was based upon 20% tied to enrollment with an equity adjustment for low-income students with the 10% remaining tied to achievement of certain performance outcomes as defined in the SCFF model. When the SCFF was implemented the intention was to reduce FTES funding from 70% down to 60% over a two-year period with an increased funding tied to performance outcomes such that upon full implementation of the SCFF districts would be funded at 60% for FTES enrollment, 20% for support of low-income students and 20% based upon performance outcomes. The percentage change for each component of the SCFF was originally scheduled to occur over a three-year period; however, it was subsequently extended a couple of times by the 70%, 20% and 10% remaining in place for additional years with no change in percentage allocation in 2021-22 with regard to apportionment funding under the SCFF.

Unfortunately, final apportionment funding for all districts is not known until the Apportionment Recalc report is released by the state chancellor eight or nine months after a fiscal year has ended (for 2021-22 will be February or March 2023). When all 73 districts have reported their FTES and outcomes in accordance with the SCFF, using either the actual or the executive order option the state apportionment revenue by district will be calculated by the system office within the constraints of the state approved budget and available state funding.

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. Prior to the pandemic in 2020-21 due to an improved employment picture in California, which began in FY 2015-16, nearly half of the California community college districts continued to see a decline in their base enrollment levels. The decrease in enrollment became further impacted because of the pandemic with all districts in California and across the nation seeing a decline in student enrollment. The District continues to manage its enrollment planning based upon smart course scheduling, flexible offerings, great institutional reputations, outstanding academic programs and faculty, and effective community outreach; however, the District also experienced a softening of student demand during and subsequent to the health emergency due to the pandemic.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

ENROLLMENT HIGHLIGHTS (CONTINUED)

As previously noted, everything changed on the evening of March 19, 2020 when Governor Newsom declared a “stay at home” order because of a Federal Public Health Emergency being declared due to the COVID-19. Consequently, by April 2020 job loss and an abrupt halting of economic activity made it clear the state could enter into a recession due to the global pandemic. The California Budget and Fiscal Review Committee provided an update to the state’s original fiscal outlook from one of anticipated surpluses to the state likely facing budget challenges that could span more than one budget year and impact student enrollments.

FINANCIAL REPORTING STANDARDS

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 Business Type Activity (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), district annual reports are to consist of three basic financial statements that provide information on a district as a whole:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- 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, Deferred Outflows, Liabilities, Deferred Inflows, 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 deferred outflows, and liabilities, and deferred inflows—is one way to measure the financial health of the District. The net position data allows readers to determine the resources available to continue the operations of the District. Net Position as of July 1, 2021 in amounts in thousands was (\$234,001) while the change in Net Position was \$97,384 for an ending Net Position of (\$136,617) as of June 30, 2022 as reported on the next page. 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 (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 – 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

STATEMENT OF NET POSITION (CONTINUED)

	<u>2022</u>	<u>2021</u>	<u>Net Change</u>
Assets			
Current assets	\$ 331,089	\$ 232,377	\$ 98,712
Noncurrent assets	332,166	272,644	59,522
Capital assets, net	<u>1,358,448</u>	<u>1,392,874</u>	<u>(34,426)</u>
Total Assets	<u>2,021,702</u>	<u>1,897,895</u>	<u>123,807</u>
Deferred Outflows of Resources	<u>140,107</u>	<u>143,281</u>	<u>(3,174)</u>
Liabilities			
Current liabilities	138,369	109,163	29,206
Noncurrent liabilities	<u>1,935,374</u>	<u>2,147,406</u>	<u>(212,032)</u>
Total Liabilities	<u>2,073,743</u>	<u>2,256,569</u>	<u>(182,826)</u>
Deferred Inflows of Resources	<u>224,683</u>	<u>18,609</u>	<u>206,074</u>
Net Position			
Net investment in capital assets	(52,358)	(38,094)	(14,265)
Restricted	389,941	111,268	278,673
Unrestricted	<u>(474,200)</u>	<u>(307,175)</u>	<u>(167,025)</u>
Total Net Position	<u>\$ (136,617)</u>	<u>\$ (234,001)</u>	<u>\$ 97,384</u>

(Amounts in thousands)

ASSETS

The District's assets consist of current assets and non-current assets. The major components of the current assets are cash and net accounts receivable. These assets are resources with present capability to enable the District to provide services and continue its operations.

Non-current assets are assets with longer-term investment of more than one year. These 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-related variables that are removed from expenses during the fiscal year.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, claims liability, early retirement incentive, medicare premium program and aggregate net pension liability.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent pension and OPEB costs resulting from the difference between projected and actual earnings on plan investments and other pension and OPEB-related variables. These amounts are deferred and amortized over various periods depending on the underlying requirements.

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 2021-22. 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 position, and unrestricted net position. 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 and are 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

	2022	2021	\$ Change	% Change
Operating Revenues				
Net tuition & fees	\$ 17,690	\$ 16,287	\$ 1,403	9%
Grants and contracts, noncapital	124,473	62,895	61,578	98%
Auxiliary enterprise, net	4,487	4,321	166	3.85%
Total Operating Revenues	<u>146,651</u>	<u>83,503</u>	<u>63,149</u>	<u>75.62%</u>
Operating Expenses				
Salaries	220,115	215,210	4,906	2%
Benefits	81,719	125,991	(44,272)	-35%
Supplies, materials, & other operating expenses	57,293	44,819	12,474	28%
Financial Aid	87,124	56,902	30,222	53%
Utilities	10,993	9,066	1,927	21%
Depreciation	42,434	42,654	(221)	-1%
Total Operating Expenses	<u>499,677</u>	<u>494,641</u>	<u>5,036</u>	<u>1.02%</u>
Operating Loss	(353,026)	(411,138)	58,111	-14%
Nonoperating Revenues (Expenses)				
State Apportionments, Noncapital	121,984	113,192	8,792	8%
Federal Grants and Contracts	96,478	55,680	40,798	73%
Local Property Taxes	245,640	226,030	19,610	9%
State Taxes and Other Revenues	40,831	44,215	(3,384)	-8%
Investment Income	5,417	5,178	239	5%
Interest Expense	(67,874)	(63,966)	(3,908)	6%
Other Nonoperating Revenue	2,384	8,566	(6,181)	-72%
Total Nonoperating Revenues (Expenses)	<u>444,860</u>	<u>388,896</u>	<u>55,964</u>	<u>14.39%</u>
Income (Loss) Before Other Revenues, Expenses, Gains, and Losses	91,834	(22,243)	114,077	-513%
Other Revenues, Expenses, Gains, and Losses	5,550	5,838	(288)	-5%
Change in Net Position	<u>\$ 97,384</u>	<u>\$ (16,406)</u>	<u>\$ 113,790</u>	<u>-694%</u>

(Amounts in thousands)

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 non-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. The costs increased from the previous fiscal year, from

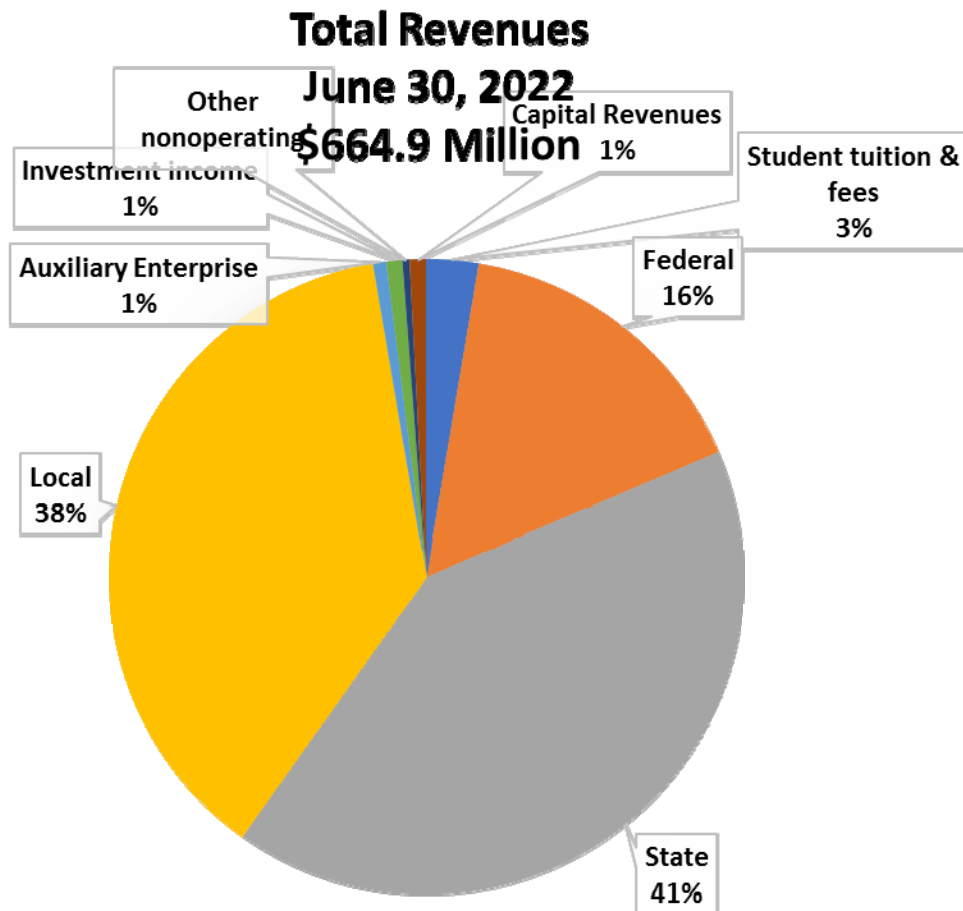
**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

\$495 million to \$500 million, mainly due to a decrease in benefit costs and increases in salary, supplies & materials and financial aid.

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.

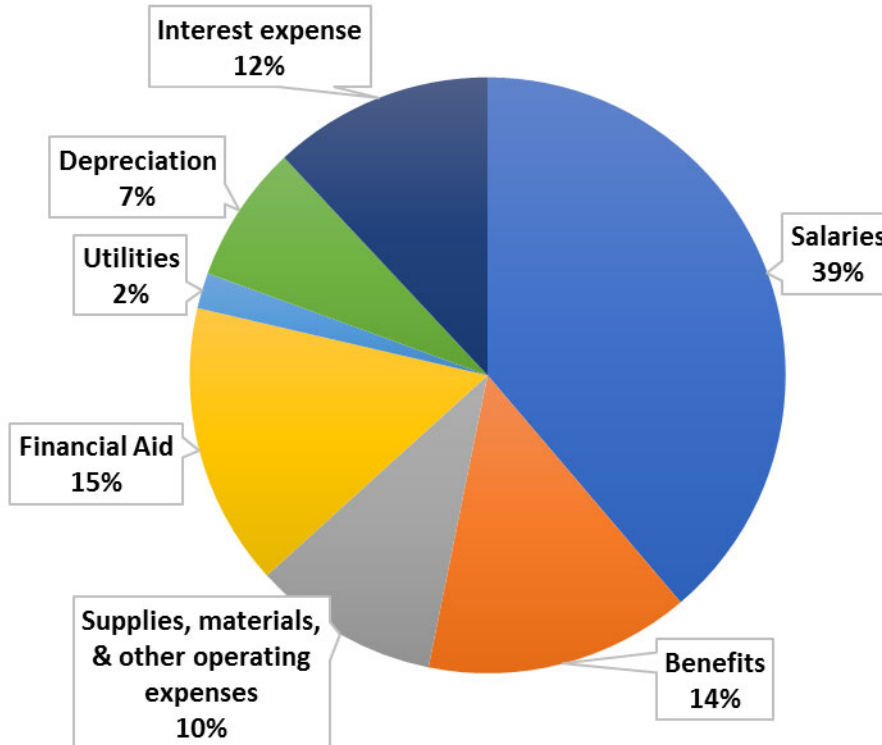
The following two graphs depict total revenues and expenses for all funds on a modified accrual basis of accounting:



**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

NON-OPERATING REVENUES AND OTHER REVENUES (CONTINUED)

**Total Expenses
June 30, 2022
\$567.5 Million**



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 deals 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>Net Change</u>	<u>% Change</u>
Net cash provided (used) by:				
Operating activities	\$ (322,293)	\$ (359,292)	\$ 36,999	-10%
Non-capital financing activities	506,461	451,512	54,948	12%
Capital and related financing activities	(95,655)	(95,263)	(392)	0%
Investment activities	<u>5,690</u>	<u>4,307</u>	<u>1,383</u>	<u>32.12%</u>
Net change in cash	94,202	1,264	92,938	7353%
Cash - beginning of the year	<u>191,318</u>	<u>190,054</u>	<u>1,264</u>	<u>1%</u>
Cash - end of the year	<u>\$ 285,520</u>	<u>\$ 191,318</u>	<u>\$ 94,202</u>	<u>49.24%</u>

(Amounts in thousands)

CAPITAL ASSETS

Note 4 to the financial statements provide additional information on Capital Assets. Below is a summary of capital assets, net of accumulated depreciation, for 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Net Change</u>
Land and construction in progress	\$ 113,182	\$ 122,965	\$ (9,784)
Buildings and equipment	1,750,811	1,733,020	17,791
Accumulated depreciation	<u>(505,545)</u>	<u>(463,112)</u>	<u>(42,433)</u>
Total Capital Assets	<u>\$ 1,358,448</u>	<u>\$ 1,392,874</u>	<u>\$ (34,426)</u>

(Amounts in thousands)

LONG-TERM DEBT

Note 9 to the financial statements provide additional information on long-term debt. Below is a summary of long-term debt for 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Net Change</u>
Compensated absences	\$ 15,042	\$ 14,941	\$ 101
Claims liability	6,307	6,205	103
Bonds and Notes Payable	1,739,541	1,753,044	(13,503)
OPEB Liability	34,102	45,113	(11,011)
Early Retirement Incentive	2,888	3,851	(963)
Medicare Premium Program	1,334	1,284	50
Net pension liability	<u>199,134</u>	<u>366,976</u>	<u>(167,842)</u>
Total Long-Term Liabilities	<u>\$ 1,998,350</u>	<u>\$ 2,191,413</u>	<u>\$ (193,063)</u>

(Amounts in thousands)

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District's Investment Trust Retiree Benefit OPEB Trust (the OPEB Trust) is an irrevocable government trust for the purpose of funding postemployment health benefits. The District acts as the fiduciary of the OPEB Trust and the financial activity of the OPEB trust has been presented in separate statements in the financial statements.

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 16, 2022, titled "*The 2022-23 Budget: California's Fiscal Outlook*", despite the ongoing global pandemic and its disparate health and economic impacts on Californians, revenue was growing at historic rates and the LAO estimated the state will have a \$31 billion surplus to allocate in 2022-23. The LAO has produced its *Fiscal Outlook* every year since 1995. Based upon the LAOs estimate of revenue and spending when it published the 2021-22 fiscal outlook report in November 2020, the state would likely face an operating deficit that would be relatively small in 2021-22; however, by 2024-25, and the deficit would grow to around \$17 billion. In addition to state funding uncertainties and the continuing impact of the health emergency, another major concern for all districts continues to be the significant increases to the CalSTRS and CalPERS employer pension contribution rates.

The SCFF went into effect July 1, 2018; however, districts were provided limited information from the state during 2018-19 with outcome measurements and funding rates under the supplemental and success aspects of the SCFF continuing to change, which resulted in large swings in apportionment funding for all districts. Because multi-year projections for the SCFF had not been done at the state level, when 2018-19 ended as of June 30, 2019, the state did not have enough state funding to fully fund all districts under the new SCFF model. Consequently, some significant changes were made to various aspects of the SCFF, which created even more confusion and challenges for districts. 2020-21 was originally intended to be the last of the three-year implementation years for the SCFF; however, Governor Newsom extended the SCFF "hold harmless" provision to 2024-25.

San Diego Community College District has consistently been a high student demand district serving the needs of its San Diego local taxpayers. The SCFF required the District to make significant changes in how it operated to ensure funding under the new model which provides districts apportionment revenue based upon 70% FTES enrollment three-year average access, 20% for increasing the number of student financial aid awards, and a requirement to increase outcomes tied to specific metrics identified in the formula in order to be funded for the remaining 10%. Prior to the implementation of the SCFF districts received 100% of its state funding based upon only FTES enrollment access. Under the SCFF, districts must now achieve specific outcomes in order to receive the same 100% funding it used to receive. Unfortunately, the SCFF did not provide additional funding for achieving additional new outcomes. The biggest challenge under the SCFF is that in order for a district to receive each dollar of funding it received in a prior year it is only guaranteed seventy cents of that dollar and must achieve specific outcomes in order to earn the other thirty cents of state apportionment funding. The SCFF model has been described as an "outcomes" or "performance" based model. However, if it was truly a performance based funding model, it would have provided an opportunity for districts to earn additional funding as opposed to a repurposing of ongoing funding a district used to receive.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS (CONTINUED)

In addition to some of the challenges districts are experiencing with the SCFF, districts have also seen employer pension costs more than double since 2013-14, which is a major drain on annual budgets. It is likely that the state and all districts will continue to face budget challenges in the years to come. The most significant risk to the system is always related to the state of the economy. Due to the coronavirus COVID-19 pandemic, state, national and global economies have been negatively impacted resulting in the state moving from what was anticipated in January 2019 to be a projected surplus to slip into a substantial deficit due to revenue losses in 2019-20. In March 2020 when the national and state health emergency was declared no one could have predicted the situation would continue beyond 2020. The long-term impact of the pandemic to the California community college system and the state's fiscal situation is difficult to project. In addition, there are decisions being made outside of the California Legislature's control, for example by the federal government, which could further negatively impact the state budget. The primary focus of the state and districts had to shift from one of only an educational focus for the District's student but also a focus to support the basic needs of our students for food, shelter, and other support services.

In spite of the pandemic related challenges, the District continued its effort to identify ways by which to minimize its dependency upon the state's economic conditions and state funding. Enrollment management planning, which previously primarily focused on FTES targets (revenue driver) expanded to include FTEF (full-time equivalent faculty) targets (costs associated with the revenue) in its planning efforts. The District began realigning its operating expenses in 2019-20 based upon SCFF anticipated revenues. The District continued to take steps to reduce operating expenses in order to align them with apportionment revenue possible under the SCFF. The LAO noted that despite the ongoing global pandemic and its disparate health and economic impacts on Californians, revenues were growing at historic rates and were estimated a \$31 billion surplus.

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, 2022**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 268,873,953
Accounts Receivable	57,845,204
Leases Receivable, Current	2,019,299
Inventory	2,267,085
Prepaid Expenses	83,031
Total Current Assets	331,088,572

NONCURRENT ASSETS

Restricted Cash and Cash Equivalents	16,646,310
Investments with Fiscal Agent	245,559,984
Leases Receivable, Net of Current Portion	69,959,880
Capital Assets, Not Being Depreciated	113,181,810
Capital Assets, Net of Accumulated Depreciation	1,245,265,818
Total Noncurrent Assets	1,690,613,802

Total Assets	2,021,702,374
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Charge on Refunding	74,591,878
Deferred Outflows - Pensions	56,050,295
Deferred Outflows - Other Postemployment Benefits	9,465,100
Total Deferred Outflows of Resources	140,107,273

Total Assets and Deferred Outflows of Resources	\$ 2,161,809,647
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**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2022**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 15,878,710
Accrued Liabilities	23,914,602
Amounts Held in Trust for Others	741,201
Accrued Interest	25,352,030
Unearned Revenue	9,506,305
Current Portion of Long-Term Liabilities	<u>62,975,998</u>
Total Current Liabilities	138,368,846

NONCURRENT LIABILITIES

Noncurrent Portion of Long-Term Liabilities	<u>1,935,374,142</u>
Total Noncurrent Liabilities	<u>1,935,374,142</u>

Total Liabilities 2,073,742,988

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Pensions	139,466,739
Deferred Inflows - Leases	72,006,340
Deferred Inflows - Other Postemployment Benefits	<u>13,210,236</u>
Total Deferred Inflows of Resources	224,683,315

NET POSITION

Net Investment in Capital Assets	(52,358,325)
Restricted for:	
Debt Service	316,536,661
Scholarship and Loans	737,406
Other Special Purposes	72,667,291
Unrestricted	<u>(474,199,689)</u>
Total Net Position	<u>(136,616,656)</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position \$ 2,161,809,647

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022**

OPERATING REVENUES	
Tuition and Fees (Gross)	\$ 32,771,661
Less: Scholarship Discounts and Allowances	<u>(15,081,182)</u>
Net Tuition and Fees	17,690,479
Grants and Contracts, Noncapital:	
Federal	9,552,987
State	111,033,443
Local	3,886,834
Auxiliary	<u>4,487,393</u>
Total Operating Revenues	146,651,136
OPERATING EXPENSES	
Salaries	220,115,429
Employee Benefits	81,718,611
Supplies, Materials, and Other Operating Expenses and Services	57,292,614
Financial Aid	87,124,099
Utilities	10,993,111
Depreciation	<u>42,433,510</u>
Total Operating Expenses	<u>499,677,374</u>
OPERATING LOSS	(353,026,238)
NONOPERATING REVENUES (EXPENSES)	
State Apportionments, Noncapital	121,984,080
Federal Grants and Contracts	96,477,551
Local Property Taxes	245,640,209
State Taxes and Other Revenues	40,831,051
Investment Income	5,417,004
Interest Expense	(67,874,000)
Other Nonoperating Revenue	<u>2,384,300</u>
Total Nonoperating Revenues (Expenses)	<u>444,860,195</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	91,833,957
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	
Local Property Taxes for Capital Purposes	5,295,860
Interest and Investment Income, Capital	<u>254,285</u>
Total Other Revenues, Expenses, Gains, and Losses	<u>5,550,145</u>
CHANGES IN NET POSITION	97,384,102
Net Position - Beginning of Year	<u>(234,000,758)</u>
NET POSITION - END OF YEAR	<u><u>\$ (136,616,656)</u></u>

See accompanying Notes to Financial Statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees, Net	\$ 15,270,622
Federal Grants and Contracts	21,743,295
State Grants and Contracts	98,586,198
Local Grants and Contracts	11,994,049
Sales and Services of Auxiliary Enterprises	4,487,393
Payments to Suppliers	(64,462,954)
Payments to/on-behalf of Employees	(323,031,695)
Payments to/on-behalf of Students	(86,880,154)
Net Cash Used by Operating Activities	<u>(322,293,247)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Apportionments and Receipts	121,984,081
Federal Grants and Contracts	95,620,898
Local Property Taxes	245,640,209
State Taxes and Other Revenue	43,215,351
Net Cash Provided by Noncapital Financing Activities	<u>506,460,539</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Local Revenue for Capital Purposes	5,295,860
Interest on Investments, Capital Funds	29,950
Net Purchase of Capital Assets	(9,796,608)
Lease Receivables, Net	27,161
Net proceeds from Capital Related Debt	105,171,494
Principal Paid on Capital Related Debt	(66,553,944)
Interest Paid on Capital Related Debt	(129,829,380)
Net Cash Used by Capital and Related Financing Activities	<u>(95,655,467)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	<u>5,690,367</u>
Net Cash Provided by Investing Activities	<u>5,690,367</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

94,202,192

Cash and Cash Equivalents - Beginning of Year

191,318,071

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 285,520,263

See accompanying Notes to Financial Statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (353,026,238)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	42,433,510
Changes in Assets and Liabilities:	
Receivables, Net	3,726,618
Lease Receivables, Net	(71,979,179)
Prepaid Expenses	(19,625)
Deferred Outflows of Resources - Pensions	19,009,014
Deferred Outflows of Resources - OPEB	418,331
Accounts Payable	3,947,826
Accrued Liabilities	4,301,897
Unearned Revenue	1,690,627
Amounts Held for Others	667,579
Net Other Postemployment Retiree Benefits (OPEB)	(11,011,053)
Net Pension Liabilities	(167,841,551)
Other Liabilities	(685,235)
Deferred inflows of Resources - Leases	72,006,340
Deferred Inflows of Resources - Pensions	121,587,152
Deferred Inflows of Resources - OPEB	12,480,741
Net Cash Used by Operating Activities	<u><u>\$ (322,293,247)</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Debt Issued Placed in Escrow to Refund Existing Debt	<u><u>\$ 418,038,506</u></u>
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NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets in Accounts Payable	<u><u>\$ 440,673</u></u>
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See accompanying Notes to Financial Statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF PLAN NET POSITION
JUNE 30, 2022**

	<u>Retiree Health Benefit (OPEB) Trust</u>
ASSETS	
Investments	<u>\$ 6,909,261</u>
Total Assets	<u><u>\$ 6,909,261</u></u>
NET POSITION	
Restricted for postemployment benefits other than pensions	<u>\$ 6,909,261</u>
Total Net Position	<u><u>\$ 6,909,261</u></u>

See accompanying Notes to Financial Statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN PLAN NET POSITION
YEAR ENDED JUNE 30, 2022**

	<u>Retiree Health Benefit (OPEB) Trust</u>
ADDITIONS	
Employer Contributions	\$ 1,797,005
Investment Income	<u>(961,290)</u>
Total Additions	835,715
DEDUCTIONS	
Benefit Payments	<u>1,797,005</u>
Total Deductions	<u>1,797,005</u>
CHANGES IN NET POSITION	(961,290)
Net Position - Beginning of Year	<u>7,870,551</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,909,261</u></u>

See accompanying Notes to Financial Statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

San Diego Community College District (the 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; and
- 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 (the Organization) was created to further support the District's mission and goals beyond state available funding. The Organization has its own Board of Directors comprised 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. 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, including its fiduciary activities 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 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is primarily items held in the bookstore for resale along with other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2022 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 and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial 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: buildings, 50 years; equipment and vehicles, 5 to 6 years; and technology equipment 3 years.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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: 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.

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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Postemployment Benefits Other Than Pensions (OPEB)

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

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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 under the Student Centered Funding Formula 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

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).

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The COVID-19 Pandemic has recently affected global markets, supply chains, employees of companies and our communities. Management is taking appropriate actions to mitigate the impact. However, the economic impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2022.

Adoption of New Accounting Standards:

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption.

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, 2022, \$9,891,437 of the District's bank balance of \$11,170,462 was exposed to credit risk.

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, 2022 is measured at 100.50% 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS (CONTINUED)

Cash in County Treasury (Continued)

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

Cash and cash equivalents as of June 30, 2022 are as shown herein.

Primary Government:

Cash on Hand and in Banks	\$ 5,183,564
Cash in County Treasury	280,336,699
Total Cash and Cash Equivalents	<u>\$ 285,520,263</u>

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, 2022.

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

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2022 are presented herein. Information regarding the investments held in the District's OPEB Trust Funds are included in Note 8.

Investment:	Fair Value	Standard & Poor's Rating
U.S. Treasury Notes - SLGS - Level 2	<u>\$ 245,559,984</u>	AA+
Total	<u>\$ 245,559,984</u>	

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS (CONTINUED)

Interest Rate Risk

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 that 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, 2022 consisted of the amounts shown herein.

Primary Government:	
Federal and State	\$ 48,670,613
Student, Net of Allowance	7,913,228
Miscellaneous	1,261,363
Total Accounts Receivable	<u>\$ 57,845,204</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 CAPITAL ASSETS AND DEPRECIATION

A summary of changes for the District in capital assets for the year ended June 30, 2022 is shown herein.

	Balance July 1, 2021	Additions	Retirements and Transfers	Balance June 30, 2022
Capital Assets Not Being Depreciated:				
Land	\$ 82,170,133	\$ -	\$ -	\$ 82,170,133
Construction in Progress	40,795,337	5,622,534	15,406,194	31,011,677
Total Capital Assets Not Being Depreciated	122,965,470	5,622,534	15,406,194	113,181,810
Capital Assets Being Depreciated:				
Site Improvements	43,906,275	1,015,055	-	44,921,330
Buildings and Improvements	1,601,444,953	14,391,139	-	1,615,836,092
Equipment and Software	87,668,994	2,392,422	7,736	90,053,680
Total Capital Assets Being Depreciated	1,733,020,222	17,798,616	7,736	1,750,811,102
Less: Accumulated Depreciation for:				
Site Improvements	(11,554,606)	(1,027,416)	-	(12,582,022)
Buildings	(368,715,594)	(39,488,354)	-	(408,203,948)
Equipment	(82,841,574)	(1,917,740)	-	(84,759,314)
Total Accumulated Depreciation	(463,111,774)	(42,433,510)	-	(505,545,284)
Depreciable Assets, Net	1,269,908,448	(24,634,894)	(7,736)	1,245,265,818
Capital Assets, Net	<u>\$ 1,392,873,918</u>	<u>\$ (19,012,360)</u>	<u>\$ 15,413,930</u>	<u>\$ 1,358,447,628</u>

Depreciation expense of \$42,433,510 was recorded during the year.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022 consisted of the amounts shown herein.

Primary Government:	
Vendors and Others	\$ 15,875,129
Retention	3,581
Total Accounts Payable	<u>15,878,710</u>
Payroll and Benefits	17,692,567
Accrued Expenses	6,222,035
Total Accrued Liabilities	<u>23,914,602</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 39,793,312</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 UNEARNED REVENUE

Unearned revenue at June 30, 2022 consisted of the amounts shown herein.

Primary Government:	
State Categorical Aid	\$ 6,710,877
Enrollment Fee	2,444,860
Federal Financial Assistance	350,568
Total Unearned Revenue	<u>\$ 9,506,305</u>

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, 2022, 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 herein.

Pension Plan:	Proportionate Share of Net Pension Liability	Proportionate Share of Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	\$ 86,920,280	\$ 34,023,763	\$ 92,071,560	\$ 2,395,851
CalPERS - Schools Pool Plan	111,697,035	21,460,430	46,943,950	10,668,384
CalPERS - Safety Risk Pool	517,029	566,102	451,229	21,620
Total	<u>\$ 199,134,344</u>	<u>\$ 56,050,295</u>	<u>\$ 139,466,739</u>	<u>\$ 13,085,855</u>

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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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% of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing

benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes 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, 2022 are summarized herein.

<u>Provisions and Benefits</u>	<u>CalSTRS-STRP Defined Benefit Program and Supplement Program</u>	
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%	10.21%
Required Employer Contribution Rate	16.920%	16.920%
Required State Contribution Rate	10.828%	10.828%

Contributions

Required member, District, and state of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The 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, 2022 are presented above and the total District contributions were \$18,977,973.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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

At June 30, 2022, 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:

	Balance June 30, 2022
<u>Proportionate Share of Net Pension Liability</u>	<u>June 30, 2022</u>
District Proportionate Share of Net Pension Liability	\$ 86,920,280
State's Proportionate Share of the Net Pension Liability	
Associated with the District	43,735,824
Total	<u>\$ 130,656,104</u>

The net pension liability was measured as of June 30, 2020. 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, 2021, the District's proportion was 0.1910% which is a decrease of 0.2000% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$2,395,851. In addition, the District recognized revenue and corresponding expense of \$12,285,427 for support provided by the state. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Pension Deferred Outflows and Inflows of Resources</u>	<u>Resources</u>	<u>Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 18,977,973	\$ -
Difference Between Expected and Actual Experience	217,740	9,250,130
Change in Assumptions	12,315,680	-
Change in Proportion	2,512,370	14,065,250
Net Differences Between Projected and Actual Earnings		
on Plan Investments	-	68,756,180
Total	<u>\$ 34,023,763</u>	<u>\$ 92,071,560</u>

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, 2022. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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

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, 2021 measurement date is seven years.

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

<u>Year Ending June 30,</u>	<u>Amortization</u>
2023	\$ (15,727,675)
2024	(13,350,687)
2025	(20,567,983)
2026	(22,456,549)
2027	(2,875,717)
2028	(2,047,159)
Total	<u>\$ (77,025,770)</u>

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, 2020, and rolling forward the total pension liability to June 30, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
Experience Study:	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants and adopted by the CalSTRS Board in January 2020. Best estimates of 20-year geometrically linked 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments, and administrative expense occur mid-year. 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 the 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 1% lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.10%)	\$ 176,938,580
Current Discount Rate (7.10%)	86,920,280
1% Increase (8.10%)	12,206,810

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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.

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

The CalPERS provisions and benefits in effect at June 30, 2022 are summarized herein.

Provisions and Benefits	CalPERS-Schools Pool Plan	
	On or Before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	22.91%	22.91%

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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, 2022 are as presented above and the total District contributions were \$17,836,317.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$111,697,035. The net pension liability was measured as of June 30, 2021. 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, 2021, the District's proportion was 0.5493% which is a decrease of 0.0151% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$10,668,384. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Pension Deferred Outflows and Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 17,836,317	\$ -
Difference Between Expected and Actual Experience	3,334,443	263,316
Changes of Assumptions	-	-
Changes in Proportion	289,670	3,814,637
Net Differences Between Projected and Actual Earnings on Plan Investments	-	42,865,997
Total	<u>\$ 21,460,430</u>	<u>\$ 46,943,950</u>

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, 2022. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS)

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

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 CalPERS Schools Pool Plan for the June 30, 2020 measurement date is 4.1 years.

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

<u>Year Ending June 30,</u>	<u>Amortization</u>
2023	\$ (9,451,818)
2024	(10,510,989)
2025	(11,435,164)
2026	<u>(11,921,866)</u>
Total	<u>\$ (43,319,837)</u>

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, 2020, and rolling forward the total pension liability to June 30, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
Experience Study:	July 1, 1997 through June 30, 2015
Actuarial Cost Method:	Entry Age Normal
Discount Rate:	7.15%
Investment Rate of Return:	7.15%
Consumer Price Inflation:	2.50%
Wage Growth:	Varies by Entry Age and Service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90% of scale MP 2016 published by the Society of Actuaries.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Methods and Assumptions (Continued)

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+ 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 adjusted to

account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	50%	5.98%
Fixed Income	28%	2.62%
Real Assets	13%	4.93%
Private Equity	8%	7.23%
Liquidity	1%	-0.92%

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.

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 1% lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.15%)	\$ 188,336,885
Current Discount Rate (7.15%)	111,697,035
1% Increase (8.15%)	48,069,515

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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.

California Public Employees Retirement System (CalPERS) – Safety Risk Pool

Plan Description

The Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan or PERF C) is administered by the California Public Employees' Retirement System (the System or CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. Each individual employer rate plan generally has less than 100 active members.

Benefits Provided

The Plan was established to provide retirement, death, and disability benefits to public agency rate plans with generally less than 100 active members. The benefit provisions for PERF C employees are established by statute.

Social Security Alternative Plan

Plan Description

The Social Security Alternative plan is a single employer 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, 2022 and 2021 were \$510,040 and \$553,969, 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Plan Description and Eligibility

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The District provides medical benefits to its employees through the Kaiser HMO, four United Healthcare HMO options, United Healthcare Signature Value Alliance, United Healthcare CA Select Plus PPO plan, and three United Healthcare Out of Area PPO options. The District also provides dental (Delta Dental) and vision (Vision Service Plan) benefits.

The District maintains the same medical plans for its retirees as for its active employees, as well as their Medicare equivalents for Medicare eligible retirees (United Healthcare Medicare Advantage PPO, United Healthcare Medicare Advantage HMO, and Kaiser Senior Advantage

The District's share of retiree premium depends on classification, age, years of service (YOS) and the applicable cap. For the 2022 calendar year the cap is \$1,344 per month.

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 two-party rate for the Kaiser HMO, which the District pays for its active employees. For the 2022 calendar year the cap was \$1,344 per month. The cap is assumed to grow at the medical trend rate of 6.00% for healthcare, decreasing per year to an ultimate rate of 4.50% for 2029 and later years.

The District's share of retiree premium depends on classification, age, years of service (YOS) and the applicable cap. The monthly cap is \$1,344 and \$1,322, for calendar year 2022 and 2021, respectively.

The District also pays Medicare Part B premiums for all retirees and spouses of retirees entitled to 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.

Participant Type:	Number of Participants
Inactive Participants Currently Receiving Benefits	147
Active Employees	1,637
Total	1,784

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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, 2022, the District contributed \$1,797,005 to the plan including the implicit rate subsidy.

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 adopted a goal of fully funding the plan on a fully projected basis by allowing the balance to grow with interest until it is sufficient to pay all future retiree benefits. On June 5, 2019, the District withdrew \$14,700,000 for on behalf payments for retirees receiving life-time health and welfare benefits, which were charged each year since 2006 to General Fund Unrestricted rather than being billed annually to the CCLC-JPA.

Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2022. 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: 3.00%
- Inflation rate: 3.00%
- Investment rate of return: 6.50%
- Healthcare cost trend rate: 6.00% decreasing 0.10% per year to an ultimate rate of 4.50% for 2070 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 expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

Asset Class:	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return</u>
Broad U.S. Equity	50%	4.4
U.S. Fixed	50%	1.5

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%.

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;
- 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 above 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 based on the following: long-term expected return of plan investments of 6.50%; Fidelity GO AA 20-years Municipal Index of 3.69%; and a discount rate of 4.5%.

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

	<u>Balance June 30, 2022</u>
Total OPEB Liability	\$ 41,011,431
Plan Fiduciary Net Position	6,909,261
District’s Net OPEB Liability	<u>\$ 34,102,170</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	16.85%
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**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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, 2022 are listed below:

Asset Class:	Target Percentage of Portfolio	Actual Percentage of Portfolio
Cash	0 - 20%	0%
Fixed Income	40% - 60%	50%
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.

Rate of Return. For the year ended June 30, 2022 the annual money-weighted rate of return on investments, net of investment expense, was (12.21%). 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, 2022 are presented below:

Investment	Total	Fair Value Measurements		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Trust - US Bank	\$ 6,909,260	\$ -	\$ -	\$ 6,909,260

Schedule of Changes in Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of June 30, 2022. Liabilities in this report were calculated as of the valuation date.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Schedule of Changes in Net OPEB Liability (Continued)

The total OPEB liability was determined by an actuarial valuation date of June 30, 2022, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

	Increase (Decrease)		Net OPEB Liability (Asset) (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances at June 30, 2021	\$ 52,983,774	\$ 7,870,551	\$ 45,113,223
Changes for the Year:			
Service cost	2,368,534	-	2,368,534
Interest	1,541,220	-	1,541,220
Employer Contributions	-	1,797,005	(1,797,005)
Difference Between Expected and Actual Experience	(7,154,506)	-	(7,154,506)
Changes in Assumptions	(6,930,585)	-	(6,930,585)
Difference Between Actual and Expected Return on Assets	-	-	-
Expected Investment Income	-	(961,290)	961,290
Benefit Payments	(1,797,006)	(1,797,006)	-
Administrative Expense	-	-	-
Net Changes	<u>(11,972,343)</u>	<u>(961,291)</u>	<u>(11,011,052)</u>
Balances at June 30, 2022	<u>\$ 41,011,431</u>	<u>\$ 6,909,260</u>	<u>\$ 34,102,171</u>

The following presents the District's net OPEB liability calculated using the discount rate of 4.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	Net OPEB Liability
Discount Rate:	
1% Decrease (3.5%)	\$ 37,445,209
Current Discount Rate (4.5%)	34,102,171
1% Increase (5.5%)	31,039,502

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Schedule of Changes in Net OPEB Liability (Continued)

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 6.0%, 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 (5.0%) or 1-percentage-point higher (7.0%) than the current rate:

	<u>Net OPEB Liability</u>
Health Care Trend Rate:	
1% Decrease (5.0%)	\$ 30,295,297
Current Health Care Trend Rate (6.0%)	34,102,171
1% Increase (7.0%)	38,506,583

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

At June 30, 2022, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources were:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Projected and Actual Earnings on Plan Investments	\$ 719,369	\$ 6,439,055
Difference Between Expected and Actual Experience	7,386,403	6,237,526
Changes in Assumptions	1,359,328	533,655
Total	<u>\$ 9,465,100</u>	<u>\$ 13,210,236</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 304,814
2024	179,467
2025	151,627
2026	329,513
2027	(393,246)
2028	(866,498)
2029	(866,498)
2030	(1,209,710)
2031	(1,374,605)
Total	<u>\$ (3,745,136)</u>

OPEB Expense

For the year ended June 30, 2022, the District recognized OPEB expense of \$3,685,025.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2022 is shown herein.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amount Due in One Year
General Obligation Bonds	\$ 1,651,473,525	\$ 537,522,269	\$ 484,592,450	\$ 1,704,403,344	\$ 60,740,615
Premiums, Net of Amortization	101,570,145	-	66,432,101	35,138,044	-
Total Bonds and Notes Payable	<u>1,753,043,670</u>	<u>537,522,269</u>	<u>551,024,551</u>	<u>1,739,541,388</u>	<u>60,740,615</u>
Compensated Absences	14,940,674	7,783,116	7,681,634	15,042,156	913,260
Claims Liability	6,204,538	359,313	256,518	6,307,333	359,313
OPEB Liability	45,113,223	-	11,011,053	34,102,170	-
Early Retirement Incentive	3,851,240	-	962,810	2,888,430	962,810
Medicare Premium Program	1,284,069	50,250	-	1,334,319	-
Net Pension Liability	366,975,895	-	167,841,551	199,134,344	-
Total Other Liabilities	<u>438,369,639</u>	<u>8,192,679</u>	<u>187,753,566</u>	<u>258,808,752</u>	<u>2,235,383</u>
Total Long-Term Debt	<u>\$ 2,191,413,309</u>	<u>\$ 545,714,948</u>	<u>\$ 738,778,117</u>	<u>\$ 1,998,350,140</u>	<u>\$ 62,975,998</u>

In accordance with state guidelines, 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 0.30%. 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.

In December 2019, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan (SERP) for classified professionals, tenured faculty members, and supervisory and professional administrators. The SERP will be effective starting July 1, 2020. A total of 77 employees, 54 classified and 23 faculty employees will participate in the plan. There were not enough SPAA employees interested in participating so that unit was not included in the SERP. The District will pay benefits of \$962,810 annually through fiscal year 2024. The accumulated future liability for the District at June 30, 2022 is \$2,888,430.

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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 GENERAL OBLIGATION BONDS

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%. Series 2003 was advance refunded with 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. Series 2005 was advanced refunded.

On May 13, 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. Series 2009 of Proposition S was advanced refunded.

On July 21, 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 21, 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.

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.

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, 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 10-year period.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

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. Series 2007 was advanced refunded via the issuance of series 2016 General Obligation refunding bonds.

On July 21, 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 22, 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.

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 stated 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 of Proposition N bond authorization was issued, with an initial par amount of \$346,772,640 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.

On October 16, 2019, Series 2019, Refunding was issued, with an initial par amount of \$437,965,000 Series A. The bonds were sold with an interest rate ranging from 1.935% to 3.336% and maturity dates from August 1, 2020 through August 1, 2043. The 2019 Refunding Series A Refunding retired \$390,440,000 of debt, including \$5,500,000 of Series 2011 General Obligation Refunding Bonds; \$167,895,000 of Series 2012 General Obligation Refunding Bonds; \$94,695,000 of Election of 2002, Series 2013 Bonds; and \$122,350,000 of Election of 2006. Series 2013 Bonds.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

On October 16, 2019, Series 2019, Refunding was issued, with an initial par amount of \$255,470,000 Series B. The bonds were sold with an interest rate ranging from 2.407% to 3.316% and maturity dates from August 1, 2027 through August 1, 2041. The 2019 Refunding Series B Refunding are issued on a crossover basis to retire \$133,034,590 of convertible capital appreciation debt of Election of 2006, Series 2013 Bonds. The crossover date is August 1, 2023; the bonds remain as a long-term debt and will continue to accrete interest until the crossover date. Proceeds from the debt issuance of \$254,411,963 have been deposited in an escrow account to defease the debt on the crossover date.

On December 28, 2021, Series 2021, Refunding was issued, with an initial par amount of \$523,210,000. The bonds were sold with an interest rate ranging from 0.497% to 2.760% and maturity dates from August 1, 2022 through August 1, 2041. The bond proceeds were used to refund debt including \$54,880,000 of Series 2009, \$1,750,000 of Series 2012, Refunding, \$30,770,000 of 2016 Series, and \$355,520,000 of 2016 Series, Refunding. The refunding resulted in a deferred gain of \$20,121,331 which is being amortized over the term of the debt. The refunding results in an estimated present value savings in cash flow of \$30,570,160.

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2022
2011 Series	7/21/2011	8/1/2041	0.27 - 6.69%	\$ 99,999,859	\$ 16,449,859
2012 Series, Refunding	3/22/2012	8/1/2027	0.18 - 3.10%	279,755,000	22,080,000
2013 Series A	7/17/2013	8/1/2024	0.20 - 4.25%	103,705,000	3,795,000
2013 Series B	7/17/2013	8/1/2023	0.20 - 6.23%	272,996,022	137,113,358
2016 Series	11/3/2016	8/1/2034	0.74 - 3.17%	122,005,000	78,170,000
2016 Series, Refunding	11/3/2016	8/1/2041	0.74 - 3.00%	504,030,000	142,930,000
2019 Series A Refunding	10/16/2019	8/1/2043	1.93 - 3.34%	437,965,000	420,960,000
2019 Series B Refunding	10/16/2019	8/1/2041	2.41 - 3.32%	255,470,000	255,470,000
2021 Series, Refunding	12/8/2021	8/1/2041	0.497-2.76%	523,210,000	523,210,000
Accreted Interest				-	104,225,127
Total				<u>\$ 2,599,135,881</u>	<u>\$ 1,704,403,344</u>

The annual requirements to amortize the General Obligation Bonds outstanding as of June 30, 2022 are as shown herein.

2011 Series

Year Ending June 30,	Principal	Interest
2023	\$ -	\$ -
2024	-	-
2025	-	-
2026	-	-
2027	-	-
2028-2032	-	-
2033-2037	7,246,920	27,063,080
2038-2042	9,202,938	48,442,062
Total	<u>16,449,859</u>	<u>\$ 75,505,141</u>
Accreted Interest	16,238,446	
Total	<u>\$ 32,688,305</u>	

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

2012 Refunding Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 22,080,000	\$ 529,225

2013 Series A

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,500,000	\$ 144,350
2024	2,275,000	57,475
2025	20,000	300
Total	<u>\$ 3,795,000</u>	<u>\$ 202,125</u>

2013 Series B

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,935,615	\$ 824,384
2024	135,177,743	1,136,848
Total	<u>137,113,358</u>	<u>\$ 1,961,232</u>
Accreted Interest	87,986,680	
Total	<u>\$ 225,100,038</u>	

2016 Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,110,000	\$ 4,215,300
2024	3,480,000	4,083,500
2025	6,240,000	3,857,900
2026	6,335,000	3,543,525
2027	6,925,000	2,596,625
2028-2032	24,570,000	5,650,900
2033-2037	27,510,000	1,754,850
Total	<u>\$ 78,170,000</u>	<u>\$ 25,702,600</u>

2016 Refunding Series

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 8,895,000	\$ 22,937,975
2024	10,895,000	22,443,225
2025	22,355,000	21,611,975
2026	21,675,000	20,511,225
2027	23,920,000	11,364,425
2028-2032	55,190,000	2,823,500
Total	<u>\$ 142,930,000</u>	<u>\$ 101,692,325</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

2019 Series A Refunding

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 9,330,000	\$ 11,071,761
2024	32,335,000	10,658,744
2025	24,180,000	10,088,679
2026	29,040,000	9,522,023
2027	31,280,000	8,843,164
2028-2032	157,490,000	31,827,314
2033-2037	19,540,000	20,392,176
2038-2042	37,670,000	18,507,628
2043-2047	80,095,000	2,693,903
Total	<u>\$ 420,960,000</u>	<u>\$ 123,605,392</u>

2019 Series B Refunding

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 8,087,824
2024	-	8,087,824
2025	-	8,087,824
2026	-	8,087,824
2027	-	8,087,824
2028-2032	19,010,000	39,648,627
2033-2037	114,115,000	30,472,525
2038-2042	122,345,000	8,749,349
Total	<u>\$ 255,470,000</u>	<u>\$ 119,309,619</u>

2021 Series, Refunding

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 13,890,000	\$ 11,241,036
2024	8,250,000	11,178,593
2025	8,305,000	11,109,017
2026	8,385,000	11,015,171
2027	8,505,000	10,901,526
2028-2032	194,615,000	48,553,737
2033-2037	206,115,000	17,811,573
2038-2042	75,145,000	5,313,759
Total	<u>\$ 523,210,000</u>	<u>\$ 127,124,410</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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. Settled claims have not exceeded the coverage in any of the past three fiscal years.

	Balance July 1, 2021	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2022
Reported Liability:				
Workers' Compensation	\$ 6,204,538	\$ 359,313	\$ 256,518	\$ 6,307,333

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 million 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 million 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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	\$ 96,379,544	\$ 28,677,241	\$ 9,125,940	\$ -	\$ -	\$ 134,182,725
Instructional Administration and Instructional Governance	21,935,492	13,958,488	1,830,002	-	-	37,723,982
Instructional Support Services	4,437,083	1,430,341	1,188,228	-	-	7,055,652
Student Services	37,853,454	12,590,813	5,252,780	-	-	55,697,047
Operation and Maintenance of Plant	15,453,752	6,794,439	13,609,991	-	-	35,858,182
Planning, Policymaking, and Coordination	8,079,972	2,479,428	1,676,932	-	-	12,236,331
General Institutional Support Services	29,024,893	13,466,316	27,094,445	-	-	69,585,654
Community Services and Economic Development	1,250,286	508,211	799,800	-	-	2,558,296
Ancillary Services and Auxiliary Operations	5,700,952	1,813,336	7,707,608	-	-	15,221,895
Transfers, Student Aid and Other Outgo	-	-	-	87,124,099	-	87,124,099
Depreciation Expense	-	-	-	-	42,433,510	42,433,510
Total	<u>\$ 220,115,429</u>	<u>\$ 81,718,611</u>	<u>\$ 68,285,725</u>	<u>\$ 87,124,099</u>	<u>\$ 42,433,510</u>	<u>\$ 499,677,374</u>

NOTE 13 COMMITMENTS AND CONTINGENCIES

The District is involved in various claims and legal actions arising in the ordinary course of business. Management does not anticipate that the ultimate disposition of these matters will 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.

Purchase Commitments

As of June 30, 2022, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$497 thousand. Projects will be funded through state funds and general obligation bonds.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14 LEASE RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

The District's leasing operations consist principally of long-term land leases and expire at various dates through 2039 and provide for purchase options.

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,019,299	\$ 97,209	\$ 2,116,509
2024	2,270,961	180,085	2,451,046
2025	2,373,261	258,339	2,631,600
2026	2,560,854	336,145	2,897,000
2027	2,054,120	370,226	2,424,346
Thereafter	60,700,684	145,337,913	206,038,597
Total	<u>\$ 71,979,179</u>	<u>\$ 146,579,918</u>	<u>\$ 218,559,097</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
YEARS ENDED JUNE 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
California State Teachers' Retirement System - State Teachers' Retirement Plan								
District's Proportion of the Net Pension Liability (Assets)	0.1950%	0.2100%	0.2020%	0.2140%	0.2080%	0.2070%	0.2000%	0.1910%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 113,952,150	\$ 139,938,870	\$ 163,779,231	\$ 197,907,200	\$ 191,166,560	\$ 186,954,120	\$ 193,818,000	\$ 86,920,280
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	109,452,333	101,996,777	99,912,393	43,735,824
Total	<u>\$ 182,761,378</u>	<u>\$ 213,950,907</u>	<u>\$ 257,029,552</u>	<u>\$ 314,988,381</u>	<u>\$ 300,618,893</u>	<u>\$ 288,950,897</u>	<u>\$ 293,730,393</u>	<u>\$ 130,656,104</u>
District's Covered Payroll	\$ 88,422,180	\$ 95,865,557	\$ 105,341,887	\$ 115,111,575	\$ 117,685,016	\$ 119,206,011	\$ 115,465,068	\$ 109,844,936
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%	162.44%	156.83%	167.86%	79.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.00%	74.00%	70.04%	69.46%	71.00%	73.00%	72.00%	87.00%
California Public Employees' Retirement System - Schools Pool Plan								
District's Proportion of the Net Pension Liability (Assets)	0.5720%	0.5650%	0.5610%	0.5642%	0.5640%	0.5689%	0.5644%	0.5493%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 64,981,337</u>	<u>\$ 83,290,413</u>	<u>\$ 110,824,235</u>	<u>\$ 134,682,269</u>	<u>\$ 150,380,156</u>	<u>\$ 165,801,646</u>	<u>\$ 173,175,281</u>	<u>\$ 111,697,035</u>
District's Covered Payroll	\$ 60,093,558	\$ 62,528,696	\$ 67,438,815	\$ 72,195,412	\$ 75,056,239	\$ 79,256,333	\$ 81,723,145	\$ 79,275,641
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%	200.36%	209.20%	211.90%	140.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.00%	79.00%	73.90%	71.87%	71.00%	70.00%	70.00%	81.00%

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.

See accompanying Notes to Required Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
YEARS ENDED JUNE 30,**

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually Required Contribution	\$ 7,306,278	\$ 11,176,072	\$ 14,444,153	\$ 16,964,270	\$ 19,348,123	\$ 19,731,613	\$ 17,727,559	\$ 18,977,973
Contributions in Relation to the Contractually Required Contribution	<u>7,306,278</u>	<u>11,176,072</u>	<u>14,444,153</u>	<u>16,964,270</u>	<u>19,348,123</u>	<u>19,731,613</u>	<u>17,727,559</u>	<u>18,977,973</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 95,865,557	\$ 105,341,887	\$ 115,111,575	\$ 117,685,016	\$ 119,206,011	115,465,068	109,844,936	112,162,962
Contributions as a Percentage of Covered Payroll	7.62%	10.61%	12.55%	14.41%	16.23%	17.09%	16.14%	16.92%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually Required Contribution	\$ 6,875,902	\$ 5,424,269	\$ 8,671,845	\$ 11,592,739	\$ 14,252,718	\$ 16,051,934	\$ 16,321,999	\$ 16,313,612
Contributions in Relation to the Contractually Required Contribution	<u>6,875,902</u>	<u>5,424,269</u>	<u>8,671,845</u>	<u>11,592,739</u>	<u>14,252,718</u>	<u>16,051,934</u>	<u>16,321,999</u>	<u>16,313,612</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 62,528,696	\$ 67,438,815	\$ 72,195,412	\$ 75,056,239	\$ 79,256,333	\$ 81,723,145	\$ 79,275,641	\$ 71,207,385
Contributions as a Percentage of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

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 accompanying Notes to Required Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
YEARS ENDED JUNE 30,**

Total OPEB Liability	2018	2019	2020	2021	2022
Service Cost	\$ 986,766	\$ 1,016,369	\$ 2,253,692	\$ 2,533,668	\$ 2,368,534
Interest	2,094,028	2,160,432	1,705,646	1,593,707	1,541,220
Changes in Assumptions	-	7,684,732	4,375,997	1,163,826	(14,085,091)
Benefit Payments	<u>(2,069,538)</u>	<u>(2,048,523)</u>	<u>(1,680,106)</u>	<u>(2,021,220)</u>	<u>(1,797,005)</u>
Net Change in Total OPEB Liability	1,011,256	8,813,010	6,655,229	3,269,981	(11,972,342)
Total OPEB Liability - Beginning of Year	33,234,298	34,245,554	43,058,564	49,713,793	52,983,774
Total OPEB Liability - End of Year (a)	<u>\$ 34,245,554</u>	<u>\$ 43,058,564</u>	<u>\$ 49,713,793</u>	<u>\$ 52,983,774</u>	<u>\$ 41,011,432</u>
Plan Fiduciary Net Position	2018	2019	2020	2021	2022
Contributions - Employer	\$ 2,069,538	\$ 2,048,523	\$ 1,680,106	\$ 2,021,220	\$ 1,797,005
Net Investment Income	1,323,364	708,941	282,216	1,332,470	(961,290)
Benefit Payments	(2,069,538)	(2,048,523)	(1,680,106)	(2,021,220)	(1,797,005)
Transfer to the County of San Diego	-	(14,700,000)	-	-	-
Trustee Fees	-	(250)	-	-	-
Administrative Expense	(500)	(16,360)	(12,843)	(16,967)	-
Net Change in Plan Fiduciary Net Position	1,322,864	(14,007,669)	269,373	1,315,503	(961,290)
Plan Fiduciary Net Position - Beginning of Year	18,970,480	20,293,344	6,285,675	6,555,048	7,870,551
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 20,293,344</u>	<u>\$ 6,285,675</u>	<u>\$ 6,555,048</u>	<u>\$ 7,870,551</u>	<u>\$ 6,909,261</u>
Net OPEB Liability - End of Year (a) - (b)	<u>\$ 13,952,210</u>	<u>\$ 36,772,889</u>	<u>\$ 43,158,745</u>	<u>\$ 45,113,223</u>	<u>\$ 34,102,171</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59.26%	14.60%	13.19%	14.85%	16.85%
Covered-Employee Payroll	\$ 226,093,712	\$ 229,715,106	\$ 227,670,372	\$ 214,097,303	\$ 220,431,224
Net OPEB Liability as a Percentage of Covered-Employee Payroll	6.17%	16.01%	18.96%	21.07%	15.47%

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 accompanying Notes to Required Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS
YEARS ENDED JUNE 30,**

OPEB Contributions	2018	2019	2020	2021	2022
Actuarially Determined Contribution (ADC)	\$ 1,775,405	\$ 1,575,911	\$ 3,052,870	\$ 3,081,054	\$ 2,724,007
Contributions in Relation to the ADC*	<u>1,521,272</u>	<u>1,505,824</u>	<u>1,230,036</u>	<u>1,487,723</u>	<u>1,322,689</u>
Contribution Deficiency (Excess)	<u>\$ 254,133</u>	<u>\$ 70,087</u>	<u>\$ 1,822,834</u>	<u>\$ 1,593,331</u>	<u>\$ 1,401,318</u>
District's Covered-Employee Payroll	\$ 226,093,712	\$ 229,715,106	\$ 227,670,372	\$ 214,097,303	\$ 220,431,224
Contributions as a Percentage of Covered-Employee Payroll	0.67%	0.66%	0.54%	0.69%	0.60%

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.

*Amount excludes rate subsidy

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT MONEY-WEIGHTED
RATE OF RETURN ON PLAN ASSETS
YEARS ENDED JUNE 30,**

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2018	7.00%
2019	3.68%
2020	4.49%
2021	20.35%
2022	-12.21%

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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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.

Benefit changes – None

Changes of Assumptions:

2019-20

CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates.

2018-19

CalPERS Board adopted new mortality assumptions for the plan. Assumption for inflation rate was reduced from 2.75% to 2.50%. Assumption for individual salary increases and overall payroll growth was reduced from 3.00% to 2.75%.

2017-18

CalSTRS Board adopted new mortality assumptions and new mortality tables for the plan. Assumption for inflation rate was reduced from 3.00% to 2.75%. Assumption for payroll growth was reduced from 3.75% to 3.50%.

CalPERS applied a new discount rate decreasing the rate from 7.65% to 7.15%.

2015-16

CalPERS applied a new discount rate increasing the rate from 7.50% to 7.65%.

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.

Benefit changes – None

Changes of Assumptions: Discount rate changed from 2.83% to 4.50%

OTHER INFORMATION

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
HISTORY AND ORGANIZATION
YEAR ENDED JUNE 30, 2022**

The Board of Trustees and the District Administration for the fiscal year ended June 30, 2022 were as follows:

BOARD OF TRUSTEES

<u>Member</u>	<u>Title</u>	<u>Term Expires</u>
Maria Nieto Senour	President	2022
Mary Graham	Executive Vice President	2024
Geysil Arroyo	Vice President for Public Health Advocacy	2022
Craig Milgrim	Vice President for Diversity, Equity, and Inclusion	2022
Bernie Rhinerson	Vice President for Legislative Advocacy	2024

<u>Member</u>	<u>Title</u>
Carlos O. Turner Cortez, Ph.D.	Chancellor
Ricky Shabazz, Ed.D.	President, San Diego City College
Pamela T. Luster, Ed.D.	President, San Diego Mesa College
P. Wesley Lundburg, Ph.D.	President, San Diego Miramar College
Kay Faulconer Boger, Ed.D.	Interim President, San Diego College of Continuing Education
Bonnie Ann Dowd, Ed.D.	Executive Vice Chancellor, Business and Technology Services
Susan Topham, Ed.D.	Vice Chancellor, Educational Services
Joel L. A. Peterson, Ph.D.	Vice Chancellor, Facilities Management
Gregory Smith	Vice Chancellor, Human Resources

Fiscal Administrative:

City College – John Parker, Vice President, Administrative Services
Mesa College – Lorenze Legaspi, Vice President, Administrative Services
Miramar College – Brett Bell, Vice President, Administrative Services
College of Continuing Education – Jacqueline Sabanos, Vice President, Administrative Services
District Office – Vacant, Manager, Fiscal Services

AUXILIARY ORGANIZATIONS IN GOOD STANDING

<u>Auxiliary Name</u>	<u>Director's Name</u>	<u>Establishment and Master Agreement Date</u>
San Diego Community College Auxiliary Organization	María-José Zeledón-Pérez, Academic Senate President	Organized as an auxiliary organization in 1997 and has a signed master agreement dated June 18, 1997.
San Diego City College Foundation	John Parker, Vice President, Administrative Services	Organized as an auxiliary organization in 2014 and has a signed master agreement dated April 30, 2014

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
HISTORY AND ORGANIZATION
YEAR ENDED JUNE 30, 2022**

AUXILIARY ORGANIZATIONS IN GOOD STANDING (CONTINUED)

<u>Auxiliary Name</u>	<u>Director's Name</u>	<u>Establishment and Master Agreement Date</u>
San Diego Continuing Education Foundation	Jacqueline Sabanos, Vice President, Administrative Services	Organized as an auxiliary organization in 2014 and has a signed master agreement dated April 30, 2014
San Diego Mesa College Foundation	Lorenze Legaspi, Vice President, Administrative Services	Organized as an auxiliary organization in 2014 and has a signed master agreement dated April 24, 2014
San Diego Miramar College Foundation	Brett Bell, Vice President, Administrative Services	Organized as an auxiliary organization in 2014 and has a signed master agreement dated March 14, 2014

SUPPLEMENTARY INFORMATION

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Program Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Program Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Student Financial Aid Cluster				
Federal Pell Grant Programs (PELL)	84.063	(1)	\$ 33,300,444	\$ -
Federal Pell Administrative Allowance	84.063	(1)	55,025	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	2,217,272	-
Federal Supplemental Educational Opportunity Grants Administrative Allowance	84.007	(1)	45,553	-
Federal Direct Student Loan	84.268	(1)	2,028,151	-
Federal College Work Study (FWS)	84.033	(1)	1,239,139	-
Federal College Work Study Administrative Allowance	84.033	(1)	45,909	-
Postsecondary Education Scholarships for Veteran's Dependents	84.408	(1)	5,893	-
Total Student Financial Aid Cluster			38,937,386	-
TRIO Cluster				
Student Support Services	84.042	(1)	367,462	-
Federal Trio Program - Upward Bound	84.047	(1)	296,789	-
Total TRIO Cluster			664,251	-
Education Stabilization Fund				
COVID-19 - HEERF CARES Act - Student Aid	84.425E	(1)	34,368,877	-
COVID-19 - HEERF CARES Act - Institutional	84.425F	(1)	25,125,223	-
COVID-19 - HEERF CARES Act - Minority Serving Institutions	84.425L	(1)	961,704	-
Total Education Stabilization Fund			60,455,804	-
Higher Education-Institutional Aid	84.031	(1)	1,579,783	-
Mathematics and Science Partnerships	84.366	(1)	344,176	-
Pass Through Funds				
Pass through California Department of Education				
Career Technical Education Act:				
Basic Grants to States (Perkins Title I-C)	84.048	18-C01-016	2,062,844	-
Total Career Technical Education Act			2,062,844	-
Pass through California Department of Education				
Adult Education Basic Grants to States:				
Adult Ed EI Civics	84.002A	(2)	441,671	-
Adult Ed & Family Literacy	84.002A	(2)	1,215,899	-
Adult Ed/ECE/ET	84.002A	(2)	236,904	-
Total Adult Basic Education			1,894,474	-
Pass through California Department of Rehabilitation				
College to Career Program	84.126A	(2)	292,248	-
Workability III (WA III)	84.126A	(2)	447,729	-
Total State Vocational Rehabilitation Services Program			739,977	-
Total U.S. Department of Education			106,678,695	-
U.S. Department of Labor				
VETS Administrative Allowance	17.802	(1)	22,672	-
Total U.S. Department of Labor			22,672	-

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

<u>Program Name</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>	<u>Amounts Passed Through to Subrecipients</u>
U.S. Department of Health and Human Services				
Professors for the Future	93.859	(1)	\$ 16,216	\$ -
Pass through County of San Diego:				
Temporary Assistance for Needy Family-CalWorks Welfare to Work	93.558	(2)	25,777	-
Total U.S. Department of Health and Human Services			<u>41,993</u>	<u>-</u>
U.S. Department of Justice				
Victim Advocacy Support & Services	16.525	(1)	60,066	-
Total U.S. Department of Justice			<u>60,066</u>	<u>-</u>
U.S. Department of Agriculture				
Child and Adult Care Food Program	10.558	(1)	141,841	-
Total U.S. Department of Agriculture			<u>141,841</u>	<u>-</u>
Total Federal Programs			<u>\$ 106,945,267</u>	<u>\$ -</u>

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

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE – GRANTS
YEAR ENDED JUNE 30, 2022**

Program Name	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
BFAP Admin	\$ 1,571,205	\$ -	\$ -	\$ (36,920)	\$ 1,534,285	\$ 1,606,458
Extended Opportunity Programs and Services	2,812,294	-	-	(270,878)	2,541,416	2,541,416
Extended Opportunity Prg FA	745,704	-	-	-	745,704	745,704
Care Program	362,479	-	-	(27,241)	335,238	335,238
NextUp	1,698,518	(229,248)	-	(85,048)	1,384,222	1,384,222
California College Promise	3,131,077	-	-	(2,342,635)	788,442	788,442
Financial Aid Technology	101,994	-	-	-	101,994	101,994
Commission On Post	(57,700)	84,700	-	-	27,000	27,000
IEPI Grant	-	-	-	-	-	87,223
AB1725 Staff Diversity/Development	258,333	-	-	-	258,333	43,652
Disabled Students Program	4,856,718	-	-	-	4,856,718	4,618,305
Adult Education Block Grant	3,736,367	-	-	-	3,736,367	3,703,209
SD Early Middle College	199,463	-	-	-	199,463	5,455
Basic Skills	1,229,230	-	-	-	1,229,230	1,250,705
Instructional Equipment and Library Materials	6,886,990	-	-	-	6,886,990	417,853
Student S & S Program	10,224,397	-	-	-	10,224,397	10,215,388
Student Equity Plan	6,121,329	-	-	-	6,121,329	4,082,374
Nursing Grants	231,149	-	-	-	231,149	297,885
Deputy Sector Navigator Grants	50,000	98,518	-	-	148,518	129,676
Sector Navigator	110,000	-	-	-	110,000	160,231
CTE Enhancement Grant	-	15,000	-	-	15,000	-
Strong Workforce Program	5,741,319	-	-	-	5,741,319	5,762,246
Strong Workforce Program Regional	900,031	616,600	-	-	1,516,631	1,593,515
Veterans Resource Centers	759,559	-	-	-	759,559	383,062
Cal Grant	5,565,174	64,145	-	(4,161)	5,625,158	5,625,158
Student Success Completion Grant	3,212,348	-	-	(948,736)	2,263,612	2,263,612
Emergency SFA	2,898,441	-	-	(2,898,441)	-	-
State Chancellors Relief	3,127	-	-	(2,089)	1,038	1,038
Child Dev-Food and Nutrition Program	1,082	-	-	-	1,082	1,082
Child Development CSPP-1472	455,496	-	-	-	455,496	492,217
Child Development CCTR-1252	734,905	-	-	-	734,905	603,920
AB82-CRRSA Child Development	1,371	-	-	-	1,371	29,197
AB131- Child Dev Stipend	85,700	-	-	-	85,700	2,182
Miscellaneous State Assistance:						
Basic Needs Student Food and Housing	895,463	-	-	-	895,463	538
Hunger Free Campus Support 20-21	-	-	-	-	-	40,588
Puente Program	-	-	-	-	-	1,500
CA Energy Comm - (ARFVTP)	543,869	321,318	-	-	865,187	865,187
Culturally Competent Faculty	151,305	-	-	-	151,305	-
Student Retention & Enrollment	-	-	-	-	-	267,124
Telecom & Technology	-	-	-	-	-	224
CalWorks Region X	-	206	-	-	206	206
Guided Pathways 17-18	439,557	-	-	-	439,557	975,192
Hunger Free Campus Support 18-19	-	-	-	-	-	17,243
Math ESA/CCCP City	154,107	-	-	-	154,107	36,485
Cal-Works	2,441,168	-	-	-	2,441,168	2,460,843
TANF	204,951	186,721	-	-	391,672	391,672
Ca Campus Catalyst Fund	(12,542)	-	-	-	(12,542)	42,922
Proposition 20 Lottery funds	2,216,359	752,505	-	-	2,968,864	1,116,902
Mental Health Services Grant 18-19	1,073,520	-	-	-	1,073,520	37,467
Incarcerated Students Reentry Program	8,036	-	-	-	8,036	32,006
CA CCAP STEM Academy Program	333,333	-	-	-	333,333	231,189
Campus Safety & Sexual Assault	-	-	-	-	-	32,501
CSEP Block Grant	-	-	-	-	-	3,110
Homeless & Housing Insecurities	600,000	-	-	-	600,000	392,363
CA Apprenticeship Initiative	-	69,387	-	-	69,387	102,854
School Communication IG Program	63,979	-	-	-	63,979	63,979
Dream Resource Liaison Support	360,411	-	-	-	360,411	270,258
COVID-19 Block Grant State	-	-	-	-	-	2,051,873
Student Retention & Enrollment	3,330,720	-	-	-	3,330,720	139,468
Basic Needs	915,821	-	-	-	915,821	61,808
LGBTQ	387,366	-	-	-	387,366	-
Total	\$ 78,735,523	\$ 1,979,852	\$ -	\$ (6,616,149)	\$ 74,099,226	\$ 58,935,161

Note : Certain programs use resources from the prior year ending balance and/or carry over balances into the subsequent fiscal year beginning fund balance; for these situations, total revenue will not equal total expenditures.

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2022**

Categories	Annual - Factored			
	Reported Data	District Adjustments	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2020 only)				
1. Noncredit ¹	1,083.16	(0.05)	-	1,083.11
2. Credit ¹	2,745.25	-	-	2,745.25
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)				
1. Noncredit ¹	-	6.00	-	6.00
2. Credit ¹	-	8.24	-	8.24
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	3,190.52	0.41	-	3,190.93
(b) Daily Census Contact Hours	1,119.64	(0.59)	-	1,119.05
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit ¹	150.86	0.98	-	151.84
(b) Credit ¹	687.22	21.27	-	708.49
3. Alternative Attendance Accounting Procedures Courses				
(a) Weekly Census Contact Hours	11,624.09	6.96	-	11,631.05
(b) Daily Census Contact Hours	5,835.40	2.70	-	5,838.10
(c) Noncredit Independent Study/Distance Education Courses	8,117.79	(7.18)	-	8,110.61
D. Total FTES	<u>34,553.93</u>	<u>38.74</u>	<u>-</u>	<u>34,592.67</u>
Supplemental Information (subset of above information)				
E. In-service Training Courses (FTES)	1,406.52	0.38	-	1,406.90
H. Basic Skills courses and Immigrant Education				
(a) Noncredit ¹	4,293.64	552.89	-	4,846.53
(b) Credit ¹	467.42	0.58	-	468.00
CCFS 320 Addendum				
CDCP Noncredit FTES	6,830.22	(1.33)	-	6,828.89
Centers FTES				
(a) Noncredit ¹	9,347.66	(1.28)	-	9,346.38
(b) Credit ¹	-	-	-	-

¹Including Career Development and College Preparation (CDCP) FTES

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2022 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, 2022 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	\$ 35,363,457
Restricted Fund Balance	69,996,122
Debt Service Funds	331,584,674
Child Development Fund	2,671,156
Capital Outlay Funds Balance	68,657,249
Enterprise Funds Balance	(7,661,899)
Auxiliary Fund Balance (not included on CCFS-311)	573,821
Self Insurance Fund Balance	24,405,834
All Other Funds	527,562
Total Fund Balances as Reported on the Annual Financial and Budget Report (CCFS-311), Except for OPEB Trust Funds	526,117,976
Adjustments and Reclassifications:	
Current Year Post Closing Entries	10,304,015
June 30, 2022 Adjusted Fund Balances	\$ 536,421,991

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Total Fund Balances as Reported on the Previous Page	\$ 536,421,991
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 \$63,795, are already recorded in the governmental funds.	1,358,383,833
Deferred charges associated with debt refundings are capitalized. These amounts will be amortized to interest expense over the life of the refunded debt.	74,591,878
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.	65,515,395
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.	(14,128,896)
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 \$3,974,094 is already recorded in the governmental funds.	(2,344,040)
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.	(1,739,541,388)
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.	(234,570,833)
The supplemental employee retirement plan is not due and payable in the current period and, therefore, is not reported in the governmental funds	(2,888,430)
Interest related to bonds incurred through June 30, 2022 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(25,352,030)
Deferred inflows associated with leases recognized in accordance with GASB 87. These amounts will be amortized over the respective lease terms.	(72,006,340)
Receivables associated with leases recognized in accordance with GASB 87.	71,979,179
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.	(152,676,975)
Total Net Position	<u>\$ (136,616,656)</u>

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF 50 PERCENT LAW CALCULATION
YEAR ENDED JUNE 30, 2022**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries - Contract or Regular	1100	40,052,105	-	40,052,105	40,052,105	-	40,052,105
Instructional Salaries - Other	1300	41,697,050	-	41,697,050	41,697,050	-	41,697,050
Total Instructional Salaries		81,749,155	-	81,749,155	81,749,155	-	81,749,155
Non-Instructional Salaries - Contract or Regular	1200	-	-	-	25,813,029	-	25,813,029
Non-Instructional Salaries - Other	1400	-	-	-	1,762,394	-	1,762,394
Total Non-Instructional Salaries		-	-	-	27,575,423	-	27,575,423
Total Academic Salaries		81,749,155	-	81,749,155	109,324,578	-	109,324,578
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100	-	-	-	49,954,817	-	49,954,817
Non-Instructional Salaries - Other	2300	-	-	-	1,128,183	-	1,128,183
Total Non-Instructional Salaries		-	-	-	51,083,000	-	51,083,000
Instructional Aides - Regular Status	2200	6,534,818	-	6,534,818	6,534,818	-	6,534,818
Instructional Aides - Other	2400	390,023	-	390,023	390,023	-	390,023
Total Instructional Aides		6,924,841	-	6,924,841	6,924,841	-	6,924,841
Total Classified Salaries		6,924,841	-	6,924,841	58,007,841	-	58,007,841
Employee Benefits	3000	43,420,071	-	43,420,071	83,413,918	-	83,413,918
Supplies and Materials	4000	-	-	-	2,748,853	-	2,748,853
Other Operating Expenses	5000	718,815	-	718,815	23,223,408	-	23,223,408
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		132,812,882	-	132,812,882	276,718,598	-	276,718,598
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	836,236	-	836,236	836,236	-	836,236
Student Health Services Above Amount Collected	6441	-	-	-	265,053	-	265,053
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740	-	-	-	1,590,294	-	1,590,294
Objects to Exclude							
Rents and Leases	5060	-	-	-	3,853,489	-	3,853,489
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	-	-	-	6,511,734	-	6,511,734
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		836,236	-	836,236	13,056,806	-	13,056,806
Total for ECS 84362, 50% Law		131,976,646	-	131,976,646	263,661,792	-	263,661,792
Percent of CEE (Instructional Salary Cost/Total CEE)		50.06%	0%	50.06%	100%	0%	100%
50% of Current Expense of Education					131,830,896		131,830,896

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
YEAR ENDED JUNE 30, 2022**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 75,977,407
Activity Classification	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 75,977,407	\$ -	\$ -	\$ 75,977,407
Total Expenditures for EPA*		\$ 75,977,407	\$ -	\$ -	\$ 75,977,407
Revenue less Expenditures					
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See accompanying Notes to Supplementary Information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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, 2022. 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.

Federal awards received directly from federal agencies are included in the Schedule, as are federal guaranteed loans disbursed by other sources. Additionally, all federal awards passed through from other entities have been included in the Schedule. The District is required to match certain grant agreements, as defined in the grants, and these matching amounts are not included in the Schedule.

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% de minimus indirect cost rate as allowed under the Uniform Guidance. The District did not provide federal awards to subrecipients during the year ended June 30, 2022.

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, 2022 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, 2022 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.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

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 AUDITORS' REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of San Diego Community College District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the San Diego Community College District's basic financial statements, and have issued our report thereon dated January 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego Community College District's internal control over financial reporting (internal control) as a basis for designing 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 San Diego Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Diego Community College District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Community College 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California
January 12, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL 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

Opinion on Each Major Federal Program

We have audited San Diego Community College District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of San Diego Community College District's major federal programs for the year ended June 30, 2022. San Diego Community College District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, San Diego Community College District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of San Diego Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of San Diego Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to San Diego Community College District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Diego Community College District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about San Diego Community College District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding San Diego Community College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Diego Community College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 San Diego Community College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on San Diego Community College District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. San Diego Community College District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on San Diego Community College District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. San Diego Community College District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



CliftonLarsonAllen LLP

Glendora, California
January 12, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

Opinion on State Compliance

We have audited the San Diego Community College District's (the District) compliance with the types of compliance requirements described in the *2021-22 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2022. The District's state compliance requirements are identified in the table provided below.

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, 2022.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the *2021-22 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Our responsibilities under those standards and the Audit Manual are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of San Diego Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of San Diego Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the with the types of compliance requirements described in the *2021-22 Contracted District Audit Manual*.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Diego Community College District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about San Diego Community College District's compliance with the types of compliance requirements described in the *2021-22 Contracted District Audit Manual* as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding San Diego Community College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Diego Community College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the with the types of compliance requirements described in the *2021-22 Contracted District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of San Diego Community College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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:

<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
411	SCFF Data Management Control Environment	Yes
412	SCFF Supplemental Allocation Metrics	Yes
413	SCFF Success Allocation Metrics	Yes
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded From Other Sources	Yes
424	Student Center Funding Formula Base Allocation: FTES	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
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes
492	Student Representation Fee	Yes
499	COVID-19 Response Block Grant Expenditures	Yes

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 *2021-22 Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
 January 12, 2023

FINDINGS AND QUESTIONED COSTS

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. 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

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063 and 84.268	Student Financial Aid Cluster
84.425E, 84.425F and 84.425L	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: Type A \$3,000,000/Type B \$750,000

Auditee qualified as low-risk auditee? _____ yes x no

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Federal Award Findings

2022 – 001: Enrollment Reporting

Federal Agency: Department of Education

Federal Program Title: Federal Direct Student Loan

Assistance Listing Number: 84.268

Federal Award Identification Numbers: P268K220042; P268K220043; P268K220636

Award Period: July 1, 2021 to June 30, 2022

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matter

Criteria or Specific Requirement: In accordance with 34 CFR 685.309 and 34 CFR 690.83, institutions are required to report enrollment information under the Pell Grant and Direct Loan programs via the National Student Loan Data System (NSLDS). The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions. Institutions must review, update, and verify student enrollment statuses, program information, and effective dates. There are two categories of enrollment information; “Campus Level” and “Program Level,” both of which need to be reported accurately.

In addition, regulations require that an institution return the enrollment rosters within 15 days from receipt of the rosters and make necessary corrections and resubmit to NSLDS within 10 days.

Furthermore, 2 CFR 200.303 requires non-Federal 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: Although improvements were made and error rates decreased from the prior year, City College, Mesa College and Miramar College continued to have errors in reporting enrollment information.

Questioned Costs: None

Context:

City College - Twenty students tested identified the following conditions:

- 1) The enrollment effective date reported to NSLDS did not match the College’s record - 3 students.
- 2) The program enrollment effective date reported to NSLDS did not match the College's record – 1 student.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Federal Award Findings (Continued)

Mesa College - Twenty students tested identified the following conditions:

- 1) The enrollment effective date reported to NSLDS did not match the College's record - 3 students.
- 2) Program begin date did not match the College's record - 1 student.
- 3) The student's enrollment status was not reported timely to NSLDS - 1 students.
- 4) The program enrollment effective date reported to NSLDS did not match the College's record – 1 student.
- 5) The student's enrollment status was not reported to NSLDS - 1 student.

Miramar College- Twenty students tested identified the following conditions:

- 1) The student's enrollment status was not reported to NSLDS - 1 student.
- 2) Program begin date did not match the College's record - 1 student.
- 3) The student's enrollment status was not reported timely to NSLDS - 1 students.
- 4) The program enrollment effective date reported to NSLDS did not match the College's record – 3 student.
- 5) The enrollment effective date reported to NSLDS did not match the College's record – 1 students.
- 6) The College did not correct the errors of the rosters and resubmit to NSLDS within the 10-day requirement for Enrollment Reporting Summary Report (SCHER1).

Cause: The Colleges' internal controls processes were being implemented during the year as a result of prior year finding and additional time was needed to completely implement.

Effect: The NSLDS database did not include accurate information. A student's enrollment status determines eligibility for in-school status, deferment, and grace periods. Enrollment reporting in a timely and accurate manner is critical for effective management of Title IV.

Repeat Finding: Similar conditions were noted in the prior year, see finding number 2021-003.

Recommendation: We recommend that the Colleges continue to improve the existing procedures and controls to ensure timely and accurate reporting of student status to NSLDS as required by regulations.

Views of Responsible Officials: Please refer to the attached Corrective Action Plan.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section IV – State Compliance Findings

There were no findings and questioned costs related to the California Community Colleges Contracted District Audit Manual.



SAN DIEGO COMMUNITY COLLEGE DISTRICT

CITY COLLEGE • MESA COLLEGE • MIRAMAR COLLEGE • CONTINUING EDUCATION

January 11, 2023

SAN DIEGO COMMUNITY COLLEGE DISTRICT CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2022

U.S. Department of Education

San Diego Community College District respectfully submits the following corrective action plan for the year ended June 30, 2022.

Audit period: July 1, 2021 to June 30, 2022

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.

FINDING—FINANCIAL STATEMENT

There were no financial statement findings for the year ended June 30, 2022.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Department of Education

2022-001 Student Financial Aid Cluster - Special Tests and Provisions: Enrollment Reporting

Recommendation: Ongoing staff training of District and colleges Financial Aid staff related to implemented business process related to submission of information to NSLDS via NSC.

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

Action taken in response to finding: The Enrollment file reported to NSLDS is submitted on behalf of the District by the National Student Clearinghouse (NSC). The enrollment file is generated from the recently implemented ERP PeopleSoft data system. While the District submits its monthly enrollment reports as required, there have been some discrepancies between what the system reported and what was reported to the NSLDS. The District developed and implemented a business process to maintain documentation with the colleges Financial Aid Offices of what is submitted to NSC to ensure information is being reported to NSLDS accurately. The NSC/NSLDS reporting process within PeopleSoft: Campus Solutions is a delivered process developed by Oracle and is used by most other institutions reporting to the NSLDS. Staff training will continue to be conducted to emphasize the need for District and colleges staff to follow the existing processes and controls to ensure timely and accurate reporting to NSLDS.

Name(s) of the contact person(s) responsible for corrective action: Dr. Susan Topham,
Vice Chancellor, Educational Services.

Planned completion date for corrective action plan: No later than the end of FY 2022-23
(June 30, 2023)

If the Department of Education has questions regarding the above state corrective action plans, please contact Dr. Bonnie Ann Dowd, Executive Vice Chancellor, Business and Technology Services via email at bdowd@sdccd.edu.

Sincerely,



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



SAN DIEGO COMMUNITY COLLEGE DISTRICT

CITY COLLEGE • MESA COLLEGE • MIRAMAR COLLEGE • CONTINUING EDUCATION

SAN DIEGO COMMUNITY COLLEGE DISTRICT SUMMARY SCHEDULE AS OF JUNE 30, 2022 OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

Department of Education:

San Diego Community College District respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2021.

Audit period: July 1, 2020 through June 30, 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year audit.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings for the year ended June 30, 2022.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

Department of Education

**2021-001 Higher Education Emergency Relief Fund (HEERF) Institutional Aid Portion-
Activities Allowed or Unallowed, Allowable Cost/Cost Principles**

Status: The corrective action related to this finding was implemented.

Department of Education

**2021-002 Student Financial Aid Cluster - Special Tests and Provisions: Enrollment
Reporting**

Status: See current year finding 2022-001.

Department of Education

**2021-003 Student Financial Aid Cluster-Special Tests and Provisions: Attendance
in Distance Education for Return to Title IV Students**

Status: The corrective action related to this finding was implemented.

If the Department of Education has questions regarding the above stated corrective action plans, please contact Dr. Bonnie Ann Dowd, Executive Vice Chancellor, Business and Technology Services via email at bdowd@sdccd.edu.



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