

SAN DIEGO COMMUNITY COLLEGE DISTRICT

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016



San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION
associates

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 FOR THE YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

We have audited the accompanying financial statements of the San Diego Community College District (the "District"), as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of San Diego Community College District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, schedule of funding progress, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, , *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by the *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016 on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. 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.

Christy White Associates

San Diego, California
November 3, 2016

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL HIGHLIGHTS FOR 2015-16

- Passage of the 2015-2016 State Budget Act included another \$100 million statewide to support student success and \$100 million to support expansion of student access for all students, particularly, historically underrepresented students as defined in the Student Equity Plans.
- The District added 1,700 FTES to serve student demand as a result of the 3.65% increase in access funding provided in the 2015-16 State Budget Act.
- After several years of no state COLA (cost of living adjustment), the 2015-16 State Budget Act included a 1.02% COLA to address ever increasing cost of operations.
- The District met all of its repayment obligations for Prop S and Prop N General Obligation Bonds.
- The District also met or exceeded all federal and state mandate requirements including the 50% Law and Faculty Obligation Numbers (FON).

DISTRICT BACKGROUND

The California Community College system is comprised of 72 districts, 113 colleges, and 69 approved Education Centers. San Diego Community College District (the "District") is one of five Community College districts located in San Diego County. The District is located within the metropolitan area of the city of San Diego and consists of three colleges: San Diego City College, Mesa College, and Miramar College and San Diego Continuing Education which operates at seven campuses throughout the city.

The mission of the District is to provide accessible, high quality learning experiences to meet the educational needs of the San Diego community it serves. The District offers a comprehensive curriculum responding to needs for university transfers, technical, vocational, military and general education, remediation and development, special education, human development, honors, and ethnic and linguistic diversity. The District also provides comprehensive support services, including counseling, financial aid, health services, tutoring, career planning and placement, child care, transfer centers, disabled student services and extended opportunities programs and services.

Based on enrollment, the District is the second largest community college district in California and the sixth largest in the United States. California residents paid an enrollment fee of \$46 per credit unit during the 2015-16 academic year. Out-of-state residents paid the enrollment fee plus tuition fees of \$193 per credit.

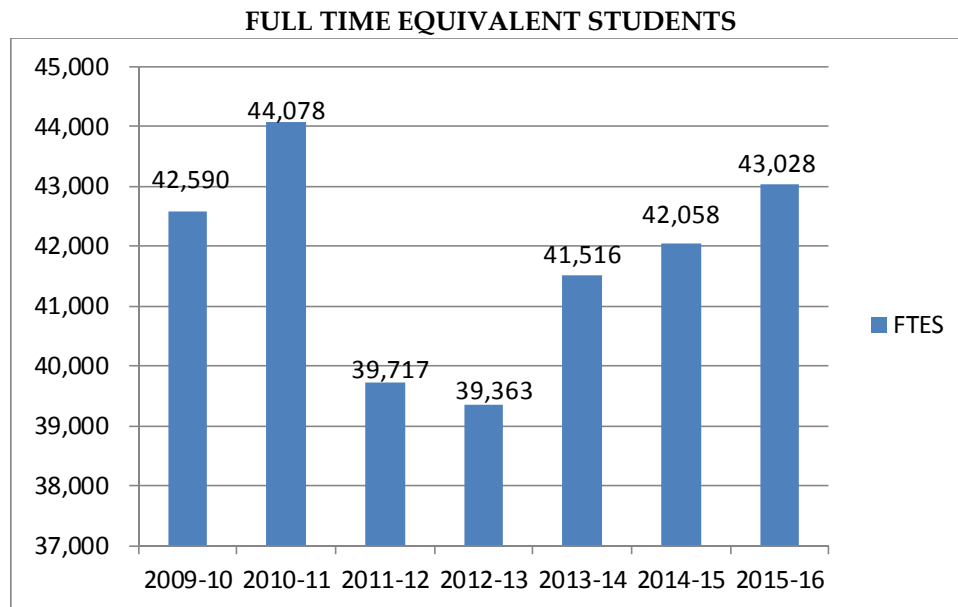
The District has transfer agreements with the California State University and University of California systems, and the instructional coursework offered in transferable courses fully prepares students to succeed in four-year colleges and universities.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ENROLLMENT HIGHLIGHTS

The State of California’s economic, budgetary, and fiscal crisis that occurred from 2007 to 2012 had a major impact on the District and all community college districts throughout the State. During that time, the State applied “workload” reductions to reduce the amount of funded Full Time Equivalent Students (FTES) while also applying deficit coefficients to the calculated apportionment revenues earned, which resulted in permanent and temporary reductions in apportionment revenue paid to the District. With the passage of Proposition 30 by voters in November 2012 and an improving state economy, restoration of some of the state “workload” reductions began in 2012-13 and continued into 2015-16. The District FTES apportionment funding was fully restored in 2014-15. For 2015-16, the District received approximately \$6.5 million in “true” access/growth funding, which enabled the District to continue to respond to student demand. During 2015-16, the District increased class section offerings enabling Colleges and Continuing Education to add an additional 1,700 FTES and earn additional FTES funding from the state.

Funded full time equivalent students (FTES) at the colleges and Continuing Education increased in FY 2015-16 by 1.02%. A seven-year history of student enrollments is provided below.



The District’s targeted FTES for FY 2015-16 was estimated at 43,028; however, the total State funded FTES is currently projected at 43,352, which would result in the District having no unfunded FTES in FY 2015-16. The amount of FTES funding a district receives is contingent on how much growth funding is available both system and district-wide in the state approved budget for all of the community college districts. The funding available for growth for districts can vary throughout a year depending on several factors; and, is subject to change until the state closes out all apportionment reporting for a given fiscal year. Consequently, the final funded FTES will not be known at the district level until January or February of the year after a fiscal year has ended (in this case January or February 2017), when all of the final FTES served system-wide have been reported by the 72 districts and calculated within the constraints of the state approved budget.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ENROLLMENT HIGHLIGHTS (continued)

Community college enrollments normally fluctuate with unemployment rates. When unemployment is high, people flock to community colleges to prepare for new or improved careers and jobs, thereby boosting enrollments. When the employment situation improves, and people are able to find employment, community college enrollments usually falter or decrease. With an improved employment picture in California as of FY 2015-16, including San Diego, almost a third of the California community college districts have fallen below their base enrollment levels, which can result in financial problems. Although, the District experienced a "softening" of enrollment in some areas, due to strong enrollment management planning that included smart course scheduling, flexible offerings, great institutional reputations, and effective community outreach, the District once again experienced an enrollment increase. As of June 30, 2016, the District was one of only a few districts in the state to be in "true" growth mode with regard to earning FTES apportionment revenue.

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

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

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

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

STATEMENT OF NET POSITION

The *Statement of Net Position* presents assets, liabilities, and net position of the District as of the end of the fiscal year and is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The *Statement of Net Position* is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The *Statement of Net Position* presents end-of-the-year data concerning assets (current and non-current), liabilities (current and non-current) and net position (assets minus liabilities). From the data presented, readers of the *Statement of Net Position* are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the *Statement of Net Position* provides a picture of the net position and its availability for expenditure by the District.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

STATEMENT OF NET POSITION (continued)

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is Capital Assets, which are stated at historical cost less an allocation for Depreciation expense.

Net Position, as listed on the *Statement of Net Position*, is divided into three major categories. The first category, Net Investment in Capital Assets, provides the equity amount in property, plant and equipment owned by the District with the debt related to those amounts subtracted. The second category is Restricted; these assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have place, time, or purpose restrictions on the use of the assets. The final category is Unrestricted; these represent nets assets which are available to the District for any lawful purpose.

	2016	2015	Net Change
ASSETS			
Current assets	\$ 120,439,507	\$ 113,317,024	\$ 7,122,483
Non-current assets	1,606,324,259	1,613,756,153	(7,431,894)
Total Assets	1,726,763,766	1,727,073,177	(309,411)
DEFERRED OUTFLOWS OF RESOURCES	22,572,491	20,336,482	2,236,009
LIABILITIES			
Current liabilities	88,607,578	89,168,570	(560,992)
Non-current liabilities	1,592,853,053	1,565,548,137	27,304,916
Total Liabilities	1,681,460,631	1,654,716,707	26,743,924
DEFERRED INFLOWS OF RESOURCES	33,901,354	50,388,815	(16,487,461)
NET POSITION			
Net investment in capital assets	144,910,806	173,777,068	(28,866,262)
Restricted	62,616,980	62,703,096	(86,116)
Unrestricted	(173,553,514)	(194,176,027)	20,622,513
Total Net Position	\$ 33,974,272	\$ 42,304,137	\$ (8,329,865)

Assets

Total assets decreased \$.3 million, a percentage decrease of 0.02%. The major changes affecting total assets are listed below:

- Current assets increased by approximately \$7.1 million over the prior fiscal year. This increase is primarily due to net increases in cash of \$4.6, and accounts receivable / other current assets of \$ 2.5 million.
- Non-current assets decreased by approximately \$7.4 million over the prior fiscal year. A decrease of \$40.2 million is primarily due to the use of General Obligations Bonds and Debt Service funds. Partially offsetting this amount is an increase of \$ 32.8 million in Capital Assets, net of Accumulated Depreciation.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

STATEMENT OF NET POSITION (continued)

Deferred Outflow of Resources

Deferred outflow of pension liability, related to the implementation of GASB 68, increased by \$2.2 million, Accounting and Financial Reporting of Pensions.

Liabilities

Total liabilities increased \$26.7 million, a percentage increase of 1.62%. The major changes affecting total assets are listed below:

- Current liabilities decreased by approximately \$.6 million over the prior fiscal year. This decrease is primarily due to a reduction in accounts payable of \$ 4.7 million and payroll related liability of \$ 2.3 million which was offset by \$ 6.4 in the current portion of the General Obligation Bond debt followed by increases in deferred revenue and accrued interest payable .
- Long term liabilities increased by approximately \$27.3 million. This was due to an increase in the non-current portion of the General Obligation Bond debt.

Deferred Inflows of Resources

Deferred inflows of pension liability, related to the implementation of GASB 68, decreased by \$16.5 million.

STATEMENT OF ACTIVITIES, EXPENSES AND CHANGES IN NET POSITION

Changes in net position as presented in the *Statement of Net Position* are based on the activity presented in the *Statement of Activities and Changes in Net Position*. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District; the operating and non-operating expenses incurred, whether paid or not, by the District; and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's result of operations.

Generally, operating revenues are earned for providing goods and services to the various constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues earned and to fulfill the mission of the District. Non-operating revenues are provided by the legislature to the District without the legislature directly receiving commensurable goods and services for those revenues, e.g. State appropriations.

	2016	2015	Net Change
Total operating revenue	\$ 71,050,017	\$ 94,060,213	\$ (23,010,196)
Total operating expenses	457,196,645	392,902,198	64,294,447
Operating loss	(386,146,628)	(298,841,985)	(87,304,643)
Net non-operating revenue (expenses)	429,218,327	350,361,258	78,857,069
Gain before capital revenue	43,071,699	51,519,273	(8,447,574)
Capital revenues (expenses)	(51,401,564)	(50,698,772)	(702,792)
Increase (decrease) in net position	(8,329,865)	820,501	(9,150,366)
Net position - beginning of the year	42,304,137	253,048,693	(210,744,556)
Adjustment for restatement, GASB 68	-	(211,565,057)	211,565,057
Net position - as restated	42,304,137	41,483,636	820,501
Net position - end of the year	\$ 33,974,272	\$ 42,304,137	\$ (8,329,865)

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION (continued)

Operating Revenues

Total operating revenues decreased approximately \$23.0 million, a percentage decrease of 24.5% primarily due to an increase in local grants and internal services sales/ charges of \$7.8 and net decreases of \$2.5 million in student tuition and fees, and \$28.3 million in federal and state grants . Award dates for federal and local grants vary, therefore, funding reported is a factor of timing in any giving budget year.

Operating Expenses

Total operating expenses increased by approximately \$ 64.3 million, a percentage increase of 16.4% primarily due to a net increase in salaries and benefits, related to new certificated and classified hires, step increases, inflationary costs and a reduction of GASB 68, pension liability of \$ 62.3 million, supplies, materials and other operating expenses of \$1.0 million, depreciation of \$5.4 million which was offset by a decrease in payments to students of \$2.4 million.

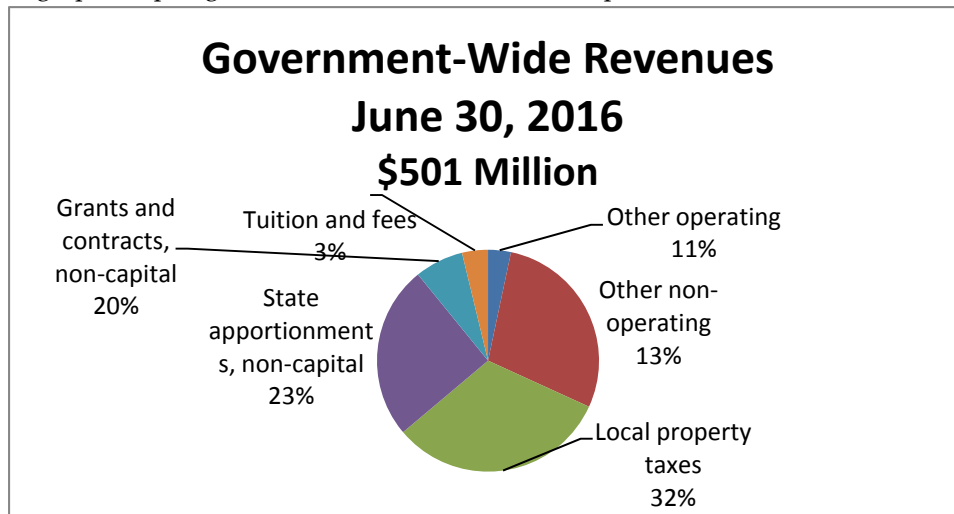
Non-Operating Revenues (Expenses)

Non-operating revenue (expense) increased approximately \$78.9 million, a percentage increase of 23.0%, due to state apportionment of \$56.0 million, local property taxes of \$2.6, state taxes/ other revenue and investment income of \$ 30.9 million which were offset by a decrease in federal revenue of \$3.7 million and other financing sources of \$6.9 million.

Capital Revenues (Expenses)

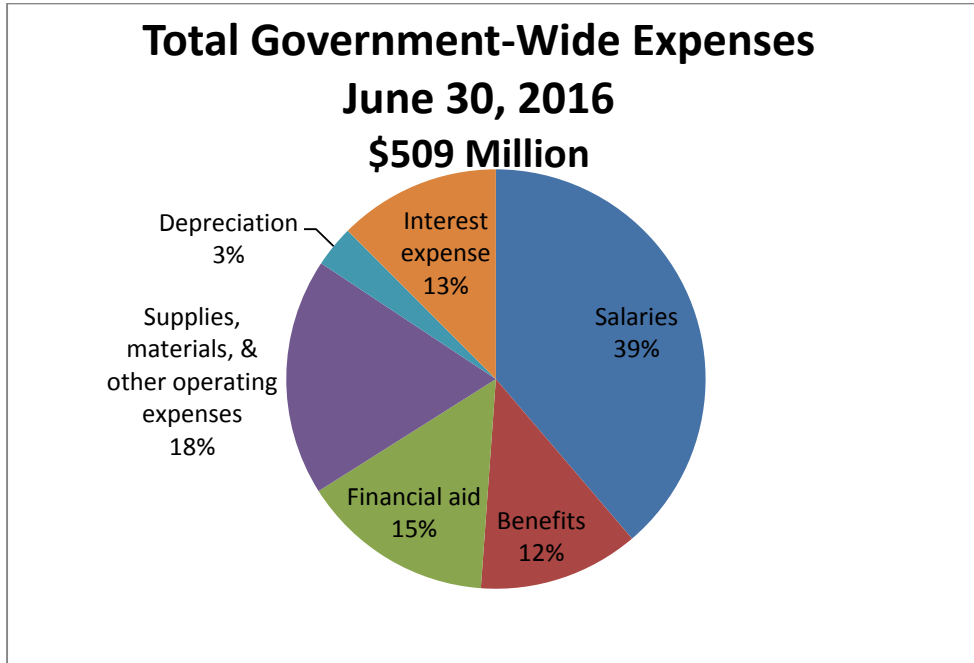
A net decrease in Capital revenue (expenses) of approximately \$.7 million, a percentage decrease of 1.39%, due to the decrease of \$.5 million for GASB 35 adjustments related with the General Obligation Bond debt and \$.2 in investment capital (loss).

The following two graphs depict government-wide revenue and expenditures on a full accrual basis of accounting.

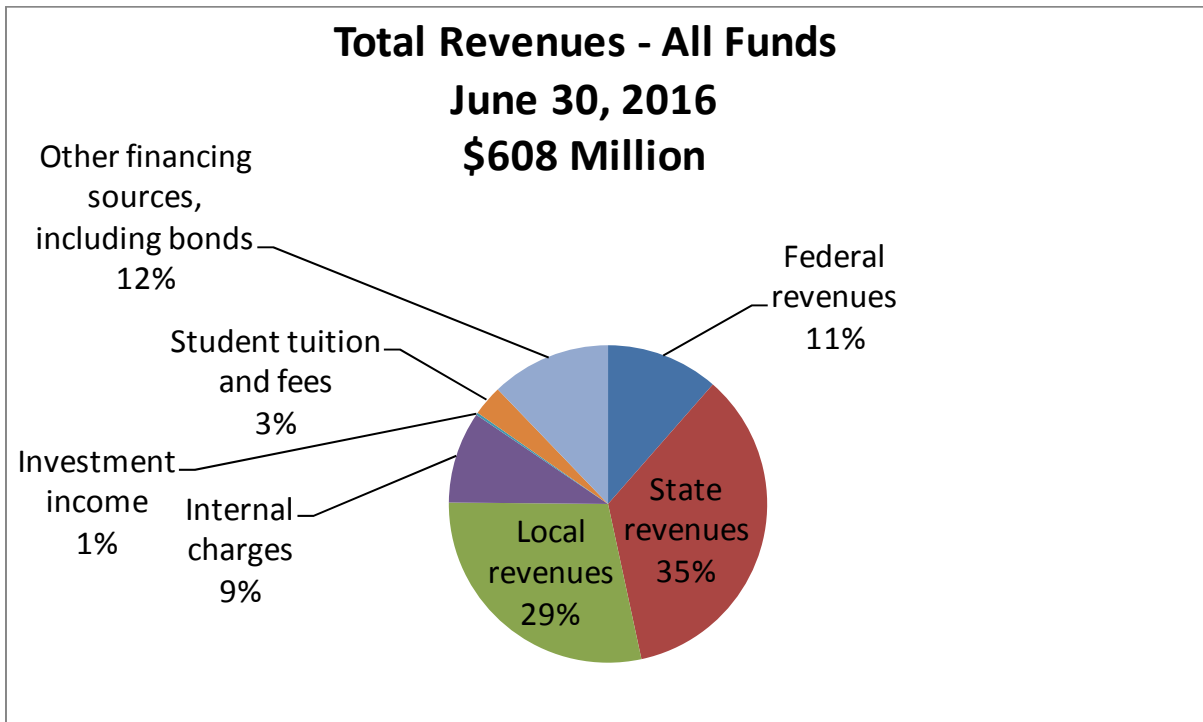


**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 FOR THE YEAR ENDED JUNE 30, 2016**

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION (continued)

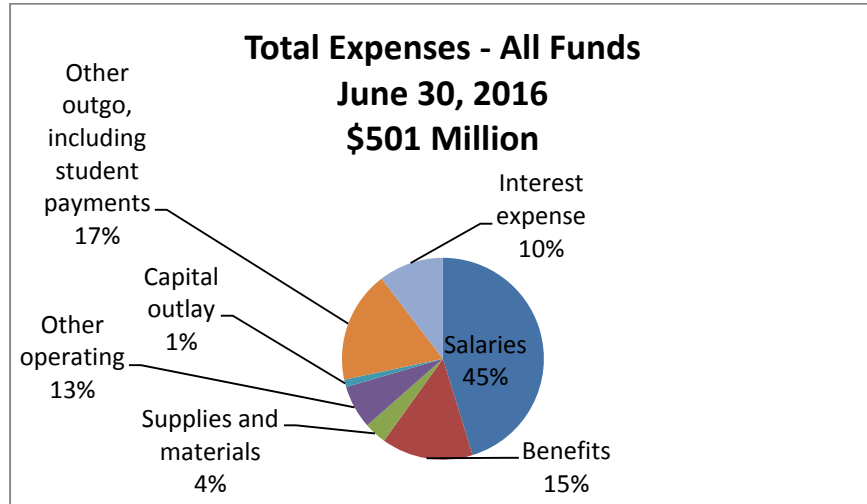


The following two graphs depict total revenues and expenses for all funds on a modified accrual basis of accounting.



**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION (continued)



STATEMENT OF CASH FLOWS

The *Statement of Cash Flows* provides information regarding cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and determine the need for external financing.

The *Statement of Cash Flows* is divided into five parts. The first part reflects operating cash flows and shows the net cash provided (used) by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth provides information from investing activities and the amount of interest received. The fifth and final section reconciles the net cash provided by operating activities to the operating loss reflected on the *Statement of Activities and Changes in Net Position*.

- Cash receipts from operating activities are from student tuition and from federal, state, and local grants.
- Uses of cash are payments to employees, vendors, and students related to the instructional programs.
- Cash from non-capital financing activities include federal grants, state apportionments, local property taxes, state taxes, and other revenues.
- Cash flows from capital financing activities include acquisition of capital assets, payment of principal debt and miscellaneous investments expenses.
- Cash flows from investing activities include the investment earnings of the District.

The District is the fiduciary for certain funds held on behalf of other entities. The District's fiduciary activities are reported in separate Fiduciary Financial Statements. These activities are excluded from the District's other financial statements because these assets may not be used to finance District operations. However, the District, acting as a trustee, is responsible for ensuring that assets reported in these funds are used for their intended purposes.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS

Note 5 to the financial statements provide additional information on Capital Assets. A summary of capital assets, net of accumulated depreciation for 2016 and 2015, is presented below:

	2016	2015	Net Change
Land and construction in progress	\$ 340,267,327	\$ 705,465,724	\$ (365,198,397)
Buildings and equipment	1,354,259,851	922,074,662	432,185,189
Accumulated depreciation	236,448,577	202,223,082	34,225,495
Total Capital Assets	\$ 1,458,078,601	\$ 1,425,317,304	\$ 32,761,297

LONG-TERM DEBT

Note 6 to the financial statements provide additional information on long-term liabilities. A summary of long-term debt as of 2016 and 2015 is presented below:

	2016	2015	Net Change
General obligation bonds	\$1,380,391,962	\$ 1,393,345,699	\$ (12,953,737)
Legal commitments	8,472,156	8,472,156	-
Net OPEB obligation	1,753,633	1,671,846	81,787
Net pension liability	223,229,283	178,933,487	44,295,796
Compensated absences	10,569,170	9,926,148	643,022
Total Long-term Liabilities	\$ 1,624,416,204	\$ 1,592,349,336	\$ 32,066,868

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

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 an Annual Outlook Report released by the Legislative Analyst's Office (LAO) November 16, 2016, the state budget is perceived to be better prepared to address an economic downturn than it has ever been in decades. In addition, the LAO projects that the state's economic growth will continue through FY 2017-18. The state projected growth is assumed to generate significant annual operating surpluses and budget reserves. However, the LAO report cautions the Legislature about the fundamental trade-off between the benefits of new commitments now versus fewer difficult budget decisions in the future emphasizing the fact that sizeable reserves is the key to making it through the next state economic downturn with minimum disruption to public programs.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET, CONTINUED

Due to the support of taxpayers throughout the state, Proposition 30 passed in November 2012, which enabled the state to begin to achieve economic recovery and enter into a period of stabilization; and, in some instances, economic growth. Proposition 30 provided the state with adequate funding to fully restore apportionment revenue funding to community colleges that were able to earn the revenue by increasing student enrollment access through additional course section offerings. The District was one of a very few California community colleges to achieve full restoration of state apportionment funding as of FY 2014-15. The District has continued to earn growth funding due to high student demand and outstanding instructional and student support programs offered throughout the District. The sales tax increase portion of Proposition 30 was due to end in 2016 and the income tax portion to end in 2018, which would likely have resulted in reductions in state apportionment funding for California community colleges. Fortunately, on November 8, 2016, California earners approved Proposition 55, which extends the personal income tax portion of Proposition 30 on income over \$250,000 for 12 years to fund education and healthcare.

The District continued to experience increased student enrollment during FY 2015-16. As of June 30, 2016, the District's apportionment funded full time equivalent students (FTES) increased by 3.65% or nearly 1,700 FTES resulting in a \$6.6 million increase in apportionment revenue, which allowed the District to increase course offerings, replace vacant faculty and staff positions and serve student demand throughout the District. The FY 2015-16 state budget for community colleges also included a cost of living adjustment (COLA) of 1.02% on general purpose apportionment revenues, which represented approximately \$2.1 million to assist the District with addressing the ever increasing costs of operations. This COLA adjustment was only the third in eight years and only begins to address the lost purchasing power experienced by all community colleges during the five year state economic downturn through the end of FY 2013-14. Enrollment fees, which are established at the state level, once again remained at \$46 in FY 2015-16 resulting in California community college enrollment fees continuing to be among the lowest in the nation.

FY 2015-16 State Budget also provided the District with \$6.3 million in Student Success and Support Program (SSSP) and Student Equity funding in support of student success in achieving educational goals and provided funding to support historically underrepresented students to ensure equity for educational access to all community members. Clearly, the State's economic outcome greatly improved in FY 2015-16 and is anticipated to continue to improve in FY 2016-17 primarily due to the extension of personal income taxes under Proposition 55, which will continue to support funding for public education.

In addition to state funding uncertainties, a major concern for all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates, which are expected to increase to 19% and 20% respectively based upon employee payroll for each of the pension systems, more than doubling the cost of employer contributions by FY 2020-21 for each community college district in California. In order to minimize, as much as possible, the potential impact on future annual operating budgets, in FY 2015-16 the District established a Board Designated CalSTRS and CalPERS Reserve Fund to begin to fund the reserve with one-time and continuous revenues. As of June 30, 2016 the Board Designated CalSTRS and CalPERS Reserve Fund had a balance of \$24.8 million set aside to assist with addressing the inevitable future costs associated with both pension obligations. The District continues to identify ways by which to minimize its dependency upon the state's economic conditions by maintaining strong reserves, including cash, the CalSTRS and CalPERS pension cost reserve, and entering into long-term lease agreements for unused District property in support of maintenance and operations costs.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Primary Government</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 97,232,068
Investments	1,045,293
Accounts receivable	19,816,768
Prepaid expenses	64,004
Inventories	2,281,374
Total Current Assets	<u>120,439,507</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	148,245,658
Capital assets, net of accumulated depreciation	1,458,078,601
Total Noncurrent Assets	<u>1,606,324,259</u>
TOTAL ASSETS	<u>1,726,763,766</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	22,572,491
Total Deferred Outflows of Resources	<u>22,572,491</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	22,147,321
Payroll and related liabilities	8,872,528
Deferred revenue	3,745,852
Amount held in trust	126,007
Accrued interest payable	22,152,719
Current Portion - Long-term debt	31,563,151
Total Current Liabilities	<u>88,607,578</u>
NONCURRENT LIABILITIES	
Noncurrent portion - Long-term debt	1,592,853,053
TOTAL LIABILITIES	<u>1,681,460,631</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	33,901,354
NET POSITION	
Net investment in capital assets	144,910,806
Restricted for:	
Debt service	51,498,058
Capital projects	11,118,922
Unrestricted	(173,553,514)
NET POSITION	<u>\$ 33,974,272</u>

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUE 30, 2016**

	<u>Primary Government</u>
OPERATING REVENUES	
Student Tuition and Fees	\$ 44,655,945
Less: Scholarship discount & allowance	(25,833,564)
Net tuition & fees	<u>18,822,381</u>
Grants and Contracts, noncapital:	
Federal	11,606,578
State	10,645,851
Local	13,238,407
Internal Service Sales and Charges	<u>16,736,800</u>
Subtotal	<u>52,227,636</u>
TOTAL OPERATING REVENUES	<u>71,050,017</u>
OPERATING EXPENSES	
Salaries	226,506,658
Benefits	73,591,563
Payment to students	63,105,664
Supplies, materials, & other operating expenses	59,745,537
Depreciation	<u>34,247,223</u>
TOTAL OPERATING EXPENSES	<u>457,196,645</u>
OPERATING LOSS	<u>(386,146,628)</u>
NONOPERATING REVENUES/(EXPENSES)	
Federal revenue, non-capital	57,949,794
State apportionments, non-capital	126,522,444
Local property taxes	160,239,808
State taxes & other revenues	82,575,147
Other financing sources	561,797
Investment income - non-capital	1,369,337
Interest expense	<u>(52,085,875)</u>
TOTAL NONOPERATING REVENUES	<u>377,132,452</u>
GAIN BEFORE OTHER REVENUES AND LOSSES	(9,014,176)
OTHER REVENUES AND GAINS/(LOSSES)	
Local property taxes and revenues, capital	20
Investment gain/(loss) - capital	<u>684,291</u>
TOTAL OTHER REVENUES AND GAINS	<u>684,311</u>
CHANGE IN NET POSITION	(8,329,865)
BEGINNING NET POSITION	<u>42,304,137</u>
ENDING NET POSITION	<u>\$ 33,974,272</u>

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 18,822,381
Federal grants and contracts	11,358,734
State grants and contracts	11,599,939
Local grants and contracts	10,764,957
Payments to or on behalf of employees	(105,380,589)
Payments to vendors for supplies and services	(276,266,937)
Payments to students for scholarships and grants	(62,979,657)
Internal service sales and charges	57,043,729
Net Cash Used by Operating Activities	<u>(335,037,443)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	126,522,444
Property taxes	160,239,808
State taxes and other revenues	82,575,147
Federal grants and contracts	57,949,794
Net Cash Provided by Non-capital Financing Activities	<u>427,287,193</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(65,824,743)
Investment gain/(loss)	684,311
Additions to long-term debt	12,457,574
Principal and interest paid on capital debt	(77,497,186)
Net Cash Provided by Capital Financing Activities	<u>(130,180,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>2,349,544</u>
Net Cash Provided by Investing Activities	<u>2,349,544</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	(35,580,750)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>281,058,476</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 245,477,726</u>

See accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS, continued
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH	
USED BY OPERATING ACTIVITIES	
Operating loss	\$ (386,146,628)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	34,247,223
Changes in Assets and Liabilities:	
Accounts receivable	(2,135,916)
Inventory and prepaid expenditures	(68,377)
Accounts payable	(7,076,201)
Deferred revenue	(280,686)
Compensated absences	643,022
Other postemployment benefits	81,787
Amounts held in trust	126,007
Net pension liability	44,295,796
Deferred inflow/outflows	(18,723,470)
Total Adjustments	<u>51,109,185</u>
Net Cash Flows From Operating Activities	<u>\$ (335,037,443)</u>

See accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Associated Students	Student Representation Fee Trust	Scholarship and Loan Fund	OPEB and Other Trust and Agency	Total
ASSETS					
Cash and cash equivalents	\$ 757,602	\$ 51,401	\$ 32,021	\$ 1,032,837	\$ 1,873,861
Investments	-	-	-	17,364,870	17,364,870
Accounts receivable, net	4,921	7,958	1,674	61,210	75,763
Due to other funds	-	114,716	30,224	221,642	366,582
Total Assets	762,523	174,075	63,919	18,680,559	19,681,076
LIABILITIES					
Accounts payable	\$ 3,242	\$ 5,544	\$ -	\$ 8,097	\$ 16,883
Due from other funds	482,974	-	-	-	482,974
Total Liabilities	486,216	5,544	-	8,097	499,857
NET POSITION					
Held in trust for OPEB	-	-	-	18,672,462	18,672,462
Unrestricted	276,307	168,531	63,919	-	508,757
Total Net Position	\$ 276,307	\$ 168,531	\$ 63,919	\$ 18,672,462	\$ 19,181,219

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	Associated Students	Student Representation Fee Trust	Scholarship and Loan Fund	Other Trust and Agency	Total
ADDITIONS					
Student fees	\$ 19,256	\$ 90,662	\$ -	\$ -	\$ 109,918
Interest and investment income	6	-	-	(411,660)	(411,654)
Other revenues	-	-	9,061	823,213	832,274
Total Additions	19,262	90,662	9,061	411,553	530,538
DEDUCTIONS					
Salaries	23,181	-	-	10,849	34,030
Employee benefits	1,391	-	-	4,487	5,878
Supplies, materials, and other expenses	98,150	57,967	16,940	794,420	967,477
Total Deductions	122,722	57,967	16,940	809,756	1,007,385
OTHER FINANCING SOURCES					
Transfers in from governmental funds	127,297	-	-	-	127,297
Total Other Financing Sources	127,297	-	-	-	127,297
CHANGE IN NET POSITION	23,837	32,695	(7,879)	(398,203)	(349,550)
NET POSITION - BEGINNING	252,470	135,836	71,798	19,070,665	19,530,769
NET POSITION - ENDING	\$ 276,307	\$ 168,531	\$ 63,919	\$ 18,672,462	\$ 19,181,219

See accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – ORGANIZATION AND OPERATIONS

The San Diego Community College District (the “District”) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. The District is located entirely within the City of San Diego and consists of three two-year colleges and seven continuing education campuses. The three colleges are fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. Continuing Education is accredited by the Western Association of Schools and Colleges Accrediting Commissioner for Schools. The District is classified as a state instrumentality under Internal Revenue Code Section 115 and is also classified as a charitable organization under Internal Revenue Code Section 170(c)(1), and is therefore exempt from federal taxes.

The District is governed by a five member Board of Trustees. The five Trustees are elected in even-numbered years to four-year terms by the voters in the District. The boundaries of the District did not change during the year ended June 30, 2016.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District’s more significant accounting policies are described below.

A. Reporting Entity

The financial reporting entity, as defined by GASB, consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2016:

- Financial interdependency – the District receives financial support or provides financial benefit to the organization and is responsible for or has directly or indirectly guaranteed the organization’s debts.
- Authorize appointment of governing authority – the District’s Board of Trustees appoints the organization’s governing authority and maintains a significant continuing relationship with the governing authority pertaining to the functions of the organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

A. **Reporting Entity (*continued*)**

The District determined that the following organizations met the criteria set forth above:

San Diego Community College Auxiliary Organization

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

B. **Basis of Accounting and Measurement Focus**

For financial reporting purposes, the District is considered a special-purpose government agency engaged only in business-type activities. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. Fiduciary activities of the District are not included in these statements.

The basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when costs are incurred. The budgetary and financial accounts of the District are recorded and maintained in accordance with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Private-sector standards of accounting and financial reporting issued prior to November 3, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

C. **District's Fiduciary Responsibility**

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Cash, Cash Equivalents, and Investments

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is considered as fair value for those securities for which market quotations are readily available.

E. Restricted Cash and Investments

Cash and investments that are externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other non-current assets are classified as a non-current asset in the Statement of Net Position.

F. Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include 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. Accounts receivable is net of an allowance for uncollectible. The estimated allowance is based on historical collection experience and a review of accounts receivable.

G. Inventories

Inventories, primarily bookstore merchandise, are stated at the lower of cost or market using the first-in, first-out method.

H. Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

Capital assets, which include site and site improvements, buildings, equipment and infrastructure assets (e.g. roads, parking lots, sidewalks, and similar items), are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Assets that do not meet the capitalization threshold of \$5,000 (costs for routine maintenance and repairs that do not add to the value of the asset or materially extend assets' lives) are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Description of capital assets is computed using straight line basis with a half year convention over the estimated useful life of the asset as follows:

Asset	Years
Infrastructure	35-60
Buildings	50
Equipment/Vehicles	5-6
Technology equipment	3

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets acquired under capital lease are capitalized at the net present value of the total lease payments.

For all infrastructure systems, the District elected to use the Basic Approach for infrastructure reporting.

J. State Apportionments

Certain current year apportionments from the state are estimates based on various financial and statistical information of the previous year. Any changes in estimates due to the annual recalculation each February will be recorded in the year computed by the State.

K. Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are earned in the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

The District accounts for compensated absences in accordance with GAAP. Accrued compensated absences benefits are recorded as liabilities as vested and earned, but not taken. Employees are allowed to carry over limited number of vacation days from year to year. The District has no commitment for accumulated sick leave and no liability is recorded.

M. Pensions

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

N. 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.

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 \$20,000,000 including excess liability. Excess liability with no self-retention between the coverage ranges of \$1-\$20 million. The District also maintains a Crime policy with a deductible of \$ 2,500 with a \$5,000,000 limit.

Health/Dental/Vision/Life

These programs are fully insured.

Student Accident

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

O. Long-Term Liabilities

Long-term debt and other financed obligations are reported as liabilities in the appropriate activities.

P. Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, including state appropriations, local property taxes and investment income. Revenue is classified according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources as described in GASB Statement No. 35, such as state appropriations, state and local property taxes and investment income.

Q. 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 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 November 30 and April 10, respectively.

Since the passage of California’s Proposition 13, beginning with Fiscal Year 1978-79, general property taxes are based either on a 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 valuation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Q. Property Taxes (*continued*)

This 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).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied based on actual and estimated receipts. Adjustments to estimates are made at the time of final apportionment for the applicable fiscal year.

R. Scholarship Discounts and Allowance

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for 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, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating and non-operating revenues in the District's basic 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.

S. Net Position

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

T. Use of Estimates

The preparation of its basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses in the basic financial statements and the accompanying notes. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

U. New Accounting Pronouncements

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017.

GASB Statement No. 80 – In January 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016**

NOTE 3 – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2016:

Primary government	\$ 246,523,021
Fiduciary funds	19,238,729
Total Cash and Investments	<u>\$ 265,761,750</u>
Cash in County Treasury	\$ 242,973,982
Cash on hand and in banks	4,377,605
Investments	18,410,163
Total Cash and Investments	<u>\$ 265,761,750</u>

A. 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 percent of an agency's total deposits and collateral that is considered to be held in the name of the District. As of June 30, 2016, the book balance of the District's deposit of \$2,988,785, including fiduciary accounts and component units, were entirely insured and collateralized as described above.

B. Investments

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 3 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	15%	5%
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	Unlimited	Unlimited
U.S. Agency Securities	5 years	Unlimited	35%
Banker's Acceptance	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	40%	10% or 15%
Reverse Repurchase Agreements	92 days	20% of base	10%
Medium-Term Corporate Notes	5 years	30%	5%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	15%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the San Diego County Investment Pool with a book value of \$242,973,982 and a fair value of \$243,265,065. The weighted average maturity for this pool as of June 30, 2016 is 310 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Per the County's investment policy, the investments within the San Diego County Investment Pool are rated AAAs/S1 or higher by S&P.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 4 – INTERFUND TRANSACTIONS

Interfund receivables and payables result when the interfund transfer is transacted throughout the fiscal year. Interfund activity within the funds has been eliminated in the basic financial statements, except for balances that are reflected between the business-type activity and fiduciary funds.

NOTE 5 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>Governmental Funds</u>				
Capital Assets not being Depreciated				
Land	\$ 77,080,989	\$ -	\$ -	\$ 77,080,989
Construction in progress	628,384,735	58,912,067	424,110,464	263,186,338
Total Capital Assets not being Depreciated	<u>705,465,724</u>	<u>58,912,067</u>	<u>424,110,464</u>	<u>340,267,327</u>
Capital Assets being Depreciated				
Infrastructure	6,142,097	32,090,860	-	38,232,957
Buildings	840,139,075	397,532,413	-	1,237,671,488
Equipment	75,724,860	2,566,750	-	78,291,610
Total Capital Assets being Depreciated	<u>922,006,032</u>	<u>432,190,023</u>	<u>-</u>	<u>1,354,196,055</u>
Total Capital Assets	<u>1,627,471,756</u>	<u>491,102,090</u>	<u>424,110,464</u>	<u>1,694,463,382</u>
Less Accumulated Depreciation				
Infrastructure	5,862,671	572,778	-	6,435,449
Buildings	138,176,260	26,653,840	-	164,830,100
Equipment	58,162,423	7,020,605	-	65,183,028
Total Accumulated Depreciation	<u>202,201,354</u>	<u>34,247,223</u>	<u>-</u>	<u>236,448,577</u>
Net Capital Assets, Governmental Funds	<u>\$ 1,425,270,402</u>	<u>\$ 456,854,867</u>	<u>\$ 424,110,464</u>	<u>\$ 1,458,014,805</u>
<u>Proprietary Funds, Capital Assets, Net</u>	<u>\$ 46,902</u>	<u>\$ 16,894</u>	<u>\$ -</u>	<u>\$ 63,796</u>
Total Capital Assets	<u>\$ 1,425,317,304</u>	<u>\$ 456,871,761</u>	<u>\$ 424,110,464</u>	<u>\$ 1,458,078,601</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 6 – LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
General obligation bonds	\$ 1,309,473,868	\$ 12,457,574	\$ 14,430,090	\$ 1,307,501,352
Premium on bonds	83,871,831	-	10,981,221	72,890,610
Compensated absences	9,926,148	7,427,677	6,784,655	10,569,170
Legal commitments	8,472,156	-	-	8,472,156
Net OPEB obligation	1,671,846	81,787	-	1,753,633
Net pension liability	178,933,487	44,295,796	-	223,229,283
Total	\$ 1,592,349,336	\$ 64,262,834	\$ 32,195,966	\$ 1,624,416,204

NOTE 6 – LONG-TERM DEBT (continued)

General Obligation Bonds

On November 5, 2002, by majority election of the District's registered voters, \$685,000,000 in general obligation bonds ("Proposition S") were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds 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. On May 15, 2003, Series 2003 A, B and C of the Proposition S bond authorization were issued, which consisted of serial bonds and term bonds with an initial total par amount of \$105,000,000 with stated yield rates of 0.95% to 4.39% and maturing through May 1, 2028. Series 2003 was advance refunded during 2011-12 via the issuances of the Series 2011 General Obligation Refunding bonds and the issuance of the Series 2012 General Obligation Refunding bonds. On October 5, 2005, Series 2005 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and capital appreciation bonds with an initial par amount of \$244,999,901 with stated yield rates of 3.28% to 4.38% and maturing through May 1, 2030. On April 28, 2009, Series 2009 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and convertible capital appreciation bonds with an initial par amount of \$131,293,506 with stated yield rates of 2.70% to 6.00% and maturing through August 1, 2033. On July 7, 2011, Series 2011 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds and capital appreciation serial bonds with an initial par amount of \$99,999,859 with stated yield rates of 0.27% to 6.69% and maturing through August 1, 2041. On July 7, 2011, Series 2011, Refunding, of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$22,230,000 with stated yield rates of 0.38% to 3.55% and maturing through August 1, 2023. On 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. Proposition S bonds were fully issued as of July 2013.

On November 7, 2006, by majority election of the Districts' 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 ten-year period. On July 18, 2007, Series 2007 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds and capital appreciation bonds with an initial par amount of \$224,996,823 with stated yield rates of 3.60% to 4.51% and maturing through August 1, 2032. On July 7, 2011, Series 2011 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds and current interest term bonds with an initial par amount of \$250,000,000 with stated yield rates of 0.27% to 4.86% and maturing through August 1, 2041. On March 7, 2012, Series 2012, Refunding was issued, with an initial par amount of \$279,755,000 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired \$313,830,000 of debt including \$267,470,000 of Series 2003A and Series 2005 of the Proposition S bond authorization and \$46,360,000 of Series 2007 of the Proposition N bond authorization. As a result, approximately 85.2% of the debt service related to the Series 2012, Refunding is attributable to Proposition S and approximately 14.8% of the debt service is attributable to Proposition N. On July 17, 2013, Series 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 \$272,996,021.90 with stated yield rates of .20% to 6.23% and maturing through August 1, 2043.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 6 – LONG-TERM DEBT (continued)

General Obligation Bonds, continued

The outstanding bonded debt of the District at June 30, 2016 is as follows:

	Issuance Date	Yield	Maturity Date	Amount of Original Issue	July 1, 2015 Balance	Additions	Redeemed Current Year	June 30, 2016 Balance	Due Within One Year
Proposition S:									
2009 Series	4/28/2009	2.70-6.00%	8/1/2033	131,293,506	143,355,581	2,561,799	50,000	145,867,380	625,000
2011 Series	7/7/2011	0.27-6.69%	8/1/2041	116,449,717	97,941,025	1,395,602	1,225,000	98,111,627	1,290,000
2011 Series, Refunding	7/7/2011	0.38-3.55%	8/1/2023	22,230,000	19,430,000		1,570,000	17,860,000	1,660,000
2012 Series, Refunding	3/7/2012	0.18-3.10%	8/1/2029	238,428,671	236,485,480		4,457,407	232,028,073	5,181,842
2013 Series	7/7/2013	0.20-3.25%	8/1/2024	103,705,000	102,205,000		600,000	101,605,000	1,500,000
Proposition N:									
2007 Series	7/18/2007	3.60-4.51%	8/1/2032	224,996,823	147,320,859		3,433,522	143,887,337	3,506,530
2011 Series	7/7/2011	0.27-4.86%	8/1/2041	250,000,000	242,700,000		195,000	242,505,000	845,000
2012 Series, Refunding	3/7/2012	0.18-3.10%	8/1/2029	41,326,329	40,989,520		772,593	40,216,927	898,158
2013 Series	7/7/2013	1.34-4.30%	8/1/2043	272,996,022	279,046,403	8,500,173	2,126,568	285,420,008	190,086
			Total	\$ 1,401,426,068	\$ 1,309,473,868	\$ 12,457,574	\$ 14,430,090	\$ 1,307,501,352	\$ 15,696,616

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest
2017	15,696,616	54,577,385
2018	16,782,909	54,384,042
2019	22,110,306	51,720,820
2020	26,111,688	52,376,788
2021	27,374,136	52,956,352
2022-2026	211,833,084	246,126,773
2027-2031	358,178,849	211,003,788
2032-2036	305,270,780	231,978,170
2037-2041	138,843,951	241,247,795
2042-2044	143,822,509	25,437,289
Accretion	41,476,524	(41,476,524)
Total	\$ 1,307,501,352	\$ 1,180,332,678

NOTE 7 – COMPENSATED ABSENCES

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District also participates in and accrues “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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

The District’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$10,569,170.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The District leases various facilities under formal long-term lease agreements as well as month-to-month lease arrangements. Rental expense associated with all District leases for the fiscal year ended June 30, 2016 aggregated approximately \$331,966.

Construction

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$54,991,940 as of June 30, 2016.

Grants

The District receives a substantial portion of its total revenues under various governmental grants, all of which pay the District based on reimbursable costs, as defined by each grant. Reimbursement recorded under these grants is subject to audit by the grantors. Management believes that no material adjustments will result from subsequent audit of costs reflected in the accompanying basic financial statements.

Litigation

The District is party to various legal actions arising in the ordinary course of its activities. In the opinion of the District’s management, the District has adequate legal defenses and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the District’s operations or financial position.

NOTE 9 – EMPLOYEE PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expense
STRS Pension	\$ 139,938,870	\$ 11,176,072	\$ 25,831,826	\$ 37,240,214
PERS Pension	83,290,413	11,396,419	7,969,528	4,864,517
Totals	<u>\$ 223,229,283</u>	<u>\$ 22,572,491</u>	<u>\$ 33,801,354</u>	<u>\$ 42,104,731</u>

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits to plan members and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an amount established in State statute. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$11,308,055 for the year ended June 30, 2016.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-14 education. These payments consist of state general fund contributions of approximately \$5,530,107 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 9 – 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, 2016, 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:

District's proportionate share of the net pension liability	\$	139,938,870
State's proportionate share of the net pension liability associated with the District		<u>74,012,037</u>
Total	\$	<u><u>213,950,907</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. 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, an amount established in State statute. At June 30, 2016, the District’s proportion was .208% percent, which was an increase of .0012% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$37,240,214. In addition, the District recognized pension expense and revenue of \$5,731,537 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 11,407,292
Differences between expected and actual experience	-	2,338,412
Changes in proportion and differences between District contributions and proportionate share of contributions	-	12,186,122
District contributions subsequent to the measurement date	<u>11,176,072</u>	<u>-</u>
	<u>\$ 11,176,072</u>	<u>\$ 25,931,826</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016**

NOTE 9 – 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)**

For the year ended June 30, 2016, the District recognized pension expense of \$11,176,072. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Year Ended June 30,	<u>Deferred Inflows of Resources</u>
2017	\$ 4,321,971
2018	4,321,971
2019	4,321,971
2020	4,321,971
2021	4,321,971
2022	4,321,971
	<u>\$ 25,931,826</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.60%
Wage Inflation	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial 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 general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitivie	5%	3.20%
Fixed Income	20%	20.00%
Cash/Liquidity	1%	0.00%
	100%	

*10-year geometric average

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. 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 in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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.

NOTE 9 – EMPLOYEE PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	Decrease (6.60%)	Current Discount Rate (7.60%)	Increase (8.60%)
District’s proportionate share of the net pension liability	\$131,133,660	\$86,847,960	\$50,042,970

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool 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 Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for retirement and disability for eligible members, and death benefits for survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 9 – EMPLOYEE PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$7,969,128 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$83,290,413 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. 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, 2015, the District’s proportion was .565 percent, which was a decrease of .007% percent from its proportion measured as of June 30, 2014.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,851,934
Differences between expected and actual experience	4,760,169	-
Changes in assumptions	-	5,117,594
Changes in proportion and differences between District contributions and proportionate share of contributions	1,211,981	-
District contributions subsequent to the measurement date	5,424,269	-
	<u>\$ 11,396,419</u>	<u>\$ 7,969,528</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 9 – EMPLOYEE PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

The \$5,424,269 reported as 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 2,059,362	\$ 2,477,671
2018	2,059,362	2,477,671
2019	1,853,426	2,301,202
2020	-	712,984
	<u>\$ 5,972,150</u>	<u>\$ 7,969,528</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.65%
Wage Inflation	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – EMPLOYEE PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	Decrease (6.65%)	Current Discount Rate (7.65%)	Increase (8.65%)
District’s proportionate share of the net pension liability	\$135,547,673	\$83,281,558	\$39,818,790

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Social Security Alternative Plan

The Social Security Alternative Plan is a defined contribution plan covering most employees of the San Diego Community College District who are not eligible for membership in CalPERS, CalSTRS or an alternative 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 IRS 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, 2016, 2015, and 2014 were \$675,218, \$609,498, and \$540,035 respectively.

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

San Diego Community College District Retiree Health Plan

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

The District's share of retiree premium depends on classification, age, years of service (YOS) and the applicable cap. For the 2016 calendar year the cap is \$1,038.66 per month (equal to the Kaiser HMO active composite rate).

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016**

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

San Diego Community College District Retiree Health Plan, continued

Following is a table showing details by bargaining unit:

Unit	Job Code	Description	Benefits	Benefits End Date
	A1-A4, A7-A9,			
1	AA, AB, AC	AFT - Faculty	Age 60 & 20 YOS	Age 65
2	B1-B4	Adult Education	Age 60 & 20 YOS	Age 65
3	C1-C4	Management - After 4/1/89	Age 60 & 20 YOS	Age 65
3	C1-C4	Management - Prior to 4/1/89	Age 55 & 8 YOS	Lifetime*
4	D1-D2	Supervisory/Professional	Age 60 & 20 YOS	Age 65
5	E1, E3, E4	SEIU/Operations	Age 60 & 20 YOS	Age 65
6	H1	Police Unit	Age 60 & 20 YOS	Age 65
7	J1-J3	AFT - Office Technical	Age 60 & 20 YOS	Age 65
8	K2	Food Services	Age 60 & 20 YOS	Age 65
9	L1	Confidential	Age 60 & 20 YOS	Age 65
10	C1	Board - Active Only	Age 60 & 20 YOS	Age 65
11	C1	Board - Lifetime Only	Age 55 & 8 YOS	Lifetime**

Must be eligible to retire from retirement system (CalPERS – age 50; Cal STRS – age 50) with 30 years of service credit or age 55 with 5 years of service credit.

*Lifetime benefits are provided only to those employers who were in a management position prior to the April 1989 cutoff date. Currently there is 1 active employee in this category.

**Currently there are 4 retirees in this category. No future retirees will qualify for District-paid benefits.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The District pays for the cost of spousal coverage for all retirees, both before and after age 65, up to the District cap. The cap is set equal to the active employee composite rate for the VEBA Kaiser HMO, which the District pays to active employees. The cap was \$1,038.66 per month in 2014-15. The cap is assumed to grow at the medical trend rate of 8% for healthcare and Medicare Part B and 4% for dental.

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

Funding Policy

On June 26, 2006, the District contributed \$11,000,000 to the Community College League of California – Joint Powers Authority (CCLC-JPA) and has adopted a goal of fully funding the plan on a fully projected basis by allowing the \$11,000,000 to grow with interest until it is sufficient to pay all future retiree benefits. This is projected to occur within 20 years of the initial investment, however, GASB Statement 45 provides for up to 30 years for amortization of the current and future retiree health benefit liabilities. This funding is being reported in a Fiduciary Fund titled *Other Post-Employment Benefits Trust Fund*, an irrevocable trust fund.

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the District’s net OPEB obligation:

Annual required contribution (ARC)	\$ 1,429,364
Interest on net OPEB obligation	93,395
Adjustment to ARC	(110,030)
Annual OPEB cost	<u>1,412,729</u>
Contributions made:	<u>(1,330,942)</u>
Increase in net OPEB obligation	81,787
Net OPEB obligation - July 1, 2015	<u>1,671,846</u>
Net OPEB obligation - June 30, 2016	<u>\$ 1,753,633</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost to be contributed to the plan, and the Net OPEB Obligations are as follows:

For the Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,643,608	\$ 1,280,581	78%	\$ 764,844
6/30/2013	\$ 1,634,753	\$ 1,285,855	79%	\$ 1,113,742
6/30/2014	\$ 1,500,526	\$ 1,167,740	78%	\$ 1,446,528
6/30/2015	\$ 1,412,617	\$ 1,271,355	80%	\$ 1,587,790
6/30/2016	\$ 1,412,729	\$ 1,330,942	76%	\$ 1,753,633

Most Recent Actuarial Study – Status of Funding Progress

The funded status of the plan as of June 30, 2016 was as follows:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2015	\$ 18,586,921	\$ 22,479,610	\$ 3,892,689	82.68%	\$ 181,289,022	2.15%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreased over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The plan’s most recent actuarial valuation was performed on July 1, 2013. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5 percent. Both assumptions reflect an implicit 3 percent general inflation assumption. The District’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a rolling basis. The remaining amortization period as of June 30, 2016 was 30 years.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 12 – FUNCTIONAL EXPENSES

The functional operating expenses for the year ended June 30, 2016 were as follows:

<u>TOPS Description</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Student Financial Aid</u>	<u>Supplies, Materials and Other Expenses</u>	<u>Depreciation</u>	<u>Total</u>
Instructional Activities	\$ 115,721,004	\$ 29,651,359	\$ -	\$ 8,117,631	\$ -	\$ 153,489,994
Instructional Administration & instructional governance	17,119,189	9,771,370	-	803,925	-	27,694,483
Instructional Support Services	4,345,250	1,396,314	-	1,685,642	-	7,427,205
Student Services	34,754,509	10,312,948	-	3,524,750	-	48,592,207
Plant Operations & Maintenance	11,428,463	4,901,399	-	15,552,612	-	31,882,474
Planning, Policymaking & Coordination	6,502,079	1,910,219	-	2,015,351	-	10,427,649
General Institutional Support Services	26,916,042	12,529,645	-	28,045,627	-	67,491,313
Community Services & Economic development	1,104,325	424,376	-	-	-	1,528,701
Ancillary Services & Auxiliary Operations	8,615,797	2,693,934	-	-	-	11,309,731
Student Aid	-	-	63,105,664	-	-	63,105,664
Depreciation Expense	-	-	-	-	34,247,223	34,247,223
Grand Total	\$ 226,506,658	\$ 73,591,563	\$ 63,105,664	\$ 59,745,537	\$ 34,247,223	\$ 457,196,645

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	\$ 11,737,000	\$ 19,622,286	\$ 7,885,286	59.81%	\$ 147,271,464	5.35%
6/30/2009	\$ 12,534,273	\$ 19,606,548	\$ 7,072,275	63.93%	\$ 153,768,568	4.60%
6/30/2011	\$ 12,317,587	\$ 21,305,524	\$ 8,987,937	57.81%	\$ 128,861,312	6.97%
7/1/2013	\$ 15,201,128	\$ 21,263,557	\$ 6,062,429	71.49%	\$ 155,868,820	3.89%
7/1/2015	\$ 18,586,921	\$ 22,479,610	\$ 3,892,689	82.68%	\$ 147,923,507	2.63%

See accompanying note to required supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 STRS
 FOR THE YEAR ENDED JUNE 30, 2016**

District's proportion of the net pension liability		0.208%
District's proportionate share of the net pension liability	\$	139,938,870
States's proportionate share of the net pension liability associated with the District		74,012,037
Total	\$	<u>213,950,907</u>
District's covered-employee payroll	\$	105,341,887
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		132.8%
Plan fiduciary net position as a percentage of the total pension liability.		76.5%

See accompanying note to required supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 PERS
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>
District's proportion of the net pension lia	0.565%
District's proportionate share of the net pension liability	\$ 83,290,413
District's covered-employee payroll	\$ 60,878,491
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.8%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – STRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>
Contractually required contribution	\$ 11,176,072
Contributions in relation to the contractually required contribution*	(11,176,072)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 105,341,887
Contributions as a percentage of covered-employee payroll	10.61%

*Amounts do not include on behalf contributions

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>
Contractually required contribution	\$ 5,424,269
Contributions in relation to the contractually required contribution	(5,424,269)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 60,878,491
Contributions as a percentage of covered-employee payroll	8.91%

See accompanying note to required supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - PURPOSE OF SCHEDULE

A. Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

C. Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

**SUPPLEMENTARY
INFORMATION**

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2016**

	General Fund Unrestricted	General Fund Restricted	Bond Interest and Redemption Fund	Special Revenue Funds
Assets				
Current assets:				
Cash and investments	\$ 51,469,644	\$ (4,914,858)	\$ 51,498,058	\$ 1,572,469
Accounts receivable	10,465,553	6,825,980	-	2,943
Prepaid expenses	111,139	(54,910)	-	-
Due from other funds	-	64,593,321	-	1,175,363
Inventories	-	-	-	-
Total current assets	62,046,336	66,449,533	51,498,058	2,750,775
Noncurrent assets:				
Capital assets, net	-	-	-	-
Total noncurrent assets	-	-	-	-
Total assets	\$ 62,046,336	\$ 66,449,533	\$ 51,498,058	\$ 2,750,775
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	\$ 7,314,986	\$ 584,813	\$ -	\$ 32,335
Accrued Salaries and Wages Payable	8,872,528	-	-	-
Deferred Revenue	2,298,598	655,949	-	-
Due to Other Funds	8,652,959	-	-	648,972
Total liabilities	27,139,071	1,240,762	-	681,307
Fund Balances	34,907,265	65,208,771	51,498,058	2,069,468
Total liabilities and fund balance	\$ 62,046,336	\$ 66,449,533	\$ 51,498,058	\$ 2,750,775

See accompanying note to supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET, continued
JUNE 30, 2016

	San Diego Community			
	Capital Outlay Fund	Prop S and N Bonds Capital Projects Fund	College District Auxiliary Organization	Bookstore Fund
Assets				
Current assets:				
Cash and investments	\$ 12,491,261	\$ 96,899,617	\$ 1,423,333	\$ 8,121,214
Accounts receivable	14,745	116,063	1,861	1,277,418
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	862
Inventories	-	-	-	2,294,309
Total current assets	12,506,006	97,015,680	1,425,194	11,693,803
Noncurrent assets:				
Capital assets, net	-	-	-	7,128
Total noncurrent assets	-	-	-	7,128
Total assets	\$ 12,506,006	\$ 97,015,680	\$ 1,425,194	\$ 11,700,931
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	\$ 465,827	\$ 8,274,985	\$ 165,716	\$ 994,244
Accrued Salaries and Wages Payable	-	-	-	-
Deferred Revenue	261,993	-	53,554	441,844
Due to Other Funds	687,118	33,974,102	-	6,516,780
Total liabilities	1,414,938	42,249,087	219,270	7,952,868
Fund Balances	11,091,068	54,766,593	1,079,917	3,748,063
Total liabilities and fund balance	\$ 12,506,006	\$ 97,015,680	\$ 1,299,187	\$ 11,700,931

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET, continued
JUNE 30, 2016**

	Cafeteria Fund	Other Enterprise Fund	Self-Insurance Fund	Financial Aid Fund	Total
Assets					
Current assets:					
Cash and investments	\$ 3,000,385	\$ 821,959	\$ 7,035,301	\$ 17,104,635	\$ 246,523,018
Accounts receivable	35,546	762,543	6,875	317,962	19,827,489
Prepaid expenses	7,775	-	-	-	64,004
Due from other funds	756	-	7,967,574	293,576	74,031,452
Inventories	-	-	-	-	2,294,309
Total current assets	3,044,462	1,584,502	15,009,750	17,716,173	342,740,272
Noncurrent assets:					
Capital assets, net	56,668	-	-	-	63,796
Total noncurrent assets	56,668	-	-	-	63,796
Total assets	\$ 3,101,130	\$ 1,584,502	\$ 15,009,750	\$ 17,716,173	\$ 342,804,068
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ (50,264)	\$ 45,922	\$ 4,318,400	\$ 13,291	\$ 22,160,255
Accrued Salaries and Wages Payable	-	-	-	-	8,872,528
Deferred Revenue	25,315	-	7,938	661	3,745,852
Due to Other Funds	3,126,079	1,541,779	1,714,483	17,698,493	74,560,765
Total liabilities	3,101,130	1,587,701	6,040,821	17,712,445	109,339,400
Fund Balances	-	(3,199)	8,968,929	3,728	233,338,661
Total liabilities and fund balance	\$ 3,101,130	\$ 1,584,502	\$ 15,009,750	\$ 17,716,173	\$ 342,678,061

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF COMBINING BALANCE SHEET TO STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Total fund balances reported in the Combining Balance Sheet	\$ 233,338,661
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Net capital assets	1,458,078,601
Less: capital assets reported in the proprietary funds	(63,796)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Long-term liabilities - current portion	(31,563,151)
Long-term liabilities - noncurrent portion	(1,592,853,053)
Deferred outflows and inflows of resources relating to pensions:	
In the governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported as:	
Deferred outflows of resources related to pensions	22,572,491
Deferred inflows of resources related to pensions	(33,901,354)
Interest payable on long-term debt that is not included as a current liability in the governmental funds:	<u>(21,634,127)</u>
Total Net Position	<u>\$ 33,974,272</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES) AND CHANGES IN
FUND EQUITY
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund Unrestricted	General Fund Restricted	Bond Interest and Redemption Fund	Special Revenue Funds
Federal Revenues	\$ -	\$ 11,519,349	\$ -	\$ 87,229
State Grants and Contracts	-	40,320,211	-	708,217
State Apportionment	126,522,444	-	-	-
State Taxes and Other Revenue	37,257,166	-	-	-
Local Grants and Contracts	-	10,126,991	-	736,102
Local Property Taxes	92,368,791	-	67,870,893	-
Internal Service Sales and Charges	1,134,120	-	-	-
Investment Income	497,614	-	190,481	8,908
Student Tuition and Fees	18,822,381	-	-	-
Other Financing Sources	873,573	5,083,142	-	125,000
Total Revenue	277,476,089	67,049,693	68,061,374	1,665,456
Academic Salaries	105,230,026	17,966,642	-	238,554
Classified Salaries	58,317,537	12,205,209	-	372,394
Benefits	57,002,119	8,558,220	-	150,186
Supplies and Materials	3,029,454	2,894,023	-	329,899
Other Operating Expenses	20,225,285	6,151,738	-	58,882
Capital Outlay	3,488,642	4,091,521	-	35,210
Other Outgo	3,927,457	3,685,640	14,430,090	68,328
Interest Expense	-	-	54,717,060	-
Total Expense	251,220,520	55,552,993	69,147,150	1,253,453
Net change in fund balance	26,255,569	11,496,700	(1,085,776)	412,003
Beginning fund balance	8,651,696	53,712,071	52,583,834	1,657,465
Ending fund balance	\$ 34,907,265	\$ 65,208,771	\$ 51,498,058	\$ 2,069,468

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES) AND CHANGES IN
FUND EQUITY, continued
FOR THE YEAR ENDED JUNE 30, 2016**

	Capital Outlay Fund	Prop N Bonds Capital Projects Fund	San Diego Community College District Auxiliary Organization	Bookstore Fund
Federal Revenues	\$ -	\$ -	\$ -	\$ -
State Grants and Contracts	-	-	-	-
State Apportionment	-	-	-	-
State Taxes and Other Revenue	4,084,562	5,659	-	494
Local Grants and Contracts	1,641,324	-	-	-
Local Property Taxes	-	-	-	-
Internal Service Sales and Charges	-	-	-	11,037,116
Investment Income	62,288	622,003	602,680	26,853
Student Tuition and Fees	-	-	-	-
Other Financing Sources	1,221,679	65,209,528	(88,024)	-
Total Revenue	7,009,853	65,837,190	514,656	11,064,463
Academic Salaries	-	-	-	-
Classified Salaries	-	1,302,207	-	1,731,693
Benefits	-	472,404	-	587,168
Supplies and Materials	106,079	842,677	-	8,706,679
Other Operating Expenses	451,107	7,397,229	346,555	339,099
Capital Outlay	4,618,547	55,146,724	-	89,047
Other Outgo	862,314	65,209,527	-	1,347,085
Interest Expense	-	-	-	-
Total Expense	6,038,047	130,370,768	346,555	12,800,771
Net change in fund balance	971,806	(64,533,578)	168,101	(1,736,308)
Beginning fund balance	10,119,262	119,300,171	735,768	5,484,371
Ending fund balance	\$ 11,091,068	\$ 54,766,593	\$ 903,869	\$ 3,748,063

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES) AND CHANGES IN
FUND EQUITY, continued
FOR THE YEAR ENDED JUNE 30, 2016**

	Cafeteria Fund	Other Enterprise Fund	Self-Insurance Fund	Financial Aid Fund	Total
Federal Revenues	\$ -	\$ -	\$ -	\$ 57,949,794	\$ 69,556,372
State Grants and Contracts	-	-	-	5,113,152	46,141,580
State Apportionment	-	-	-	-	126,522,444
State Taxes and Other Revenue	-	-	-	-	41,347,881
Local Grants and Contracts	-	734,010	-	-	13,238,427
Local Property Taxes	-	-	-	-	160,239,684
Internal Service Sales and Charges	4,565,564	-	40,166,009	-	56,902,809
Investment Income	8,020	805	31,782	2,192	2,053,626
Student Tuition and Fees	-	-	-	-	18,822,381
Other Financing Sources	1,347,085	135,000	7,675	42,718	73,957,376
Total Revenue	5,920,669	869,815	40,205,466	63,107,856	608,782,580
Academic Salaries	-	493,977	-	-	123,929,199
Classified Salaries	2,501,007	150,487	-	-	76,580,534
Benefits	789,718	3,909	-	-	67,563,724
Supplies and Materials	2,095,339	220,357	-	-	18,224,507
Other Operating Expenses	629,572	4,284	39,099,362	-	74,703,113
Capital Outlay	-	-	-	-	67,469,691
Other Outgo	-	-	-	63,105,664	152,636,105
Interest Expense	-	-	-	-	54,717,060
Total Expense	6,015,636	873,014	39,099,362	63,105,664	635,823,933
Net change in fund balance	(94,967)	(3,199)	1,106,104	2,192	(27,041,353)
Beginning fund balance	94,967	-	7,862,825	1,536	260,203,966
Ending fund balance	\$ -	\$ (3,199)	\$ 8,968,929	\$ 3,728	\$ 233,162,613

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES)
AND CHANGES IN FUND BALANCE TO STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Total change in fund balances, governmental funds:	\$ (27,041,353)
Governmental funds report capital outlay as expenditures. Capital outlay expenditures are included in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances. However, in the Statement of Revenues, Expenses, and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	66,944,724
Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced longterm liabilities in the Statement of Net Position.	14,430,090
Amortization expense on bond premiums is reported in the Statement of Revenues, Expenses, and Changes in Net Position, but it does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	(10,981,221)
Compensated absences are reported in the Statement of Revenues, Expenses, and Changes in Net Position, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds.	(643,022)
Net pension liability is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, the change in the Net Pension Liability is not reported as an expenditure in government funds.	(44,295,796)
Deferred outflows and inflows are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, the change in the deferred outflows/inflows are not reported as an expenditure in governmental funds.	11,328,863
Net OPEB liability is reported in the Statement of Revenues, Expenses, and Changes in Net Position, but it does not require the use of current financial resources. Therefore, the change in the OPEB liability is not reported as an expenditure in governmental funds.	(81,787)
Depreciation expense on capital assets is reported in the Statement of Revenues, Expenses, and Changes in Net Position, but it does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in governmental funds.	(34,247,223)
Accreted interest on long-term debt is not recorded as an expenditure in the governmental funds. In the Statement of Revenues, Expenses, and Changes in Net Position , however, this is recorded as an interest expense.	12,457,574
Internal service funds are used to conduct certain activities for which costs are charged to other funds o a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	1,106,104
Interest expense on long-term debt is reported in the Statement of Revenues, Expenses, and Changes in Net Position, but it did not require the use of current financial resources.	<u>2,693,182</u>
Change in Net Position	<u>\$ (8,329,865)</u>

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Budget Element	Federal Catalog Number	Grantor or Pass- through Agency ID	Total Expenditures
FEDERAL FUNDING			
US Department of Education:			
Financial Aid Cluster:			
PELL	84.063	84.063	\$ 51,171,026
SEOG	84.007	84.007	977,906
Direct Loans	84.268	84.268	4,739,806
Federal Work Study	84.033	84.033	893,174
Subtotal financial aid cluster			<u>57,781,912</u>
Career and Technical Education 1C			
VATEA Curriculum Develpm & Instr	84.048	n/a	1,353,279
VATEA Student Support	84.048	n/a	323,673
VATEA Professional Development	84.048	n/a	22,327
VATEA Administration	84.048	n/a	182
VATEA Evaluation	84.048	n/a	97,101
VATEA Public Relations & Disemin.	84.048	n/a	87,100
CTE Transitions (Tech Prep)	84.048	n/a	135,357
Subtotal vocational education:			<u>2,019,019</u>
Adult Ed El Civics	* 84.002A	n/a	537,434
Adult Ed & Family Literacy	* 84.002A	n/a	1,664,253
Subtotal Adult Education:			<u>2,201,687</u>
USDE Student Retention Grant	* 84.031S	n/a	451,193
HIS Program Title V	84.031S	n/a	547,028
Child Dev Food Grant	10.558	n/a	96,875
Total US Department of Education			<u>1,095,096</u>
US Department of Defense:			
CIP Corry Station 15	*12.unk	N63394-12-P-5159	22,879
CIP Corry Station 14	*12.unk	N63394-12-P-5159	957
Combat Systems - Great Lakes 14	*12.unk	N00178-04-D-4079	86,385
Combat Systems - San Diego 14	*12.unk	N00178-04-D-4079	30,489
CIP Meridian 14	*12.unk	N00189-15-A-0023	14,336
Combat Systems - Great Lakes 15	*12.unk	N00178-04-D-4079	624,412
Combat Systems - San Diego 15	*12.unk	N00178-04-D-4079	225,657
CIP Meridian 15	*12.unk	N00189-12-C-Z115	256,203
CIP Corry Station 16	*12.unk	N63394-12-P-5159	31,663
Combat Systems - Great Lakes 16	*12.unk	N00178-04-D-4079	1,705,390
Combat Systems - San Diego 16	*12.unk	N00178-04-D-4079	701,828
Global PCCI - (GPC)	*12.unk	-	2,710
CIP Meridian 16	*12.unk	N00189-15-A-0023	263,624
Naval Shipyard - Yokosuka Japan	*12.unk	N00406-16-P-0049	12,290
Total US Department of Defense			<u>3,978,823</u>

Continued on the next page

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Budget Element</u>	<u>Federal Catalog Number</u>	<u>Grantor or Pass- through Agency ID</u>	<u>Total Expenditures</u>
US Department of Justice			
Commission on POST 13-14	unknown	n/a	1,810
Commission on POST - AICC	unknown	n/a	84,145
Commission on POST 15-16	unknown	n/a	248,392
Total US Department of Justice			334,347
Transportation Security Administration			
TSA Security Trng - SBF 15-16	unknown	n/a	5,997
Total Transportation Security Administration			5,997
US Department of Health and Human Services:			
Bridges to the Future 08	98.859	n/a	169,850
Bridges to Baccalaureate Ct	93.859	n/a	7,748
Total US Department of Health and Human Services			177,598
Department of Rehabilitation			
Dept of Rehab College 2 Career Work Experience	84.126A	n/a	3,819
Dept of Rehab College to Career	84.126A	n/a	257,534
Dept of Rehab Workability	84.126A	n/a	461,417
Total Department of Rehabilitation			722,770
Miscellaneous Programs:			
South Coast Air Q-Truck ORC	81.086	n/a	14,834
DETA Research Project	unknown	n/a	-
SEEDS Scholars Program	10.223	n/a	51,541
Bay Area Air Quality Management Grant	unknown	n/a	-
YMCA - SD Urban Teachers 15-16	unknown	n/a	71,506
YMCA - SD Urban Teachers	unknown	n/a	1,584
Gear Up Program	unknown	n/a	520
First Year Experience Grant	unknown	n/a	9,628
VETS Admin Allow - City	unknown	n/a	2,481
VETS Admin Allow - Mesa	unknown	n/a	7,821
VETS Admin Allow - Miramar	unknown	n/a	5,321
Admin. Allowance - City/CET	84.077, 84.033, 84.063	n/a	101,441
Admin. Allowance - Mesa	84.077, 84.033, 84.064	n/a	62,391
Admin. Allowance - Miramar	84.077, 84.033, 84.065	n/a	19,499
Student Support. Services - Mesa	84.042	n/a	295,557
Total Miscellaneous Programs			644,125
Total Federal Expenditures			\$ 68,961,373

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Budget Element	Allocation/ Entitlements Current Year	Program Revenues				Transfers In	Program Expenditures		
		Cash Received	Accounts Receivable	Deferred Revenue	Total		Direct	Indirect	Total
BFAP Admin. - City	705,071	705,220	-	-	705,220	-	704,874	-	704,874
BFAP Admin. - Mesa	829,444	814,944	-	-	814,944	-	829,444	-	829,444
BFAP Admin. - Miramar	416,770	410,813	-	-	410,813	-	415,918	-	415,918
BFAP Admin	\$ 1,951,285	\$ 1,930,977	\$ -	\$ -	\$ 1,930,977	-	\$ 1,950,236	\$ -	\$ 1,950,236
EOPS Adm/Services - City	966,328	973,168	-	-	973,168	-	966,812	-	966,812
EOPS Adm/Services - Mesa	654,526	664,696	-	-	664,696	-	653,674	-	653,674
EOPS Adm/Services - Miramar	366,439	371,975	-	-	371,975	-	370,593	-	370,593
Extended Opportunity Programs and Services	\$ 1,987,293	\$ 2,009,839	\$ -	\$ -	\$ 2,009,839	-	\$ 1,991,079	\$ -	\$ 1,991,079
EOPS Financial Aid - FS	7,690		7,690	-	7,690	-	7,690	-	7,690
EOPS Financial Aid - FS	203,202	203,442	(240)	-	203,202	-	203,202	-	203,202
EOPS Financial Aid - FS	95,250	95,450	(200)	-	95,250	-	95,250	-	95,250
Extended Opportunity Prg FA	\$ 306,142	\$ 298,892	\$ 7,250	\$ -	\$ 306,142	\$ -	\$ 306,142	\$ -	\$ 306,142
Extended Opportunity Programs and Services	\$ 2,293,435	\$ 2,308,731	\$ 7,250	\$ -	\$ 2,315,981	-	\$ 2,297,221	\$ -	\$ 2,297,221
Care Program - City	90,120	92,297	-	-	92,297	-	92,304	-	92,304
Care Program - Mesa	60,446	63,141	-	-	63,141	-	63,141	-	63,141
Care Program - Miramar	29,215	29,209	-	-	29,209	-	29,207	-	29,207
Cooperative Agencies	\$ 179,781	\$ 184,647	\$ -	\$ -	\$ 184,647	-	\$ 184,652	\$ -	\$ 184,652
Care Program Financial Aid -FS	10,800	12,400	(1,600)	-	10,800	-	10,800	-	10,800
Care Program Financial Aid -FS	12,631	12,631	-	-	12,631	-	12,631	-	12,631
Care Program Financial Aid -FS	20,000	20,000	-	-	20,000	-	20,000	-	20,000
Cooperative Agencies - FS	\$ 43,431	\$ 45,031	\$ (1,600)	\$ -	\$ 43,431	\$ -	\$ 43,431	\$ -	\$ 43,431
Care Program	\$ 223,212	\$ 229,678	\$ (1,600)	\$ -	\$ 228,078	-	\$ 228,083	\$ -	\$ 228,083
AB1725 Staff Diversity	121,667	14,097	-	-	14,097	-	5,096	-	5,096
Staff Development	11,311	-	-	-	-	-	2,443	-	2,443
AB1725 Staff Diversity/Development	\$ 132,978	\$ 14,097	\$ -	\$ -	\$ 14,097	-	\$ 7,539	\$ -	\$ 7,539
Program for Disabled	4,208,790	4,232,715	-	-	4,232,715	-	4,159,039	-	4,159,039
Deaf & Hard of Hearing/State	493,705	493,705	-	-	493,705	-	492,907	-	492,907
Disabled Students Program	\$ 4,702,495	\$ 4,726,420	\$ -	\$ -	\$ 4,726,420	-	\$ 4,651,946	\$ -	\$ 4,651,946
Puente Program	3,420	3,000	-	-	3,000	-	1,198	-	1,198
<i>Continued on the next page</i>									

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

Budget Element	Allocation/ Entitlements Current Year	Program Revenues				Transfers In	Program Expenditures		
		Cash Received	Accounts Receivable	Deferred Revenue	Total		Direct	Indirect	Total
Adult Ed Block Grant Data and Accountability		451,837		(451,837)	-		-	-	-
Adult Ed Block Grant	2,752,360	2,752,360		-	2,752,360	-	282,039	36,507	318,546
Adult Education Block Grant	\$ 2,752,360	\$ 3,204,197	\$ -	\$ (451,837)	\$ 2,752,360	-	\$ 282,039	\$ 36,507	\$ 318,546
Suicide Prevention Program 15-16	92,395	16,731	31,334		48,065		46,216	1,849	48,065
New Innovative Apprenticeship - MMR	600,000	240,000	-	-	240,000		58,153	2,326	60,479
New Pre Apprenticeship - City	500,000	200,000	-	-	200,000		5,500	220	5,720
New Apprenticeship Programs	1,100,000	440,000	-	-	440,000		63,653	2,546	66,199
CalWorks Welfare to Work	360,446	124,904	10,000	-	134,904		148,290	10,037	158,327
SD Early Middle College	50,500	20,200	30,300	-	50,500		48,953	1,942	50,895
SD Early Middle College HS 15-16	99,000	39,682	41,957	-	81,639		77,201	3,137	80,338
SD Early Middle College	149,500	59,882	72,257	-	132,139	-	126,154	5,079	131,233
Basic Skills 12-13	76	1,867	-	-	1,867		1,943	-	1,943
Basic Skills 13-14	14,709	86	-	-	86		14,025	-	14,025
Basic Skills 14-15	916,171	10,976	-	-	10,976		927,078	-	927,078
Basic Skills 15-16	983,936	959,336	-	-	959,336		129,607	-	129,607
Basic Skills	\$ 1,914,892	\$ 972,265	\$ -	\$ -	\$ 972,265	-	\$ 1,072,653	\$ -	\$ 1,072,653
CDTC - Yosemite CCD	12,500	12,500	-	-	12,500		13,208	919	14,127
Part Time Faculty	873,573	890,226	-	-	890,226		16,653	873,573	890,226
Telecom & Technology	23,799	-	-	-	-		18,990	-	18,990
Governor's IELM	2,438,601	2,214,088	-	-	2,214,088		1,726,395	-	1,726,395
IELM Block Grant	45,076	-	-	-	-		-	-	-
Instructional Equipment and Library Materials	\$ 2,483,677	\$ 2,214,088	\$ -	\$ -	\$ 2,214,088	-	\$ 1,726,395	\$ -	\$ 1,726,395
Student S&S Program Credit 14-15	2,651,785	8,480	-	-	8,480		2,571,764	-	2,571,764
Student S&S Program N- Credit	2,661,752	2,586,752	-	-	2,586,752		1,794,290	-	1,794,290
Student S&S Program Credit	5,241	40,530	-	-	40,530		45,806	-	45,806
Student S&S Program Credit 15-16	8,786,862	8,786,862	-	-	8,786,862		4,665,113	-	4,665,113
Student S & S Program	\$ 14,105,640	\$ 11,422,624	\$ -	\$ -	\$ 11,422,624	-	\$ 9,076,973	\$ -	\$ 9,076,973
Math ESA/CCCP City College	50,500	31,670	20,200	-	51,870		49,927	1,943	51,870
Student Equity 14-15	1,781,535	-	-	-	-		1,764,590	-	1,764,590
Student Equity 15-16	5,830,317	5,502,384	-	-	5,502,384		1,868,043	-	1,868,043
Student Equity Plan	\$ 7,611,852	\$ 5,502,384	\$ -	\$ -	\$ 5,502,384	-	\$ 3,632,633	\$ -	\$ 3,632,633

Continued on the next page

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

Budget Element	Allocation/ Entitlements Current Year	Program Revenues				Transfers In	Program Expenditures		
		Cash Received	Accounts Receivable	Deferred Revenue	Total		Direct	Indirect	Total
AB86 Adult Education Consortium	138,857	8,249	-	-	8,249	-	99,187	3,967	103,154
EWD - Ca Energy Commission	2,000,000	-	-	-	-	-	-	-	-
Nursing Retention Grant 15-16	78,287	72,022	6,265	-	78,287	-	75,276	3,011	78,287
Enrollment Growth - Nursing 15-16	79,800	74,787	6,382	(6,018)	75,151	-	72,082	3,069	75,151
Nursing Retention Grants	\$ 158,087	\$ 146,809	\$ 12,647	\$ (6,018)	\$ 153,438	-	\$ 147,358	\$ 6,080	\$ 153,438
Advance Transportation Renewables	372,500	149,000	223,500	-	372,500	-	353,827	14,326	368,153
Cal - Works	1,399,741	1,440,172	-	-	1,440,172	-	1,434,823	-	1,434,823
TANF	322,555	328,292	-	-	328,292	-	328,292	-	328,292
Proposition 20 Lottery Funds	5,563,529	1,299,798	962,028	-	2,261,826	-	1,751,113	-	1,751,113
FCCC Student Mental Health	12,827	12,827	25,228	-	38,055	-	11,932	895	12,827
DSN Adv Transport - MMR 14-15	180,518	518	257,479	-	257,997	-	164,703	4,097	168,800
DSN ICT Digital Media - City 14-15	121,482	(98,518)	98,518	-	-	-	99,960	2,406	102,366
DSN Life Sci Bio Tech MMR14-15	118,102	(131,898)	131,898	-	-	-	112,948	5,114	118,062
DSN Advanced Manf - City 14-15	272,162	-	71,800	-	71,800	-	119,194	4,768	123,962
DSN Adv Transport - MMR 15-16	300,000	120,000	-	-	120,000	-	194,175	10,218	204,393
DSN ICT Digital Media - City 15-16	300,000	120,000	-	-	120,000	-	174,836	6,813	181,649
DSN Advanced Manf - City 15-16	200,000	120,000	-	-	120,000	-	-	-	-
DSN Life Sci Bio Tech MMR15-16	300,000	81,089	207,488	-	288,577	-	205,427	8,173	213,600
Deputy Sector Navigator Grants	\$ 1,792,264	\$ 211,191	\$ 767,183	\$ -	\$ 978,374	-	\$ 1,071,243	\$ 41,589	\$ 1,112,832
Small Business Sector Navigator	1	9,060	-	-	9,060	-	9,059	1	9,060
Sector Navigator ITC/Digital	103	103	-	-	103	-	103	-	103
Sector Navigator Life Science 15-16	372,500	149,000	223,500	-	372,500	-	358,174	14,326	372,500
Sector Navigator	\$ 372,604	\$ 158,163	\$ 223,500	\$ -	\$ 381,663	-	\$ 367,336	\$ 14,327	\$ 381,663
CTE Enhancement Grant - City	276,393	131,664	10,935	-	142,599	-	239,250	-	239,250
CTE Enhancement Grant - Miramar	169,317	121,126	-	-	121,126	-	84,063	-	84,063
CTE Enhancement Grant - Cont'd Ed.	227,802	66,110	6,323	-	72,433	-	148,041	-	148,041
CTE Enhancement Grant - Mesa	147,980	95,777	-	-	95,777	-	67,249	-	67,249
CTE Enhancement Grant	\$ 821,492	\$ 414,677	\$ 17,258	\$ -	\$ 431,935	-	\$ 538,603	\$ -	\$ 538,603
Project Concern International	10,000	10,000	-	-	10,000	-	9,615	385	10,000
OSHPD - Health Careers Training Program	11,996	10,796	1,200	-	11,996	-	11,535	461	11,996
New World of Work - F R College	25,000	10,000	5,000	-	15,000	-	6,484	259	6,743
CTE Collaborative 12		5,453			5,453		5,453		5,453
Biotech CTE Hub 12-13		1,385			1,385		1,385		1,385
EWD- Ca Energy Commission		291			291		291		291
CTE Collaborative 12		2,690			2,690		2,690		2,690
Wireless Health Training		3,064			3,064		3,064		3,064
DSN ICT Digital Media - City		815			815		815		815
DSN Advanced Transport - MMR		6,911			6,911		6,911		6,911
ATTE CTE HUB10		15			15		15		15
Non Credit Matriculation		27,496			27,496		27,496		27,496
CTE Transition (Tech Prep)		5,116			5,116		5,116		5,116
DSN Life Science Bio Tech - MMR		6,384			6,384		6,384		6,384
Wireless Health Training Yr 2		2,096			2,096		2,096		2,096
Other Misc Sate	\$ -	\$ 61,716	\$ -	\$ -	\$ 61,716	\$ -	\$ 61,716	\$ -	\$ 61,716
Cal Grant		3,733,890	35,244	-	3,769,134	-	3,769,134		3,769,134
Child Dev State Food Grant	4,000	5,294	-		5,294		5,294		5,294
Child Dev CSPP - 1472	698,235	423,163	-		423,163	125,000	327,397	55,843	383,240
Child Dev CCTR - 1252	668,048	277,792	-		277,792		151,984	12,485	164,470
CALIFORNIA DEPARTMENT OF ED	\$ 1,370,283	\$ 706,248	\$ -	\$ -	\$ 706,248	125,000	\$ 484,675	\$ 68,328	\$ 553,003
Total State District Funding	\$ 55,209,694	\$ 42,806,201	\$ 2,412,229	\$ (457,855)	\$ 44,760,576	\$ 125,000	\$ 36,128,394	\$ 1,083,070	\$ 36,939,950

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Budget Element	Allocation/ Entitlements Current Year	Program Revenues				Transfers In	Program Expenditures		
		Cash Received	Accounts Receivable	Deferred Revenue	Total		Direct	Indirect	Total
YMCA Child Care Resource	\$ 13,292	\$ 2,930			\$ 2,930	-	\$ 247		\$ 247
Child Dev CSPP-9489	26,200	41,610			41,610	-	41,610		41,610
Child Dev CCTR-9261	9,000	4,254			4,254	-	4,254		4,254
Child Dev Food Grant (Interest/Gain or Loss on Inv)	3,000	5,849	(3,059)		2,790	-	-		-
Student Health Services	2,448,084	1,930,613	(1,927)	-	1,928,686	-	1,876,256	-	1,876,256
CACT - Incubator	423,965	50,681	-	-	50,681	-	198,837	-	198,837
CACT - Implemented Prog.	156,129	23,901	-	-	23,901	-	284	11	295
Center for Applied Technology	580,094	74,582	-	-	74,582	-	199,121	11	199,132
Distwide Cocurricular	2,266,463	57,770	(16)	-	57,754	2,009,988	2,085,387	-	2,085,387
Distwide Civic Center	2,326,423	1,028,903	-	-	1,028,903	-	231,862	-	231,862
Biotechnology Center Revenue	254,454	59,163	-	-	59,163	-	60,915	-	60,915
FIPT Program	44,000	-	11,683	-	11,683	-	11,683	-	11,683
Smog Referee Station Prgm	16,773	12,000	-	-	12,000	-	0	-	-
AMGEN - SDWF Partnership	24,402	10,350	-	-	10,350	-	15,622	341	15,963
Pearson/Vue Computer Testing	310	-	-	-	-	-	-	-	-
Military Cash Flow Reserve	345,666	-	-	-	-	263,831	-	172,429	172,429
Indirect Cost Recovery	738,921	-	-	-	-	468,327	-	468,327	468,327
Cash Contingency Reserve	20,942,818	-	-	-	-	318,144	-	-	-
Military Education Auxiliary	633,879	-	-	-	-	581,258	581,258	-	581,258
Military Education Support	326,031	7,656	-	-	7,656	327,056	334,703	-	334,703
Hourglass Park Miramar & Pool	1,594,872	409,955	197,698	-	607,653	805,482	1,196,222	-	1,196,222
Parking	2,558,755	2,117,737	(1,103)	-	2,116,634	-	1,934,620	-	1,934,620
Hazardous Materials	114,047	-	-	-	-	112,500	110,474	-	110,474
Library Fines	72,268	15,964	10	-	15,974	-	10,618	-	10,618
South Crest Air Quality Mgmt	11,024	11,024	-	-	11,024	-	4,455	-	4,455
San Diego County Mental Helath Career Pathways	140,156	110,084	25,200	-	135,284	-	124,361	4,936	129,297
ATTI Revenue	36,661	6,060	-	-	6,060	-	14,967	-	14,967
Price Scholarship Program	575,047	143,661	68,256	-	211,917	-	293,540	-	293,540
Educational Broadband	2,259,261	309,097	-	-	309,097	-	1,076,829	-	1,076,829
Early Middle College HS	14,628	8,477	-	-	8,477	-	13,365	-	13,365
Rape Aggress.Defense Classes	563	-	-	-	-	-	-	-	-
SDWR - Life Science Instruction & Training	34,000	34,000	-	-	34,000	-	13,470	539	14,009
Medical Billing Technology	100,903	100,926	-	-	100,926	-	26,760	-	26,760
SDUSD - SDEMC Leasing	149,600	10,200	-	-	10,200	-	5,231	209	5,440
Student Copy Charges	120,807	35,025	-	-	35,025	-	9,823	-	9,823
APPA Award	4,000	-	-	-	-	-	-	-	-
Arthur Rupe foundation Grant	45,000	91,369	-	(45,000)	46,369	-	46,369	-	46,369
Early Middle College HS -Hoover	-	(7,047)	7,047	-	-	-	-	-	-
Grossmont/Cuyamaca CCD	16,000	-	16,000	-	16,000	-	16,000	-	16,000
Hit The Books	20,442	-	-	-	-	-	-	-	-
Child Care Center	180,025	34,500	-	-	34,500	-	1,667	-	1,667
Electronic Music Tutorial	1,081	-	-	-	-	-	-	-	-
Curricunet License Fees	39,735	-	-	-	-	-	-	-	-
Centre City Redevelopment	19,037,742	3,240,402	-	-	3,240,402	-	-	359,365	359,365
Center for Human & Community Services	134,032	72,307	-	-	72,307	-	17,506	-	17,506
Total Local District Funding	\$ 58,260,459	\$ 9,979,422	\$ 319,789	\$ (45,000)	\$ 10,254,211	\$ 4,886,586	\$ 10,359,196	\$ 1,006,157	\$ 11,365,353

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL
ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	Reported Data	Audit Adjustment	Revised Data
A. Summer Intersession (Summer 2014 Only)			
1. Noncredit	827.00	-	827.00
2. Credit	1,074.00	-	1,074.00
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	491.00	-	491.00
2. Credit	3,656.00	-	3,656.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	23,338.00	-	23,338.00
(b) Daily Census Contact Hours	2,355.00	-	2,355.00
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	6,729.00	-	6,729.00
(b) Credit	1,347.00	-	1,347.00
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	3,104.00	-	3,104.00
(b) Daily Census Procedure Courses	1,291.00	-	1,291.00
(c) Noncredit Independent Study/Distance Education Courses	154.00	-	154.00
D. Total FTES	44,366.00	-	44,366.00
Supplemental Information (subset of information above)			
In-service Training Courses (FTES)	1,598.00	-	1,598.00
Basic Skills Courses and Immigrant Education			
1. Noncredit	4,560.00	-	4,560.00
2. Credit	3,028.00	-	3,028.00
CCFS 320 Addendum			
CDCP	6,290.00	-	6,290.00
Centers FTES			
1. Noncredit	8,004.00	-	8,004.00
2. Credit	-	-	-

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH
DISTRICT ACCOUNTING SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016**

There were no adjustments necessary to reconcile the District accounting system with the Annual CCFS-311 report.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2016**

		Activity (ECSA) ECS 84362 A Instructional Salary Cost	Activity (ECSB) ECS 84362 B Total CEE	Activity (ECSX) Excluded Activities	Total
	Object Code	AC 0100-59000 & AC 6110	AC 0100-6799	AC 6800-7390	
Academic Salaries					
Instructional Salaries					
Contract or Regular	1100	43,198,102	43,198,102	-	43,198,102
Other	1300	41,916,984	41,916,984	-	41,916,984
Total Instructional Salaries		85,115,086	85,115,086	-	85,115,086
Non-Instructional Salaries					
Contract or Regular	1200	-	18,395,578	147,620	18,543,198
Other	1400	-	1,564,963	6,778	1,571,741
Total Non-Instructional Salaries		-	19,960,541	154,398	20,114,939
Total Academic Salaries		85,115,086	105,075,627	154,398	105,230,025
Classified Salaries					
Non-Instructional Salaries					
Regular Status	2100	-	48,133,578	358,523	48,492,101
Other	2300	-	2,110,950	23,216	2,134,166
Total Non-Instructional Salaries		-	50,244,528	381,739	50,626,267
Instructional Aides					
Regular Status	2200	6,321,421	6,321,421	-	6,321,421
Other	2400	1,369,849	1,369,849	-	1,369,849
Total Non-Instructional Aides		7,691,270	7,691,270	-	7,691,270
Total Classified Salaries		7,691,270	57,935,798	381,739	58,317,537
Employee Benefits	3000	29,445,202	56,822,498	179,621	57,002,119
Supplies and Materials	4000	-	3,022,232	7,222	3,029,454
Other Operating Expenses	5000	614,286	20,162,152	63,133	20,225,285
Equipment Replacement	6420	-	125	-	125
Total Expenditures Prior to Exclusions		122,865,844	243,018,432	786,113	243,804,545
Exclusions					
Activities to Exclude					
Instructional Staff - Retiree & Retirement Incentives	5900	277,051	277,051	-	277,051
Student Health Services Above Amount Collected	6441	-	-	-	-
Student Transportation	6491	-	-	-	-
Noninstructional Staff- Retirees Benefits & incentives	6740	-	1,214,620	-	1,214,620
Objects to Exclude					
Rents and Leases	5060	-	253,136	-	253,136
Lottery Expenditures					
Academic Salaries	1000	-	-	-	-
Classified Salaries	2000	-	-	-	-
Employee Benefits	3000	-	-	-	-
Supplies and Materials					
Software	4100	-	-	-	-
Books, Mag, Periodicals	4200	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-
Non Instructional Supplies and Materials	4400	-	-	-	-
Total Supplies and Materials	4000	-	-	-	-
Other Operating Expenses	5000	-	6,566,314	-	6,566,314
Capital Outlay					
Library Books	6300	-	-	-	-
Equipment					
Equipment - Additional	6410	-	3,488,517	-	3,488,517
Equipment - Replacement	6420	-	125	-	125
Total Equipment		-	3,488,642	-	3,488,642
Total Capital Outlay		-	3,488,642	-	3,488,642
Other Outgoing	7000	-	-	-	-
Total Exclusions		277,051	11,799,763	-	11,799,763
Total for ECS 84362, 50% Law		122,588,793	231,218,669	786,113	232,004,782
Percent of CEE (Instructional Salary Cost / Total CEE)		53.02%	100%		
50% of Current Expense of Education			115,609,335		

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2016**

EPA Revenue	\$ 35,495,729
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 35,495,729	\$ -	\$ -	\$ 35,495,729
Total		\$ 35,495,729	\$ -	\$ -	\$ 35,495,729

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

A. SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND LOCAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditure of Federal, State and Local Awards (Schedule) summarizes the expenditures of the San Diego Community College District (District) under programs of the federal, state and local governments for the year ended June 30, 2016. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

For purposes of the Schedule, awards include all grants and contracts entered into directly between the District and agencies and departments of the federal government. The awards are classified into major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*

Basis of Accounting

For purpose of the Schedule, expenditures for federal programs are recognized on the accrual basis of accounting. Expenditures are determined using the cost accounting principles and procedures set forth in the OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

B. SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT AND ANNUAL APPRENTICESHIP HOURS INSTRUCTION

These schedules represent the basis of apportionment of the District's annual source of funding.

C. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FUND BALANCES

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

D. RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expended for salaries of classroom instructors.

E. DETAILS OF THE EDUCATION PROJECTION ACCOUNT

This schedule reports the District revenue and expenditure classification of the Proposition 30 Education Protection Account funds.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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*

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

The 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 governmental activities, each major fund, and the aggregate remaining fund information of San Diego Community College District, as of and for the year ended June 30, 2016, 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 November 3, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

SAN DIEGO
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State Board of Accountancy*

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

Compliance and Other Matters

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

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.

Christy White Associates

San Diego, California
November 3, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200,
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
San Diego Community College District
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited San Diego Community College District's compliance with the types of compliance requirements described in the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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, 2016. San Diego Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of States, Local Governments, and Non-Profit Organizations*.

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Those standards and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Diego Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, San Diego Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of San Diego Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Diego Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, , but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Diego Community College District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California

November 3, 2016

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on State Compliance

We have audited San Diego Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on San Diego Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about San Diego Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of San Diego Community College District's compliance with those requirements.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

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State Board of Accountancy*

Opinion on State Compliance

In our opinion, San Diego Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

Procedures Performed

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 429 – Student Success and Support Program (SSSP)
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intercession Extension Program
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491- Proposition 30 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
November 3, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	No
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,068,841</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings or questioned costs related to the financial statements identified in our audit for the year ended June 30, 2016.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings or questioned costs related to the federal awards identified in our audit for the year ended June 30, 2016.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings or questioned costs related to the state awards identified in our audit for the year ended June 30, 2016.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE
FOR THE YEAR ENDED JUNE 30, 2016**

This section provides additional information for disclosures required by various Official Statements, to be incorporated in the District’s Annual Report:

CONTENT OF ANNUAL REPORT

Please see the accompanying table of contents for the locations of statement and schedules referenced below.

For the audited basic financial statements prepared in accordance with generally accepted accounting principles in the United States, see the basic financial statements.

Information related to state grants, contracts and apportionments received by the District for the year ended June 30, 2016 may be derived from the Statement of Revenues, Expenses, and Changes in Net Position in the basic financial statements. Expenditures under various state grants and contracts may be found in the Schedule of Expenditure of Federal, State and Local Awards under State Funding.

Enrollment of the District for the year ended June 30, 2016 by full time equivalent and apprenticeship clock hours may be found in the Schedule of Workload Measures for State General Apportionment and the Schedule of Annual Apprenticeship Hours of Instruction.

Outstanding District indebtedness information can be found in the Notes 6 to the Basic Financial Statements.

Assessed gross valuations applicable to the area in which the District is established, as defined by the County of San Diego, are as follows:

**ASSESSED VALUATIONS - SCHOOLS
FISCAL YEAR 2015-2016**

	Secured		Unsecured	
	LOCALLY ASSESSED	STATE ASSESSED	TOTAL SECURED	TOTAL UNSECURED
SAN DIEGO	150,947,082,887	20,998,958	150,968,081,845	6,896,188,953

The San Diego Community College District is within the City of San Diego, which consists of the following Tax Rate Areas and Tax Rates:

Tax Rate Area	Tax Rate		
	2013-14	2014-15	2015-16
8001	1.18277	1.17901	1.17459
8254	1.18277	1.17901	1.17459
8988	1.17927	1.17901	1.17109
8999	1.17927	1.17901	1.17109

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CONTENT OF ANNUAL REPORT (continued)

The largest taxpayers within the County of San Diego are as follows:

LARGEST TAXPAYERS FOR FISCAL YEAR 2015-2016

<u>NO.</u>	<u>PROPERTY OWNER</u>	<u>AMOUNT OF TAX*</u>
1.	SAN DIEGO GAS & ELECTRIC CO	\$ 110,031,205
2.	QUALCOMM INC	\$ 23,275,944
3.	SOUTHERN CALIFORNIA EDISON CO	\$ 19,246,195
4.	IRVINE CO	\$ 17,233,982
5.	KILROY REALTY L P	\$ 13,546,697
6.	PACIFIC BELL TELEPHONE COMPANY	\$ 11,555,586
7.	HOST HOTELS AND RESORTS	\$ 9,564,792
8.	B S K DEL PARTNERS L L C	\$ 7,816,217
9.	CONRAD PREBYS TRUST	\$ 7,264,729
10.	FASHION VALLEY MALL L L C	\$ 6,044,747
11.	B E X PORTFOLIO L L C	\$ 5,550,531
12.	ONE PARK BOULEVARD L L C	\$ 5,515,651
13.	AT&T MOBILITY	\$ 5,109,781
14.	SOLAR TURBINES INC	\$ 5,085,344
15.	SEA WORLD PARKS AND ENTERTAINMENT	\$ 4,903,132
16.	LAJOLLA CROSSROADS 1 L L C	\$ 4,415,536
17.	OTAY MESA GENERATING CO, L L C	\$ 4,406,032
18.	LA MIRAGE APARTMENTS L L C	\$ 4,305,207
19.	COSTCO WHOLESALE CORP	\$ 4,110,138
20.	GENENTECH INC	\$ 3,966,162
21.	SORRENTO WEST PROPERTIES INC	\$ 3,927,115
22.	VERIZON WIRELESS DBA CELLCO PARTNERSHIP	\$ 3,806,318
23.	PACIFIC GATEWAY LTD	\$ 3,621,271
24.	HOST SAN DIEGO HOTEL L L C	\$ 3,463,590
25.	U T C VENTURE L L C	\$ 3,419,801
26.	PFIZER INC	\$ 3,413,283
27.	JOHN HANCOCK LIFE INSURANCE COMPANY USA	\$ 3,387,767
28.	L C INVESTMENT 2010 L L C	\$ 3,202,863
29.	SCRIPPS MESA DEVELOPERS II L L C	\$ 3,171,229
30.	C S H V S D T C L L C	\$ 3,021,059

*Includes 1%, debt service, and special assessments

SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2016

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Funds

	General Fund Unrestricted		
	Budget	Actual	Variances - Budget to Actual
REVENUES			
Federal	\$ -	\$ -	\$ -
State	165,371,453	163,779,610	(1,591,843)
Local	108,483,206	112,822,906	4,339,700
Total Revenues	\$ 273,854,659	\$ 276,602,516	\$ 2,747,857
EXPENDITURES			
Salaries	161,835,714	163,547,563	1,711,849
Employee benefits	52,038,376	57,002,119	4,963,743
Books, supplies and replacement equipment	34,980,122	26,743,381	(8,236,741)
Contingencies	34,485,987	-	(34,485,987)
Total Expenditures	283,340,199	247,293,063	(36,047,136)
Excess (Deficiency) of Revenues Over Expenditures	(9,485,540)	29,309,453	38,794,993
Other Financing Sources (Uses)			
Transfers in	4,725,709	873,573	(3,852,136)
Transfers out	(3,891,865)	(3,927,457)	(35,592)
Net Financing Sources (Uses)	833,844	(3,053,884)	(3,887,728)
NET CHANGE IN FUND BALANCE	\$ (8,651,696)	26,255,569	\$ 34,907,265
Fund Balance - Beginning		8,651,696	
Fund Balance - Ending		\$ 34,907,265	

SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2016

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Funds

	General Fund - Restricted		
	Budget	Actual	Variances - Budget to Actual
REVENUES			
Federal	\$ 12,714,790	\$ 11,519,349	\$ (1,195,441)
State	44,367,524	40,320,212	(4,047,312)
Local	9,700,602	10,126,990	426,388
Total Revenues	\$ 66,782,916	\$ 61,966,551	\$ (4,816,365)
EXPENDITURES			
Salaries	37,566,908	30,171,856	(7,395,052)
Employee benefits	10,047,656	8,558,221	(1,489,435)
Books, supplies and replacement equipment	48,887,776	13,137,283	(35,750,493)
Contingencies	-	-	-
Total Expenditures	96,502,340	51,867,360	(44,634,980)
Excess (Deficiency) of Revenues Over Expenditures	(29,719,424)	10,099,191	39,818,615
Other Financing Sources (Uses)			
Transfers in	5,053,523	5,083,141	29,618
Transfers out	(29,021,788)	(3,685,632)	25,336,156
Net Financing Sources (Uses)	(23,968,265)	1,397,509	25,365,774
NET CHANGE IN FUND BALANCE	\$ (53,687,689)	11,496,700	\$ 65,184,389
Fund Balance - Beginning		53,712,071	
Fund Balance - Ending		\$ 65,208,771	

SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2016

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Funds

	General Fund - Combined		
	Budget	Actual	Variances - Budget to Actual
REVENUES			
Federal	\$ 12,714,790	\$ 11,519,349	\$ (1,195,441)
State	209,738,977	204,099,822	(5,639,155)
Local	118,183,808	122,949,896	4,766,088
Total Revenues	\$ 340,637,575	\$ 338,569,067	\$ (2,068,508)
EXPENDITURES			
Salaries	199,402,622	193,719,419	(5,683,203)
Employee benefits	62,086,032	65,560,340	3,474,308
Books, supplies and replacement equipment	83,867,898	39,880,664	(43,987,234)
Contingencies	34,485,987	-	(34,485,987)
Total Expenditures	379,842,539	299,160,423	(80,682,116)
Excess (Deficiency) of Revenues Over Expenditures	(39,204,964)	39,408,644	78,613,608
Other Financing Sources (Uses)			
Transfers in	9,779,232	5,956,714	(3,822,518)
Transfers out	(32,913,653)	(7,613,089)	25,300,564
Net Financing Sources (Uses)	(23,134,421)	(1,656,375)	21,478,046
NET CHANGE IN FUND BALANCE	\$ (62,339,385)	37,752,269	\$ 100,091,654
Fund Balance - Beginning		62,363,767	
Fund Balance - Ending		\$ 100,116,036	