

SAN DIEGO COMMUNITY COLLEGE DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE

June 30, 2019



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

SAN DIEGO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

June 30, 2019

Independent Auditors' Report

MANAGEMENT'S DISCUSSION AND ANALYSIS i

BASIC FINANCIAL STATEMENTS1

 Statement of Net Position2

 Statement of Revenues, Expenses and Changes in Net Position4

 Statement of Cash Flows5

 Statement of Fiduciary Net Position7

 Statement of Changes in Fiduciary Net Position8

 Statement of Plan Net Position9

 Statement of Changes in Plan Net Position10

NOTES TO THE FINANCIAL STATEMENTS.....11

REQUIRED SUPPLEMENTARY INFORMATION53

 Schedule of the District's Proportionate Share of the Net Pension Liability54

 Schedule of the District's Contributions55

 Schedule of Changes in the Net OPEB Liability56

 Schedule of Postemployment Healthcare Benefit Contributions.....57

 Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of
 Return on Plan Assets58

 Notes to the Required Supplementary Information59

SUPPLEMENTARY INFORMATION.....60

 History and Organization61

 Schedule of Expenditures of Federal Awards.....62

 Schedule of State Financial Assistance - Grants.....64

 Schedule of Workload Measures for State General Apportionment Annual
 (Actual) Attendance65

 Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund
 Financial Statements66

 Reconciliation of 50 Percent Law Calculation68

 Education Protection Account Expenditure Report.....69

 Notes to the Supplementary Information.....70

OTHER INDEPENDENT AUDITORS' REPORTS.....72

 Independent Auditors' Report on Internal Control Over Financial Reporting
 and on Compliance and Other Matters Based on an Audit of Financial
 Statements Performed in Accordance with Government Auditing Standards.....73

SAN DIEGO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

June 30, 2019

Independent Auditors' Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	75
Independent Auditors' Report on State Compliance	78
FINDINGS AND QUESTIONED COSTS	80
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	81
Schedule of Findings and Questioned Costs – Related to the Financial Statements.....	82
Schedule of Findings and Questioned Costs – Related to Federal Awards.....	83
Schedule of Findings and Questioned Costs – Related to State Awards.....	90



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the San Diego Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the San Diego Community College District as of June 30, 2019, 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 management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

supplementary section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California

December 5, 2019

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL HIGHLIGHTS FOR 2018-19

- The 2018-19 State Budget Act once again represented a significant investment in the state's public higher education segments and the students of California. The state budget included total funding of \$34.3 billion (\$19.2 billion in General Fund and local property tax and \$15.1 billion in other funds) for all higher education entities in 2018-19.
- The state also made significant investments to improve student success providing \$285 million for the Student Success and Support program; to provide education planning services for matriculated students; and, \$155 million to mitigate disproportionate impacts on access and achievement for underrepresented students. The enacted state budget also integrated these programs to provide enhanced flexibility in support of students while eliminating equity gaps and support the implementation of guided pathways programs to support students in completion of their degrees and other educational goals.
- The 2018-19 state budget included \$523 million to implement a new funding formula called the "Student Centered Funding Formula" (SCFF) to replace the decades-old community college apportionment funding formula, which provided funding based on the number of full-time equivalent students (FTES) enrolled each semester.
- The SCFF was effective July 1, 2018 and was expected to be fully implemented over three fiscal years. The new funding formula is a major paradigm shift for all community colleges. The SCFF retained a portion of funding tied to FTES, presently 70% with the remaining tied to achievement of specific outcomes with 20% based on enrollment of low-income students, and the remaining 10% based on student success metrics.
- The state budget also included \$100 million in one-time funding and \$20 million in ongoing funding for the creation of a 73rd district called the Online Community College District which has been established under the governance of the Board of Governors of the California Community Colleges.
- The District projected a base apportionment increase from the state budget of \$2.4 million to assist with the transition to the SCFF along with \$6.6 million for the 2.71% percent COLA (cost of living adjustment), which was included in the state budget.
- The District met all of its repayment obligations for Prop S and Prop N General Obligation Bonds, which continue to wind-down.
- The District also met or exceeded all federal and state mandated requirements including the 50% Law and Faculty Obligation Numbers (FON).

DISTRICT BACKGROUND

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

DISTRICT BACKGROUND (continued)

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

Based upon enrollment, the District is the second largest community college district in California and the sixth largest in the United States. California residents paid an enrollment fee of \$46 per credit unit during the 2018-19 academic year. Out-of-state residents paid the enrollment fee plus tuition fees of \$245 per credit, while the baccalaureate tuition surcharge is \$84 per credit plus the applicable enrollment fee for resident and non-resident students.

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

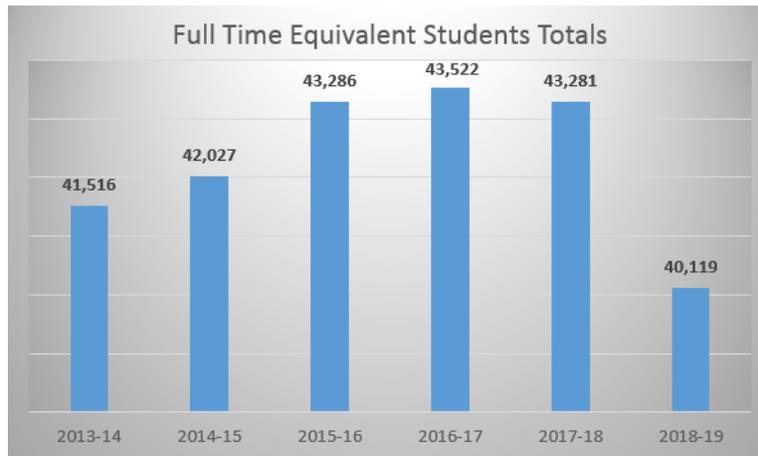
ENROLLMENT HIGHLIGHTS

The state's economy has consistently improved since funding for community colleges significantly improved as a result of the passage by voters in November 2012 of Proposition 30, which resulted in an increase to the state sales and income tax rates. Proposition 30 was scheduled to sunset after seven years; however, in November 2016, voters approved Proposition 55 which provided for the continuation of the income tax rate increase with the majority of the funding going towards education through 2030. The District's full-time equivalent students (FTES) target for 2018-19 was 40,004 FTES. Student enrollment was decreased in order to align FTES with the new SCFF model. Actual funded FTES for 2018-19 will not be known until January or February 2020 when the state releases the final "Recal" reports for all districts. A history of student enrollments is provided in the table on the following page:

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

ENROLLMENT HIGHLIGHTS (continued)

FULL TIME EQUIVALENT STUDENTS



Under the SCFF model, districts will only receive 70% state funding tied to student enrollment as compared to the previous funding model which funded based upon 100% tied to student enrollment. The remaining 30% funding in the 2018-19 State Budget Act was to be based upon 20% tied to enrollment of low-income students with the 10% remaining tied to achievement of certain performance outcomes. The Budget Act also included an annual 5% enrollment funding reduction from 70% down to 60% over a two-year period with an increased funding tied to performance outcomes such that upon full implementation of the SCFF districts would be funded at 60% enrollment, 20% low-income students and 20% based upon performance outcomes. The percentage change was originally scheduled to occur over a three year period; however, it was subsequently extended by the Governor for an additional year to occur over a four year period.

Unfortunately, final apportionment funding for all districts continues to not be known until January or February after a fiscal year has ended (for 2018-19 this will be January or February 2020), when all 72 districts have reported their FTES and outcomes in accordance with the SCFF and it has been calculated by the system office within the constraints of the state approved budget.

Community college enrollments normally fluctuate with unemployment rates. When unemployment is high, people rush to community colleges to prepare for new or improved careers and jobs, thereby boosting enrollments. When the employment situation improves, and people are able to find employment, community college enrollments usually falter or decrease. With an improved employment picture in California, which began in FY 2015-16, including San Diego, nearly half of the California community college districts continued to see a decline in their base enrollment levels. In spite of strong enrollment management planning at the District based upon smart course scheduling, flexible offerings, great institutional reputations, outstanding academic programs and faculty, and effective community outreach, the District also experienced declining student enrollment as a result of the strong economic conditions in the region, which had students enrolling in less courses each semester. San Diego County has one of the lowest unemployment rates in the state and California in the nation.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The California Community College Chancellor's Office through its Fiscal Standards and Accountability Committee, recommends that all community college districts implement the reporting standards under the BTA model. To comply with the recommendations of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District adopted the BTA reporting model for its financial statement reporting.

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

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

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

STATEMENT OF NET POSITION

The Statement of Net Position presents the Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net position—the difference between assets, and deferred outflows, and liabilities, and deferred inflows—is one way to measure the financial health of the District. The net asset data allows readers to determine the resources available to continue the operations of the District. During year-end closing it was determined that the net position as of June 30, 2019 was (\$125,241,872), a decrease of \$54 million. This was primarily due to the decrease of \$53 million in Net Investment in Capital Assets related to a reduction in bond construction funds being spent down as the projects draw to an end.

The net position of the District consists of three major categories:

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

STATEMENT OF NET POSITION (continued)

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Assets			
Current assets	\$ 177,322	\$ 174,371	\$ 2,951
Non-current assets	53,443	93,800	(40,357)
Capital assets, net	<u>1,493,048</u>	<u>1,504,830</u>	<u>(11,782)</u>
Total Assets	<u>1,723,813</u>	<u>1,773,001</u>	<u>(49,188)</u>
Deferred Outflows of Resources	<u>147,156</u>	<u>148,681</u>	<u>(1,525)</u>
Liabilities			
Current liabilities	78,439	96,561	(18,122)
Non-current liabilities	<u>1,894,450</u>	<u>1,873,587</u>	<u>20,863</u>
Total Liabilities	<u>1,972,889</u>	<u>1,970,148</u>	<u>2,741</u>
Deferred Inflows of Resources	<u>23,322</u>	<u>22,843</u>	<u>479</u>
Net Position			
Net investment in capital assets	46,769	99,777	(53,008)
Restricted	86,892	125,508	(38,616)
Unrestricted	<u>(258,903)</u>	<u>(296,594)</u>	<u>37,691</u>
Total Net Position	<u>\$ (125,242)</u>	<u>\$ (71,309)</u>	<u>\$ (53,933)</u>

(Amounts in thousands)

ASSETS

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

Non-current assets are assets with longer-term investment of more than one year. These assets include capital assets net of accumulated depreciation and restricted cash.

DEFERRED OUTFLOWS OF RESOURCES

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

LIABILITIES

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

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

DEFERRED INFLOWS OF RESOURCES

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

NET POSITION

The total net position is one indicator of the District's financial health. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position during fiscal year 2018-19. The change in net position reveals whether the overall financial condition has improved or worsened during the year. Over time, increases or decreases in net position will point out the improvement or erosion of the District's financial health when considered with nonfinancial facts, such as enrollment levels, State changes in funding, facility changes, etc.

Net position represents residual District assets and deferred outflows after liabilities and deferred inflows are deducted. The net position is categorized between net investment in capital assets, restricted net assets, and unrestricted net assets. The net investment in capital assets represents the equity amount in property, plant, and equipment owned by the District. Restricted net position represents funds that are limited in terms of the purpose and time for which the funds can be spent and are subject to externally imposed restrictions governing their use. Unrestricted net position is defined by GASB Statements No. 34 and No. 35 as those assets that do not have external legal restrictions against them, including any amounts designated by the Governing Board.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenues				
Net tuition & fees	\$ 21,379	\$ 21,202	\$ 177	1%
Grants and contracts, non-capital	98,814	106,636	(7,822)	-7%
Auxiliary enterprise, net	12,976	14,661	(1,685)	-11.49%
Total Operating Revenues	<u>133,169</u>	<u>142,499</u>	<u>(9,330)</u>	<u>-6.55%</u>
Operating Expenses				
Salaries	231,633	224,928	6,705	3%
Benefits	140,107	104,846	35,261	34%
Supplies, materials, & other operating expenses	70,389	52,455	17,934	34%
Financial Aid	60,745	63,629	(2,884)	-5%
Utilities	9,893	9,544	349	4%
Depreciation	37,695	41,003	(3,308)	-8.07%
Total Operating Expenses	<u>550,462</u>	<u>496,405</u>	<u>54,057</u>	<u>10.89%</u>
Operating Loss	(417,293)	(353,906)	(63,387)	18%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	119,374	123,631	(4,257)	-3%
Local property taxes	202,576	183,113	19,463	11%
State taxes & other revenues	63,413	48,705	14,708	30%
Investment income(loss) - noncapital	3,236	3,360	(124)	-3.69%
Interest expense	(59,524)	(72,167)	12,643	-17.52%
Other nonoperating revenue	11,759	10,149	1,610	15.86%
Total Nonoperating Revenues (Expenses)	<u>340,834</u>	<u>296,791</u>	<u>44,043</u>	<u>14.84%</u>
Loss Before Capital Revenues	(76,459)	(57,115)	(19,344)	34%
Capital Revenues	7,826	13,991	(6,165)	-44.06%
Other Financing Sources	<u>14,700</u>	<u>-</u>	<u>14,700</u>	<u>100%</u>
Change in Net Position	<u>\$ (53,933)</u>	<u>\$ (43,124)</u>	<u>\$ (10,809)</u>	<u>25.06%</u>

(Amounts in thousands)

OPERATING REVENUES AND EXPENSES

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

The operating revenues are generated by the resident enrollment fees, non-resident, and out-of-State tuition paid by students, including fees such as health fees, parking fees, and other related fees. Since State apportionments, property taxes, sales taxes and other revenues, and investment income are prescribed by GASB as non-operating revenues; operating expenses generally exceeds operating revenues in the Statement of Revenue, Expenses, and Changes in Net Position.

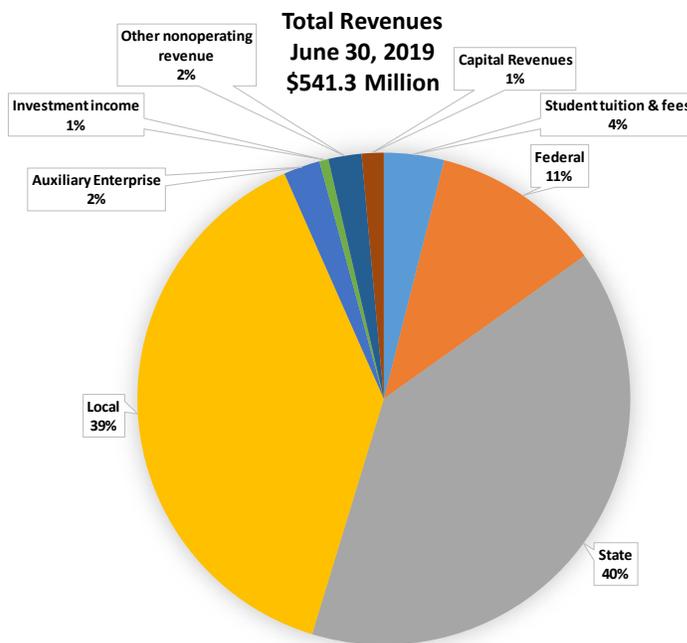
The primary operating expenses of the District are for the salaries and benefits of academic, classified, and administrative personnel, comprising the total operating expenses from a District-wide full accrual perspective. This amount includes the activity from all District funds. These costs increased from the previous fiscal year, from \$496 million to \$550 million, mainly due to increases in salaries and benefits.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

NON-OPERATING REVENUES AND OTHER REVENUES

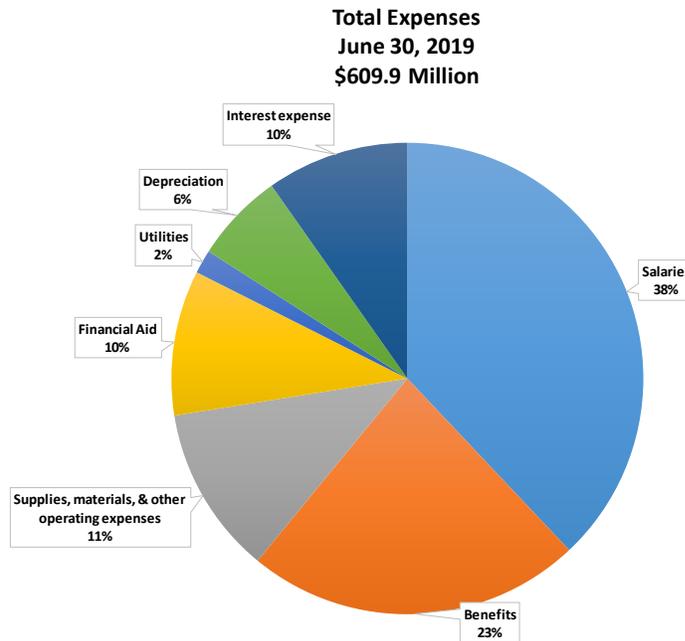
Non-operating revenues and other State and local revenues are those received or pledged for which goods and services are not provided to the entity providing the revenues. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without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

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



**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

NON-OPERATING REVENUES AND OTHER REVENUES (continued)



STATEMENT OF CASH FLOWS

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

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>% Change</u>
Net cash provided (used) by:				
Operating activities	\$ (357,777)	\$ (321,896)	\$ (35,881)	11%
Non-capital financing activities	409,004	294,790	114,214	39%
Capital and related financing activities	(100,807)	(96,220)	(4,587)	5%
Investment activities	3,236	3,360	(124)	-3.69%
Net change in cash	(46,344)	(119,966)	73,622	-61%
Cash - beginning of the year	<u>252,214</u>	<u>372,180</u>	<u>(119,966)</u>	<u>-32.23%</u>
Cash - end of the year	<u>\$ 205,870</u>	<u>\$ 252,214</u>	<u>\$ (46,344)</u>	<u>-18.37%</u>

(Amounts in thousands)

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS

Note 4 to the financial statements provides additional information on Capital Assets. Below is a summary of capital assets, net of accumulated depreciation, for 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Land and construction in progress	\$ 456,851	\$ 433,516	\$ 23,335
Buildings and equipment	1,389,842	1,387,388	2,454
Accumulated depreciation	<u>(353,645)</u>	<u>(316,074)</u>	<u>(37,571)</u>
Total Capital Assets	<u>\$ 1,493,048</u>	<u>\$ 1,504,830</u>	<u>\$ (11,782)</u>

(Amounts in thousands)

LONG-TERM DEBT

Note 9 to the financial statements provides additional information on long-term debt. Below is a summary of long-term debt for 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Compensated absences	\$ 14,663	\$ 12,460	\$ 2,203
Claims liability	5,498	4,797	701
Capital leases	-	-	-
Bonds and Notes Payable	1,524,814	1,544,137	(19,323)
OPEB Liability	36,773	13,952	22,821
Medicare Premium Program	1,252	825	427
Net pension liability	<u>341,547</u>	<u>332,589</u>	<u>8,958</u>
Total Long-Term Liabilities	<u>\$ 1,924,547</u>	<u>\$ 1,908,760</u>	<u>\$ 15,787</u>

(Amounts in thousands)

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 they cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS

The major economic factors that impact the District and all California community college districts' financial condition are directly related to the overall economic, budgetary, and fiscal condition of the State of California and any legislation that impacts the funding of all community colleges in the state. According to the Annual Outlook Report released by the Legislative Analyst's Office (LAO) on November 14, 2018, titled "The 2019-20 Budget: California's Fiscal Outlook", the state budget was perceived to be better prepared to address an economic downturn than it had ever been in decades. The LAO has produced its *Fiscal Outlook*

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS (continued)

every year since 1995. Based upon the LAOs estimate of revenue and spending when it published the 2019-20 fiscal outlook report in November 2018, the state's constitutional reserve was expected to reach \$14.5 billion by the end of FY 2019-20. The LAO also projected that the Legislature would have an additional \$14.8 billion in resources available for allocations in the FY 2019-20 budget process.

On October 17, 2019, the LAO published "*The 2019-20 Budget: California Spending Plan*" report, which reviewed the Proposition 98 minimum guarantee and overall Proposition 98 spending at that point in time with regard to FY 2019-20 and other spending issues by the various state education segments. The LAO's report showed a 3.8% increase or \$305 in per-student funding for community colleges in FY 2019-20 bringing Proposition 98 funding per FTES up to \$8,351. Overall, the LAO reported that Proposition 98 funding for community colleges increased \$264 million (2.9%) over the FY 2018-19 budget level.

The state also made the first ever deposit into the Proposition 98 School Reserve (Proposition 2) approved by taxpayers in 2014 as of FY 2019-20. The purpose for this reserve was to set aside some Proposition 98 funding during relatively strong fiscal and economic times to mitigate funding reductions during economic downturns. A deposit of \$377 million, the first ever, was made into the Proposition 98 Reserve account in FY 2019-20, which was possible predominately as a result of capital gains being relatively strong and other required commitments being fulfilled for the first time. However, \$256 million in one-time funds were used to pay for ongoing costs, thereby reducing the size of the operating surplus from \$377 to \$121 million in FY 2019-20. Clearly, there are many uncertainties regarding the state's budget and economic situation, which is why the Legislature is encouraged to continue to build more reserves and prepare for the unanticipated or unexpected events that may occur in future fiscal years.

In addition to state funding uncertainties, another major concern for all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates. To address rising pension costs, the FY 2019-20 state budget package made two types of payments toward districts' CalSTRS and CalPERS pension costs:

- \$2.3 billion in supplemental payments to address school and community colleges' unfunded liabilities for each of the pension systems.
- \$850 million to provide school and community college districts with rate increase relief in FY 2019-20 and FY 2020-21 by supplanting what districts would have otherwise paid in pension costs in each of those two years.

It is important to note that the CalSTRS and CalPERS supplemental payments addressed above reduced pension costs over the long range; however, the rate relief payments did not reduce long-run costs. Those payments merely shifted the costs from the districts to the state.

The SCFF went into effect July 1, 2018; however, districts were provided limited information from the state during FY 2018-19 with outcome measurements and funding rates under the supplemental and success aspects of the SCFF continuing to change, which resulted in large swings in apportionment funding for all 72 districts. Because multi-year projections for the SCFF had not been done at the state level, when FY 2018-

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

ECONOMIC OUTLOOK AND FACTORS AFFECTING FUTURE BUDGETS (continued)

19 ended as of June 30, 2019, the state did not have enough state funding to fully fund all districts under the new SCFF model. Consequently, some significant changes were made to various aspects of the SCFF, which created even more confusion and challenges for districts. More changes are expected to occur to the SCFF in FY 2019-20; however, it is anticipated that there will not be as many changes as occurred in FY 2018-19 or changes that would significantly impact the projected funding under the SCFF for all 72 districts. As previously noted, FY 2020-21 was to be the last of the three-year implementation years for the SCFF; however, with Governor Newsom's extension of the implementation by one more fiscal year it will provide districts more time to continue to look at changes to business and operational processes in order to achieve the outcomes expected under the SCFF.

San Diego Community College District has always been a high student demand district attempting to serve the City of San Diego. The SCFF has required the District to make significant changes in how it operates to ensure full funding under the new funding model which is 70% FTES access based, 20% for increasing the number of student financial aid awards, and a requirement to increase outcomes tied to specific metrics in the formula in order to be funded for the remaining 10%. The biggest challenge under the SCFF is that districts previously received a dollar based upon providing student enrollment access, which is now only funding seventy cents of a district's apportionment revenue. In order to be funded for the remaining thirty cents, districts must achieve specific outcomes as defined in the SCFF. The challenge is that districts still have the same dollar in expenditures before the SCFF.

In addition to the challenges under the new SCFF, districts have seen the employer pension costs more than double since FY 2013-14, which is a major drain on annual budgets. It is likely that all 72 districts will continue to face budget challenges in the years to come. And, the most significant risk to the system is the economy, which could slow down and result in revenue losses at any time. There are also decisions being made outside of the California Legislature's control, for example by the federal government or the state pension systems, which could negatively impact the state budget.

In spite of the challenges described, the District continues its effort to identify ways by which to minimize its dependency upon the state's economic conditions by entering into long-term lease agreements for surplus District property in support of maintenance and operations costs. The District has conducted several districtwide workshops to bring faculty, administrators and staff together to explore business process changes in order to maximize apportionment revenue under the new SCFF model. The Board of Trustees working with the collectively bargained and meeting and confer employee units established a reserve in an attempt to assist with the CalSTRS and CalPERS employer pension rate increases. The District is also looking at steps to reduce operating expenses in order to align them with apportionment revenue possible under the SCFF. In spite of the many operational challenges and the need to rethink the way the District operated under the funding model that had been in place for decades for the California community college, the District's faculty, staff and administrators continue to have as their number one priority a commitment to serve current and future students in our San Diego community in achieving their educational and career goals.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

Assets

Current Assets:

Cash and cash equivalents	\$ 152,426,866
Accounts receivable, net	22,470,817
Inventory	2,281,070
Prepaid expenses	142,984
Total Current Assets	<u>177,321,737</u>

Non-Current Assets:

Restricted cash and cash equivalents	53,443,322
Capital assets, not being depreciated	456,850,866
Capital assets, net of accumulated depreciation	1,036,197,133
Total Non-Current Assets	<u>1,546,491,321</u>

Total Assets **1,723,813,058**

Deferred Outflows of Resources

Deferred charge on refunding	43,342,831
Deferred outflows - pensions	96,528,856
Deferred outflows - OPEB	7,284,686
Total Deferred Outflows of Resources	<u>147,156,373</u>

Total Assets and Deferred Outflows of Resources **\$ 1,870,969,431**

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

Liabilities

Current Liabilities:

Accounts payable	\$ 9,149,311
Accrued liabilities	10,959,715
Due to Fiduciary funds	581,010
Accrued interest	22,004,463
Unearned revenue	5,648,478
Current portion of long term liabilities	30,096,650
Total Current Liabilities	<u>78,439,627</u>

Non-Current Liabilities

Non-current portion of long term liabilities	1,894,450,093
Total Non-Current Liabilities	<u>1,894,450,093</u>

Total Liabilities	<u>1,972,889,720</u>
--------------------------	----------------------

Deferred Inflows of Resources

Deferred inflows - pensions	23,267,713
Deferred inflows - OPEB	53,870
Total Deferred Inflows of Resources	<u>23,321,583</u>

Net Position

Net investment in capital assets	46,769,390
Restricted for:	
Debt service	43,171,049
Scholarship and loans	4,292,882
Other special purposes	39,428,016
Unrestricted	(258,903,209)
Total Net Position	<u>(125,241,872)</u>

Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,870,969,431</u>
--	-------------------------

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2019**

Operating Revenues	
Tuition and fees (gross)	\$ 43,629,497
Less: Scholarship discounts and allowances	<u>(22,250,518)</u>
Net tuition and fees	21,378,979
Grants and contracts, noncapital	
Federal	60,592,400
State	31,379,311
Local	6,842,572
Auxiliary	<u>12,976,323</u>
Total Operating Revenues	<u>133,169,585</u>
Operating Expenses	
Salaries	231,633,278
Employee benefits	140,107,264
Supplies, materials, and other operating expenses and services	70,389,274
Financial aid	60,745,047
Utilities	9,892,859
Depreciation	<u>37,694,810</u>
Total Operating Expenses	<u>550,462,532</u>
Operating Loss	<u>(417,292,947)</u>
Non-Operating Revenues (Expenses)	
State apportionments, non-capital	119,373,934
Local property taxes	202,575,677
State taxes and other revenues	63,412,913
Investment Income	3,235,556
Interest expense	(59,524,019)
Other nonoperating revenue	<u>11,759,476</u>
Total Non-Operating Revenues (Expenses)	<u>340,833,537</u>
Loss Before Other Revenues, Expenses, Gains and Losses	<u>(76,459,410)</u>
Other Revenues, Expenses, Gains and Losses	
State apportionments, capital	668,470
Local property taxes	6,189,783
Interest and investment income, capital	<u>968,131</u>
Total Other Revenues, Expenses, Gains and Losses	<u>7,826,384</u>
Other Financing Sources	
Transfer from OPEB Trust	<u>14,700,000</u>
Total Other Financing Sources	<u>14,700,000</u>
Changes in Net Position	(53,933,026)
Net Position, Beginning of Year	<u>(71,308,846)</u>
Net Position, End of Year	<u>\$ (125,241,872)</u>

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019**

Cash Flows From Operating Activities

Tuition and fees (net)	\$ 21,494,508
Federal grants and contracts	57,159,268
State grants and contracts	31,556,921
Local grants and contracts	7,165,965
Sales and services of auxiliary enterprises	11,888,356
Payments to suppliers	(88,026,695)
Payments to/on-behalf of employees	(338,270,037)
Payments to/on-behalf of students	(60,745,047)
Net cash used by operating activities	<u>(357,776,761)</u>

Cash Flows From Non-Capital Financing Activities

State apportionments and receipts	120,869,901
Payments from the OPEB Trust	14,700,000
Local property taxes	202,575,677
State taxes and other revenue	70,858,239
Net cash provided by non-capital financing activities	<u>409,003,817</u>

Cash Flows From Capital and Related Financing Activities

State apportionment for capital purposes	668,470
Local revenue for capital purposes	6,189,783
Interest on investments, capital funds	968,131
Net purchase and sale of capital assets	(31,364,618)
Principal paid on capital related debt	(24,205,306)
Interest paid on capital related debt	(53,063,352)
Net cash used by capital and financing activities	<u>(100,806,892)</u>

Cash Flows from Investing Activities

Interest on investments	<u>3,235,556</u>
Net cash provided by investing activities	<u>3,235,556</u>

Net Change in Cash and Cash Equivalents (46,344,280)

Cash Balance, Beginning of Year 252,214,468

Cash Balance, End of Year \$ 205,870,188

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019**

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

Operating loss	\$ (417,292,947)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	37,694,810
Changes in assets and liabilities:	
Receivables, net	(4,594,537)
Prepaid expenses	(29,120)
Deferred outflows of resources - pensions and OPEB	(415,988)
Accounts payable	(8,777,473)
Accrued liabilities	(999,513)
Due to other funds	360,328
Unearned revenue	689,970
Compensated absences	2,202,212
Claims Liability	701,703
Medicare Premium Program	427,068
Net pension liabilities	8,957,247
Other postemployment retiree benefits (OPEB)	22,820,679
Deferred inflows of resources - pensions and OPEB	<u>478,800</u>
Net cash used by operating activities	<u>\$ (357,776,761)</u>

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019**

	<u>Student and Other Trust Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 1,801,152
Accounts receivable	46,538
Due from primary government	<u>581,010</u>
Total Assets	<u><u>\$ 2,428,700</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 153,165
Amounts held in trust for others	<u>530,993</u>
Total Liabilities	<u>684,158</u>
<u>Net Position</u>	
Unrestricted	<u>1,744,542</u>
Total Net Position	<u>1,744,542</u>
Total Liabilities and Net Position	<u><u>\$ 2,428,700</u></u>

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2019**

	<u>Student and Other Trust Funds</u>
Additions	
Student fees	\$ 95,570
Other local revenues	709,897
Other financing sources	104,143
Interest and investment income	3,441
Total Additions	<u>913,051</u>
Deductions	
Salaries	15,415
Employee benefits	98
Financial Aid	35,562
Supplies, materials, and other operating expenses and services	916,148
Total Deductions	<u>967,223</u>
Transfer In	<u>1,276,775</u>
Changes in Net Position	1,222,603
Net Position, Beginning of Year	<u>521,939</u>
Net Position, End of Year	<u><u>\$ 1,744,542</u></u>

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF PLAN NET POSITION
June 30, 2019**

	Retiree Health Benefit (OPEB) Trust
<u>Assets</u>	
Investments	\$ 6,285,675
Total Assets	\$ 6,285,675
<u>Net Position</u>	
Restricted - nonspendable	\$ 6,285,675
Total Net Position	\$ 6,285,675

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN PLAN NET POSITION
For the Fiscal Year Ended June 30, 2019

	Retiree Health Benefit (OPEB) Trust
Additions	
Investment income	\$ 708,941
Total Additions	708,941
 Deductions	
Operating expenses and services	16,610
Total Deductions	16,610
 Transfer Out	15,976,776
 Changes in Net Position	(15,284,445)
 Net Position, Beginning of Year	21,570,120
 Net Position, End of Year	\$ 6,285,675

See the accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

Basis of Accounting

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

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

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP). These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investments

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

Accounts Receivable

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

Inventories

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

Prepaid Expenses

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

Restricted Cash and Cash Equivalents

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

Capital Assets

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Deferred Outflows of Resources

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

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

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

Accounts Payable and Accrued Liabilities

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unearned Revenue

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

Compensated Absences

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

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

Long-Term Obligations

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

Medicare Premium Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements; as the plan is not material, additional disclosures are not included.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Pension Liability

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

Deferred Inflows of Resources

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

Net Position

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

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

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

State Apportionments

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

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

Property Taxes

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

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

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

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues

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

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

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

Scholarships, Discounts and Allowances

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

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 2: DEPOSITS

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal a percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral that is considered to be held in the name of the District. As of June 30, 2019, \$2,058,289 of the District's bank balance of \$2,776,940 was exposed to credit risk.

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2019 is measured at 100.194% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the Statement of Net Position.

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 2: DEPOSITS

Cash and cash equivalents as of June 30, 2019 are as shown herein.

<u>Primary Government</u>	<u>June 30, 2019</u>
Cash on hand and in banks	\$ 3,046,277
Cash in County Treasury	<u>202,823,911</u>
Total cash and cash equivalents	<u>\$ 205,870,188</u>
<u>Fiduciary Funds</u>	<u>June 30, 2019</u>
Cash on hand and in banks	\$ 1,866,238
Cash in County Treasury	<u>(65,086)</u>
Total cash and cash equivalents	<u>\$ 1,801,152</u>

Investments

Policies

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

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

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2019 are presented herein.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 2: DEPOSITS

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the amounts shown herein.

<u>Primary Government</u>	<u>June 30, 2019</u>
Federal and state	\$ 14,162,993
Student	1,267,210
Miscellaneous	<u>7,040,614</u>
Total accounts receivable	<u>\$ 22,470,817</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 3: ACCOUNTS RECEIVABLE

Fiduciary Funds	June 30, 2019
Federal and state	\$ 36,706
Student	256
Miscellaneous	9,576
Total accounts receivable	<u>\$ 46,538</u>

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

A summary of changes for the District in capital assets for the year ended June 30, 2019 is shown herein.

	Balance July 1, 2018	Additions	Retirements and Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 77,170,133	\$ -	\$ -	\$ 77,170,133
Construction in progress	356,345,545	23,335,188	-	379,680,733
Total capital assets not being depreciated	<u>433,515,678</u>	<u>23,335,188</u>	<u>-</u>	<u>456,850,866</u>
Capital assets being depreciated:				
Site improvements	42,468,451	312,146	-	42,780,597
Buildings and improvements	1,261,791,578	85,811	-	1,261,877,389
Equipment and software	83,128,028	2,179,802	123,283	85,184,547
Total capital assets being depreciated	<u>1,387,388,057</u>	<u>2,577,759</u>	<u>123,283</u>	<u>1,389,842,533</u>
Less accumulated depreciation for:				
Site improvements	(8,546,615)	(990,300)	-	(9,536,915)
Buildings	(233,151,735)	(33,050,652)	-	(266,202,387)
Equipment	(74,375,523)	(3,653,858)	123,283	(77,906,098)
Total accumulated depreciation	<u>(316,073,873)</u>	<u>(37,694,810)</u>	<u>123,283</u>	<u>(353,645,400)</u>
Depreciable assets, net	<u>1,071,314,184</u>	<u>(35,117,051)</u>	<u>-</u>	<u>1,036,197,133</u>
Capital assets, net	<u>\$ 1,504,829,862</u>	<u>\$ (11,781,863)</u>	<u>\$ -</u>	<u>\$ 1,493,047,999</u>

Depreciation expense of \$37,694,810 was recorded during the year.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019 consisted of the amounts shown herein.

<u>Primary Government</u>	<u>June 30, 2019</u>
Vendors and others	\$ 8,707,199
Retention	442,112
Total accounts payable	<u>9,149,311</u>
Payroll and benefits	10,126,574
Accrued expenses	833,141
Total accrued liabilities	<u>10,959,715</u>
Total accounts payable and accrued liabilities	<u>\$ 20,109,026</u>
<u>Fiduciary Funds</u>	<u>June 30, 2019</u>
Vendors	153,165
Total accounts payable	<u>\$ 153,165</u>

NOTE 6: UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted of the amounts shown herein.

<u>Primary Government</u>	<u>June 30, 2019</u>
Federal financial assistance	\$ 952,564
State categorical aid	1,805,447
Enrollment Fee	2,858,815
Local	15,000
Others	16,652
Total unearned revenue	<u>\$ 5,648,478</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2019, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

Pension Plan	Proportionate	Deferred	Proportionate	Proportionate
	Share of Net	Outflows of	Share of Deferred	Share of
	Pension Liability	Resources	Inflows of	Pension Expense
			Resources	
CalSTRS - STRP	\$ 191,166,560	\$ 55,920,085	\$ 22,540,300	\$ 20,444,514
CalPERS - Schools Pool Plan	150,380,156	40,608,771	727,413	28,566,585
Total	<u>\$ 341,546,716</u>	<u>\$ 96,528,856</u>	<u>\$ 23,267,713</u>	<u>\$ 49,011,099</u>

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

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

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

The STRP provisions and benefits in effect at June 30, 2019 are summarized as follows:

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

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2019 are presented above and the total District contributions were \$19,348,123.

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

At June 30, 2019, 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:

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

	Balance June 30, 2019
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 191,166,560
State's proportionate share of the net pension liability associated with the District	109,452,333
Total	\$ 300,618,893

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2018, the District's proportion was 0.2080%.

For the year ended June 30, 2019, the District recognized pension expense of \$20,444,514. In addition, the District recognized revenue and corresponding expense of \$17,470,255 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 19,348,123	\$ -
Difference between expected and actual experience	592,800	2,776,800
Change in assumptions	29,698,240	-
Change in proportion	6,280,922	12,402,380
Net differences between projected and actual earnings on plan investments	-	7,361,120
Total	\$ 55,920,085	\$ 22,540,300

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2018 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

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

Year Ending June 30,	Amortization
2020	\$ 4,865,349
2021	2,107,269
2022	(2,908,654)
2023	4,065,139
2024	6,608,477
2025	(705,918)
Total	<u>\$ 14,031,662</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 280,036,640
Current discount rate (7.10%)	191,166,560
1% increase (8.10%)	117,484,640

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS)

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2019 are summarized as follows:

Provisions and Benefits	Schools Pool Plan (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019 are as presented above and the total District contributions were \$14,252,718.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$150,380,156. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. At June 30, 2018, the District's proportion was 0.5640%.

For the year ended June 30, 2019, the District recognized pension expense of \$28,566,585. In addition, the District recognized revenue and corresponding expense of \$5,098,756 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,252,718	\$ -
Differences between expected and actual experience	9,858,372	-
Changes of assumptions	15,014,795	-
Changes in proportion	249,431	727,413
Net differences between projected and actual earnings on pension plan investments	1,233,455	-
Total	\$ 40,608,771	\$ 727,413

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2018 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

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

Year Ending June 30,	Amortization
2020	\$ 14,957,016
2021	11,750,205
2022	(190,972)
2023	(887,609)
Total	\$ 25,628,640

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

used the methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.50%
Wage Growth	2.75%

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 7: EMPLOYEE RETIREMENT PLANS

reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 218,946,316
Current discount rate (7.15%)	150,380,156
1% increase (8.15%)	93,494,711

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2018, the CalPERS Board adopted new mortality assumptions for the plan. The new mortality table was developed from the December 2017 experience study and included 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00% to 2.75%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

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

Social Security Alternative Plan

Plan Description

The Social Security Alternative plan is a defined contribution plan covering most employees of the San Diego Community College District who are not eligible for membership in CalPERS, CalSTRS or another plan. Upon employment and any re-employment, part-time employees may

SAN DIEGO COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 7: EMPLOYEE RETIREMENT PLANS

become a member of the Social Security Alternative Plan. The Social Security Alternative Plan is an alternative plan to social security, and unit members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991.

Funding Policy

Contributions to the Social Security Alternative Plan are shared between the employee and the District. The District contributes 3.75% of eligible wages as defined under Internal Revenue Service regulations, and 3.75% of eligible wages are withheld from the employee's checks for deposit under the plan. The District's contribution to the Social Security Alternative Plan for the fiscal years ended June 30, 2019 and 2018 were \$667,882 and \$803,740, respectively.

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

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

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

Plan Description and Eligibility

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

The District's share of retiree premium depends on classification, age, years of service (YOS) and the applicable cap. For the 2017 calendar year the cap is \$1,105 per month (equal to the Kaiser HMO active composite rate).

The District pays for the cost of spousal coverage for all retirees, both before and after age 65, up to the District cap. The cap is set equal to the active employee composite rate for the Kaiser HMO, which the District pays to active employees. For the 2017 calendar year the cap was \$1,105 per month. The cap is assumed to grow at the medical trend rate of 5% for healthcare.

The District also pays Medicare Part B premiums for all retirees and spouses of retirees entitled to District-paid medical benefits beyond age 65. Survivor benefits are provided for the spouses of those retirees eligible for lifetime benefits. Benefits are paid for one year following the retiree's death, and are limited to medical and dental premiums only. An automobile allowance

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

of \$100.00/mo. and automobile club dues of \$3.58 per month will be paid from retirement until age 65 for one active manager eligible for lifetime medical and dental benefits.

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal year ended June 30, 2019, the District contributed \$2,048,523 to the plan including the implicit rate subsidy.

On June 26, 2006, the District contributed \$11,000,000 to the Community College League of California - Joint Powers Authority (CCLC-JPA) irrevocable trust and adopted a goal of fully funding the plan on a fully projected basis by allowing the balance to grow with interest until it is sufficient to pay all future retiree benefits. On June 5, 2019, the District did a \$14,700,000 drawdown for on behalf payments for retirees receiving life-time health and welfare benefits, which were charged each year since 2006 to General Fund Unrestricted rather than being billed annually to the CCLC-JPA.

Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset	
	Allocation	Real Rate of Return
Broad U.S. Equity	50%	4.4
U.S. Fixed	50%	1.5

To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 6.50 percent.

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

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

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

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

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

	Balance
	June 30, 2019
Total OPEB liability	\$ 43,058,564
Plan fiduciary net position	6,285,675
District's net OPEB liability	<u>\$ 36,772,889</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	14.60%

Investments

Investment policy. The District's policy regarding the allocation of the plan's invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is the Moderate Objective, which has a dual goal to seek moderate growth of income and principal. The asset allocation ranges for this objective as of June 30, 2019 are listed below:

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

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

Rate of return. For the year ended June 30, 2019 the annual money-weighted rate of return on investments, net of investment expense, was 3.68 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Investment Valuation

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan's investments' fair value measurements at June 30, 2019 are presented below:

Investment	Costs	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Trust - US Bank	\$ 6,285,675	\$ -	\$ -	\$ 6,285,675

Schedule of Changes in Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net	Net OPEB Liability
Balances at June 30, 2018	\$ 34,245,554	\$ 20,293,344	\$ 13,952,210
Changes for the year:			
Service cost	1,016,369	-	1,016,369
Interest	2,160,432	-	2,160,432
Employer contributions	-	2,048,523	(2,048,523)
Changes in assumptions	7,684,732	-	7,684,732
Net investment income	-	708,941	(708,941)
Transfer to San Diego Community			
College District	-	(14,700,000)	14,700,000
Benefit payments	(2,048,523)	(2,048,523)	-
Administrative expenses	-	(16,610)	16,610
Net changes	8,813,010	(14,007,669)	22,820,679
Balances at June 30, 2019	\$ 43,058,564	\$ 6,285,675	\$ 36,772,889

The following presents the District's net OPEB liability calculated using the discount rate of 3.62 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current rate:

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

Discount rate	Net OPEB Liability
1% decrease (2.62%)	\$ 39,748,704
Current discount rate (3.62%)	36,772,889
1% increase (4.62%)	33,943,335

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

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (4.0%)	\$ 32,037,943
Current healthcare trend rate (5.0%)	36,772,889
1% increase (6.0%)	42,321,052

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

At June 30, 2019, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources were:

OPEB Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$ 501,389	\$ 53,870
Changes in assumptions	6,783,297	-
Total	<u>\$ 7,284,686</u>	<u>\$ 53,870</u>

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

Year ended June 30:	Deferred Inflows of Resources
2020	\$ 1,008,825
2021	1,008,825
2022	1,008,827
2023	1,026,783
2024	901,435
2025	901,435
2026	901,435
2027	473,251
Total	<u>\$ 7,230,816</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 8: POST EMPLOYMENT HEALTHCARE BENEFITS

OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of \$15,948,420.

NOTE 9: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2019 is shown herein.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due in One Year
General Obligation bonds	\$ 1,394,756,363	\$ 13,750,259	\$ 24,205,306	\$ 1,384,301,316	\$ 28,481,688
Premiums, net of amortization	149,380,307	-	8,867,143	140,513,164	-
Total Bonds and Notes Payable	<u>1,544,136,670</u>	<u>13,750,259</u>	<u>33,072,449</u>	<u>1,524,814,480</u>	<u>28,481,688</u>
Compensated absences	12,460,457	8,498,467	6,296,255	14,662,669	913,260
Claims liability	4,796,631	948,077	246,374	5,498,334	701,702
OPEB liability	13,952,210	22,820,679	-	36,772,889	-
Medicare Premium Program	824,587	427,068	-	1,251,655	-
Net pension liability	332,589,469	8,957,247	-	341,546,716	-
Total Other Liabilities	<u>364,623,354</u>	<u>41,651,538</u>	<u>6,542,629</u>	<u>399,732,263</u>	<u>1,614,962</u>
Total Long Term Debt	<u>\$ 1,908,760,024</u>	<u>\$ 55,401,797</u>	<u>\$ 39,615,078</u>	<u>\$ 1,924,546,743</u>	<u>\$ 30,096,650</u>

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

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

NOTE 10: GENERAL 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 were to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. On May 15, 2003, Series 2003 A, B and C of the

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

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 May 13, 2009, Series 2009 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and convertible capital appreciation bonds with an initial par amount of \$131,293,506 with stated yield rates of 2.70% to 6.00% and maturing through August 1, 2033. On July 21, 2011, Series 2011 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds and capital appreciation serial bonds with an initial par amount of \$99,999,859 with stated yield rates of 0.27% to 6.69% and maturing through August 1, 2041. On July 21 2011, Series 2011, Refunding, of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$22,230,000 with stated yield rates of 0.38% to 3.55% and maturing through August 1, 2023. On March 22, 2012, Series 2012, Refunding of the Proposition S bond authorization was issued with an initial par amount of \$235,134,077 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired \$290,680,000 of debt including \$244,320,000 of Series 2003A and Series 2005 of the Proposition S bond authorization. As a result, approximately 84.05% of the debt service related to the Series 2012, Refunding is attributable to Proposition S. On July 17, 2013, Series 2013 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$103,705,000 with stated yield rates of 0.20% to 4.25% and maturing through August 1, 2032. On November 3, 2016, Series 2016, Refunding of the Proposition S bond authorization was issued, with an initial par amount of \$157,257,360 with stated yield rate of 0.74% to 3.00% and maturing through August 1, 2041. The Series 2016 Refunding retired \$524,205,000 of debt including \$163,715,000 of Series 2009 and Series 2011 of the Proposition S bond authorization and \$360,490,000 of Series 2007 and Series 2011 of the Prop N bond authorization. As a result, approximately 31.2% of the debt service related to the Series 2016, Refunding is attributable to Proposition S and approximately 68.8% of the debt service is attributable to Proposition N. Proposition S bonds were fully issued as of July 2013.

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

yield rates of 3.60% to 4.51% and maturing through August 1, 2032. On July 21, 2011, Series 2011 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds and current interest term bonds with an initial par amount of \$250,000,000 with stated yield rates of 0.27% to 4.86% and maturing through August 1, 2041. On March 22, 2012, Series 2012, Refunding was issued with an initial par amount of \$44,620,923 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired \$290,680,000 of debt including \$244,320,000 of Series 2003A and Series 2005 of the Proposition S bond authorization and \$46,360,000 of Series 2007 of the Proposition N bond authorization. As a result, approximately 84% of the debt service related to the Series 2012, Refunding is attributable to Proposition S and approximately 16% of the debt service is attributable to Proposition N. On July 17, 2013 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds, capital appreciation bonds and convertible capital appreciation bonds with an initial par amount of \$272,996,022 with state yield rates of 0.20% to 6.23% and maturing through August 1, 2043.

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

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2019
Proposition S:					
2009 Series	5/13/2009	8/1/2033	2.70 - 6.00%	\$ 131,293,506	\$ 31,998,505
2011 Series	7/21/2011	8/1/2041	0.27 - 6.69%	99,999,859	20,629,859
2011 Series, Refunding	7/21/2011	8/1/2023	0.38 - 3.55%	22,230,000	12,420,000
2012 Series, Refunding	3/22/2012	8/1/2029	0.18 - 3.10%	235,134,077	206,065,385
2013 Series	7/17/2013	8/1/2032	0.20 - 4.25%	103,705,000	100,105,000
2016 Series, Refunding	11/3/2016	8/1/2041	0.74 - 3.00%	157,257,360	155,694,240
Accreted Interest					<u>34,336,839</u>
Total Proposition S					<u>561,249,828</u>
Proposition N:					
2011 Series	7/21/2011	8/1/2041	0.27 - 4.86%	250,000,000	13,245,000
2012 Series, Refunding	3/22/2012	8/1/2029	0.18 - 3.10%	44,617,593	39,104,615
2013 Series	7/17/2013	8/1/2043	0.20 - 6.23%	272,996,022	263,661,631
2016 Series	11/3/2016	8/1/2034	0.74 - 3.17%	122,005,000	116,360,000
2016 Series, Refunding	11/3/2016	8/1/2041	0.74 - 3.00%	346,772,640	343,325,760
Accreted Interest					<u>47,354,482</u>
Total Proposition N					<u>823,051,488</u>
Total					<u><u>\$1,384,301,316</u></u>

The annual requirements to amortize the General Obligation Bonds outstanding as of June 30, 2019 are as shown herein.

Proposition S, 2009 Series

Year Ending June 30,	Principal	Interest
2020	\$ 2,000,000	\$ 1,696,400
2021	-	3,292,800
2022	-	3,292,800
2023	-	3,292,800
2024	-	3,292,800
2025-2029	-	16,464,000
2030-2033	<u>29,998,505</u>	<u>15,791,255</u>
Total	31,998,505	\$ <u>47,122,855</u>
Accreted Interest	<u>23,907,839</u>	
Total	<u><u>\$ 55,906,344</u></u>	

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

Proposition S, 2011 Series

Year Ending June 30,	Principal	Interest
2020	\$ 1,600,000	\$ 133,687
2021	1,005,000	89,063
2022	1,575,000	34,219
2023	-	-
2024	-	-
2025-2029	-	-
2030-2034	-	-
2035-2039	11,298,375	46,006,625
2040-2042	5,151,484	19,069,516
Total	20,629,859	\$ 65,333,110
Accreted Interest	10,429,000	
Total	\$ 31,058,859	

Proposition S, 2011 Refunding Series

Year Ending June 30,	Principal	Interest
2020	\$ 2,130,000	\$ 530,700
2021	2,295,000	439,800
2022	2,495,000	333,250
2023	2,700,000	207,500
2024	2,800,000	70,000
Total	\$ 12,420,000	\$ 1,581,250

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

Proposition S, 2012 Refunding Series

Year Ending June 30,	Principal	Interest
2020	\$ 13,288,305	\$ 9,851,858
2021	14,935,685	9,154,663
2022	16,696,532	8,383,567
2023	18,558,240	7,541,050
2024	20,575,440	6,581,850
2025-2029	97,813,188	18,932,735
2030-2033	24,197,995	604,950
Total	<u>\$ 206,065,385</u>	<u>\$ 61,050,673</u>

Proposition S, 2013 Series

Year Ending June 30,	Principal	Interest
2020	\$ 110,000	\$ 4,978,425
2021	505,000	4,967,938
2022	1,000,000	4,934,100
2023	1,500,000	4,879,100
2024	2,275,000	4,792,225
2025-2029	21,710,000	21,874,800
2030-2033	73,005,000	7,159,375
Total	<u>\$ 100,105,000</u>	<u>\$ 53,585,963</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

Proposition S, 2016 Refunding Series

Year Ending June 30,	Principal	Interest
2020	\$ 56,160	\$ 7,233,517
2021	59,280	7,230,631
2022	62,400	7,227,589
2023	2,775,240	7,156,648
2024	3,399,240	7,002,286
2025-2029	38,419,680	30,059,874
2030-2034	74,738,040	16,350,352
2035-2039	21,013,200	5,784,168
2040-2044	15,171,000	1,041,737
Total	<u>\$ 155,694,240</u>	<u>\$ 89,086,802</u>

Proposition N, 2011 Series

Year Ending June 30,	Principal	Interest
2020	\$ 3,370,000	\$ 578,000
2021	4,385,000	384,125
2022	5,490,000	137,250
Total	<u>\$ 13,245,000</u>	<u>\$ 1,099,375</u>

Proposition N, 2012 Refunding Series

Year Ending June 30,	Principal	Interest
2020	\$ 2,521,695	\$ 1,869,567
2021	2,834,315	1,737,262
2022	3,168,468	1,590,933
2023	3,521,760	1,431,050
2024	3,904,560	1,249,025
2025-2029	18,561,812	3,592,827
2030	4,592,005	114,800
Total	<u>\$ 39,104,615</u>	<u>\$ 11,585,464</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

Proposition N, 2013 Series

Year Ending June 30,	Principal	Interest
2020	\$ 1,091,688	\$ 6,315,812
2021	1,414,136	6,468,364
2022	1,692,450	6,675,050
2023	1,935,615	6,941,884
2024	2,143,152	7,254,348
2025-2029	23,995,399	54,462,100
2030-2034	35,851,283	120,957,768
2035-2039	47,503,183	186,054,676
2040-2044	148,034,725	37,252,012
Total	263,661,631	\$ 432,382,014
Accreted Interest	47,354,482	
Total	\$ 311,016,113	

Proposition N, 2016 Series

Year Ending June 30,	Principal	Interest
2020	\$ 2,190,000	\$ 4,494,900
2021	2,465,000	4,425,075
2022	2,765,000	4,332,800
2023	3,110,000	4,215,300
2024	3,480,000	4,083,500
2025-2029	35,245,000	16,073,550
2030-2034	49,875,000	7,285,600
2035	17,230,000	258,450
Total	\$ 116,360,000	\$ 45,169,175

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

Proposition N, 2016 Refunding Series

Year Ending June 30,	Principal	Interest
2020	\$ 123,840	\$ 15,950,833
2021	130,720	15,944,468
2022	137,600	15,937,760
2023	6,119,760	15,781,327
2024	7,495,760	15,440,938
2025-2029	84,720,320	66,285,876
2030-2034	164,806,960	36,054,623
2035-2039	46,336,800	12,754,832
2040	33,454,000	2,297,163
Total	<u>\$ 343,325,760</u>	<u>\$ 196,447,820</u>

NOTE 11: RISK MANAGEMENT

Property/Liability

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

Workers' Compensation

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

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. Settled claims have not exceeded the coverage in any of the past three fiscal years.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 11: RISK MANAGEMENT

Reported Liability	Balance July 1, 2018	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2019
Worker's compensation	\$ 4,796,631	\$ 948,077	\$ 246,374	\$ 5,498,334

Liability and Crime Policy

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

Health/Dental/Vision/Life

These programs are fully insured.

Student Accident

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

NOTE 12: FUNCTIONAL EXPENSE

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

Functional Expense	Salaries	Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	\$109,665,072	\$ 58,119,341	\$ 12,677,627	\$ -	\$ -	\$180,462,040
Instructional Administration and instructional governance	21,304,525	14,678,076	2,550,536	-	-	38,533,137
Instructional Support Services	5,142,816	2,910,990	2,430,597	-	-	10,484,403
Student services	39,457,922	22,594,460	7,177,883	-	-	69,230,265
Operation and maintenance of plant	12,185,477	8,894,050	27,074,896	-	-	48,154,423
Planning, Policymaking & Coordination	7,680,130	4,502,801	3,381,061	-	-	15,563,992
General Institutional Support Services	26,975,070	23,125,115	24,989,533	-	-	75,089,718
Community services and economic development	1,359,107	931,937	-	-	-	2,291,044
Ancillary services and auxiliary operations	7,863,159	4,350,494	-	-	-	12,213,653
Transfers, student aid and other outgo	-	-	-	60,745,047	-	60,745,047
Depreciation expense	-	-	-	-	37,694,810	37,694,810
Total	<u>\$231,633,278</u>	<u>\$140,107,264</u>	<u>\$ 80,282,133</u>	<u>\$ 60,745,047</u>	<u>\$ 37,694,810</u>	<u>\$550,462,532</u>

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 13: COMMITMENTS AND CONTINGENCIES

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

State and Federal Allowances, Awards, and Grants

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

Operating Leases

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

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2020	\$ 302,364
2021	252,220
2022	122,486
2023	107,559
2024	40,569
Total	<u>\$ 825,198</u>

Purchase Commitments

As of June 30, 2019, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$9.8 million. Projects will be funded through state funds and general obligation bonds.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 14: INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within funds has been eliminated in the basic financial statements.

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

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2019, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 84 – *Fiduciary Activities*

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

Statement No. 87 – *Leases*

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

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

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

Statement No. 91 – *Conduit Debt Obligations*

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation,

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

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

establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2021-22.

NOTE 16: SUBSEQUENT EVENT

General Obligation Bond

The District sold \$438.0 million in General Obligation Refunding Bonds Series A and \$255.5 million in General Obligation Refunding Bonds Series B on October 16, 2019. The bonds were sold with an interest rate ranging from 1.90% to 3.34% and maturity dates from August 1, 2020 through August 1, 2043.

The Series A Refunding Bonds are being issued to refund certain outstanding maturities of the District's outstanding 2011 General Obligation Refunding Bonds; 2012 General Obligation Refunding Bonds; General Obligation Bonds, Election of 2002, Series 2013; General Obligation Bonds, Election of 2006 Series 2013; and to pay the costs of issuance of the Series A Refunding Bonds.

The Series B Refunding Bonds are being issued on a cross-over basis to refund certain outstanding maturities of the District's outstanding General Obligation Bonds, Election of 2006, Series 2013 and to pay the costs of issuance of the Series B Refunding Bonds.

The refunding will result in an estimated present value savings in cash flow of \$103,108,777.

REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION
LIABILITY
For the Fiscal Years Ended June 30,**

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability (assets)	0.1950%	0.2100%	0.2020%	0.2140%	0.2080%
District's proportionate share of the net pension liability (asset)	\$ 113,952,150	\$ 139,938,870	\$ 163,779,231	\$ 197,907,200	\$ 191,166,560
State's proportionate share of the net pension liability (asset) associated with the District	68,809,228	74,012,037	93,250,321	117,081,181	109,452,333
Total	<u>\$ 182,761,378</u>	<u>\$ 213,950,907</u>	<u>\$ 257,029,552</u>	<u>\$ 314,988,381</u>	<u>\$ 300,618,893</u>
District's covered payroll	\$ 88,422,180	\$ 95,865,557	\$ 105,341,887	\$ 115,111,575	\$ 117,685,016
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	128.87%	145.97%	155.47%	171.93%	162.44%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.46%	71.00%
 <u>California Public Employees' Retirement System - Schools Pool Plan</u>	 <u>2015</u>	 <u>2016</u>	 <u>2017</u>	 <u>2018</u>	 <u>2019</u>
District's proportion of the net pension liability (assets)	0.5720%	0.5650%	0.5610%	0.5642%	0.5640%
District's proportionate share of the net pension liability (asset)	<u>\$ 64,981,337</u>	<u>\$ 83,290,413</u>	<u>\$ 110,824,235</u>	<u>\$ 134,682,269</u>	<u>\$ 150,380,156</u>
District's covered payroll	\$ 60,093,558	\$ 62,528,696	\$ 67,438,815	\$ 72,195,412	\$ 75,056,239
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.13%	133.20%	164.33%	186.55%	200.36%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	73.90%	71.87%	71.00%

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

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

See the accompanying notes to the required supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

For the Fiscal Years Ended June 30,

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 7,306,278	\$ 11,176,072	\$ 14,444,153	\$ 16,964,270	\$ 19,348,123
Contributions in relation to the contractually required contribution	<u>7,306,278</u>	<u>11,176,072</u>	<u>14,444,153</u>	<u>16,964,270</u>	<u>19,348,123</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 95,865,557	\$ 105,341,887	\$ 115,111,575	\$ 117,685,016	\$ 119,206,011
Contributions as a percentage of covered payroll	7.62%	10.61%	12.55%	14.41%	16.23%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 6,875,902	\$ 5,424,269	\$ 8,671,845	\$ 11,592,739	\$ 14,252,718
Contributions in relation to the contractually required contribution	<u>6,875,902</u>	<u>5,424,269</u>	<u>8,671,845</u>	<u>11,592,739</u>	<u>14,252,718</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 62,528,696	\$ 67,438,815	\$ 72,195,412	\$ 75,056,239	\$ 79,256,333
Contributions as a percentage of covered payroll	11.00%	8.04%	12.01%	15.45%	17.98%

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

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Years Ended June 30,**

Total OPEB Liability	2018	2019
Service Cost	\$ 986,766	\$ 1,016,369
Interest	2,094,028	2,160,432
Changes in assumptions	-	7,684,732
Benefit Payments	(2,069,538)	(2,048,523)
Net Change in Total OPEB Liability	1,011,256	8,813,010
Total OPEB Liability - Beginning of year	33,234,298	34,245,554
Total OPEB Liability - End of year (a)	\$ 34,245,554	\$ 43,058,564
Plan Fiduciary Net Position	2018	2019
Contributions - Employer	\$ 2,069,538	\$ 2,048,523
Net Investment Income	1,323,364	708,941
Benefit Payments	(2,069,538)	(2,048,523)
Transfer to the County of San Diego	-	(14,700,000)
Trustee fees	-	(250)
Administrative Expense	(500)	(16,360)
Net Change in Plan Fiduciary Net Position	1,322,864	(14,007,669)
Plan Fiduciary Net Position - Beginning of year	18,970,480	20,293,344
Plan Fiduciary Net Position - End of year (b)	\$ 20,293,344	\$ 6,285,675
Net OPEB Liability - End of year (a) - (b)	\$ 13,952,210	\$ 36,772,889
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59.26%	14.60%
Covered-employee payroll	\$ 226,093,712	\$ 229,715,106
Net OPEB liability as a percentage of covered-employee payroll	6.17%	16.01%

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

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS
For the Fiscal Years Ended June 30,**

<u>OPEB Contributions</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ 1,775,405	\$ 1,575,911
Contributions in relation to the ADC	<u>1,521,272</u>	<u>1,505,824</u>
Contribution deficiency (excess)	<u>\$ 254,133</u>	<u>\$ 70,087</u>
District's covered-employee payroll	\$ 226,093,712	\$ 229,715,106
Contributions as a percentage of covered-employee payroll	0.67%	0.66%

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

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT MONEY-
WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Years Ended June 30,**

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2018	7%
2019	3.68%

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

See the accompanying notes to the required supplementary information.

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019**

NOTE 1: PURPOSE OF SCHEDULES

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

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

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

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Postemployment Healthcare Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2019**

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2019 were as follows:

BOARD OF TRUSTEES

Member	Title	Term Expires
Maria Nieto Senour	President	2022
Mary Graham	Executive Vice President	2020
Bernie Rhinerson	Vice President for Legislative Advocacy	2020
Craig Milgrim	Vice President for Diversity and Equity	2022
Sean Elo	Vice President for Social Justice and Community Engagement	2022

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures	Amounts passed through to subrecipients
U.S. Department of Education:				
Student Financial Aid Cluster				
Federal Pell Grant Programs (PELL)	84.063	(1)	\$ 46,460,680	\$ -
Federal Pell Administrative Allowance	84.063	(1)	12,268	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	1,610,884	-
Federal Supplemental Educational Opportunity Grants Administrative Allowance	84.007	(1)	84,341	-
Federal Direct Student Loan	84.268	(1)	2,643,786	-
Federal College Work Study (FWS)	84.033	(1)	986,232	-
Federal College Work Study Administrative Allowance	84.033	(1)	56,738	-
Total Student Financial Aid Cluster			<u>51,854,929</u>	
TRIO Cluster				
Student Support Services	84.042	(1)	346,235	-
Federal Trio Program - Upward Bound	84.047	(1)	381,884	-
Total TRIO Cluster			<u>728,119</u>	
Higher Education-Institutional Aid	84.031	(1)	1,996,542	-
Pass Through Funds				
Pass through California Department of Education				
Career Technical Education Act				
Basic Grants To States (Perkins Title I-C)	84.048	18-C01-016	2,337,678	-
Basic Grants To States (CTE Transitions)	84.048	18-C01-016	124,131	-
Total Career Technical Education Act			<u>2,461,809</u>	
Pass through California Department of Education				
Adult Education Basic Grants to States				
Adult Ed EI Civics	84.002A	(2)	423,206	-
Adult Ed & Family Literacy	84.002A	(2)	1,154,905	-
Adult Ed/ECE/ET	84.002A	(2)	124,707	-
Total Adult Education Basic Grants to States			<u>1,702,818</u>	
Pass through California Department of Rehabilitation				
College to Career program				
College to Career program	84.126A	(2)	256,180	-
Workability III (WA III)	84.126A	(2)	447,783	-
Total State Vocational Rehabilitation Services Program			<u>703,963</u>	
Total U.S. Department of Education			<u>59,448,180</u>	
U.S. Department of Labor				
VETS Administrative Allowance	17.802	(1)	38,041	-
Workforce Innovation and Opportunity Activities- Youth Activities	17.259	(1)	356,556	-
Total U.S. Department of Labor			<u>394,597</u>	

See the accompanying notes to the supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures	Amounts passed through to subrecipients
U.S. Department of Health and Human Services				
Suicide Prevention Program	93.243	(1)	36,542	-
Biomedical Research and Research Training	93.859	(1)	194,054	-
Professors for the Future	93.859	(1)	12,421	-
Pass through County of San Diego				
Temporary Assistance for Needy Family- CalWorks Welfare to Work	93.558	(2)	<u>67,801</u>	-
Total U.S. Department of Health and Human Services			<u>310,818</u>	
U.S. Department of Defense:				
NAVCOMBRIG Cont. Ed	12.560	(2)	100,909	-
Brig Company - USMC	12.560	(2)	70,016	-
CIP Corry Station 17-18	12.560	(2)	24,971	-
CIP Meridian 18-19	12.560	(2)	76,511	-
CIP Corry Station 18-19	12.560	(2)	27,941	-
CIP Meridian 19	12.560	(2)	<u>24,849</u>	-
Total U.S. Department of Defense			<u>325,197</u>	
U.S. Department of Justice:				
Victim Advocacy Support & Services	16.525	(1)	<u>10,375</u>	-
Total U.S. Department of Justice			<u>10,375</u>	
U.S. Department of Homeland Security				
Victim Advocacy Support & Services	97.061	(1)	<u>180</u>	-
Total U.S. Department of Homeland Security			<u>180</u>	
U.S. Department of Agriculture				
Seeds of Scholars	10.223	(1)	12,783	-
Pass through Funds				
Child and Adult Care Food Program	10.558	(2)	<u>90,270</u>	-
Total U.S. Department of Agriculture			<u>103,053</u>	
Total Federal Programs			<u>\$ 60,592,400</u>	<u>\$ -</u>

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

(2) Pass-through entity identifying number not applicable

See the accompanying notes to the supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF STATE FINANCIAL ASSISTANCE – GRANTS
For the Fiscal Year Ended June 30, 2019**

Program Name	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
General Fund						
BFAP Admin	\$ 2,115,835	\$ -	\$ -	\$ (3,890)	\$ 2,111,945	\$ 2,115,835
Extended Opportunity Programs and Services	2,648,332	74,841		(31,137)	2,692,036	2,707,953
Care Program	261,960	9,218		(12,304)	258,874	267,430
NextUp	1,962,492	8,603		(213,070)	1,758,025	1,758,025
California College Promise	1,157,015			(1,145,405)	11,610	11,609
Financial Aid Technology	493,545			(401,040)	92,505	92,505
Commission On Post	24,303	187,768			212,071	181,862
IEPI Grant	195,852				195,852	207,718
AB1725 Staff Diversity/Development	50,000				50,000	67,371
Disabled Students Program	4,829,893				4,829,893	4,865,988
Adult Education Block Grant	3,477,562				3,477,562	3,295,213
New Apprenticeship Programs	(218,193)	419,828			201,635	201,635
SD Early Middle College	40,000	60,000			100,000	100,000
Basic Skills	1,539,741	997,921			2,537,662	2,521,352
Instructional Equipment and Library Materials	445,646				445,646	494,881
Student S & S Program	10,224,397				10,224,397	10,641,211
Student Equity Plan	5,432,266				5,432,266	6,360,147
Nursing Grants	320,532				320,532	240,512
Advance Transportation Renewables	(707)				(707)	120
Deputy Sector Navigator Grants	410,862	268,690			679,552	655,494
Sector Navigator	158,110	172,533			330,643	330,643
CTE Enhancement Grant	48,032	50,000			98,032	117,032
Strong Workforce Program	4,208,550				4,208,550	4,481,946
Strong Workforce Program Regional	1,080,815	309,251		(5,400)	1,384,666	1,067,592
Miscellaneous State Assistance						
Project Concern International						976
Veterans Resource Centers	370,465				370,465	243,230
Zero Textbook Gt Implement 16-17						7
Interg Teacher Prep Prg MMR						1,403
Legal Innovation Pilot	(5,745)				(5,745)	22,512
Self Employment Pathways - Gig Ec	7,965				7,965	7,964
Zero Textbook Gt Implement 17-18	43,757	37,363			81,120	111,577
Hunger Free Campus Support						54,931
Puente Program	1,500				1,500	6,656
CA Energy Comm - (ARFVTP)	302,990	39,941			342,931	681,291
CDTC - Yosemite CCD	8,955	6,525			15,480	12,321
Part-Time Faculty Compensation	905,743				905,743	905,743
Heavy Duty Transportation	2				2	2
BS Partnership Pilot Program	154,000	14,000			168,000	249,558
Guided Pathways 17-18	1,318,672				1,318,672	183,940
BIW Certificate of Performance		30,000			30,000	30,000
Industry Sector Projects in Common	30,800				30,800	110,800
Hunger Free Campus Support 18-19	388,796				388,796	13,319
Math ESA/CCCP City	29,806	89,418			119,224	74,515
Cal-Works	2,283,048				2,283,048	2,284,100
TANF	197,622	186,797			384,419	384,418
Prop 39 Clean Energy Workforce Prg	35,716				35,716	63,662
Ca Campus Catalyst Fund	336,000				336,000	292,285
Proposition 20 Lottery funds	2,058,871	787,087			2,845,958	1,988,570
Mental Health Services Grant	140,000				140,000	101,766
CA Apprenticeship Initiative	48,000				48,000	622
ISP in Common	25,000				25,000	25,000
Veterans Resource Centers 18-21	160,000				160,000	48,465
Mental Health Services Grant 18-19	387,070				387,070	29,296
Faculty Entrepreneurship Grant		7,500			7,500	4,261
CSEP Block Grant	198,242				198,242	9,407
ISPIC -Life Science/Bio Tech		32,098			32,098	
Cal Grant	3,359,078	832,710		(1,985)	4,189,803	4,189,386
Student Success Completion Grant	3,424,752	60,837		(272,085)	3,213,504	3,213,504
Child Development	1,019,457				1,019,457	847,515
	<u>\$ 58,137,402</u>	<u>\$ 4,682,929</u>	<u>\$ -</u>	<u>\$ (2,086,316)</u>	<u>\$ 60,734,015</u>	<u>\$ 58,977,076</u>

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

See the accompanying notes to the supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2019**

Categories	<u>Annual - Factored</u>			
	Reported Data	District Adjustments	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2018 only)				
1. Noncredit ¹	861.84	-	-	861.84
2. Credit ¹	368.69	-	-	368.69
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)				
1. Noncredit ¹	172.92	-	-	172.92
2. Credit ¹	2,965.50	-	-	2,965.50
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	19,221.87	-	-	19,221.87
(b) Daily Census Contact Hours	3,066.14	-	-	3,066.14
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit ¹	6,099.48	-	-	6,099.48
(b) Credit ¹	899.03	-	-	899.03
3. Independent Study/Work Experience				
(a) Weekly Census Contact Hours	3,348.92	-	-	3,348.92
(b) Daily Census Contact Hours	2,719.89	-	-	2,719.89
(c) Noncredit Independent Study/Distance Education Courses	394.76	-	-	394.76
D. Total FTES	<u>40,119.04</u>	<u>-</u>	<u>-</u>	<u>40,119.04</u>
Supplemental Information (subset of above information)				
E. In-service Training Courses (FTES)	1,090.26	-	-	1,090.26
H. Basic Skills courses and Immigrant Education				
(a) Noncredit ¹	3,600.77	-	-	3,600.77
(b) Credit ¹	1,592.56	-	-	1,592.56
<u>CCFS 320 Addendum</u>				
CDCP Noncredit FTES	5,489.15	-	-	5,489.15
Centers FTES				
(a) Noncredit ¹	7,349.69	-	-	7,349.69
(b) Credit ¹	-	-	-	-

¹Including Career Development and College Preparation (CDCP) FTES

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

The audit resulted in no adjustments to the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	\$ 23,889,870
Restricted Fund Balance	37,863,485
Debt Service Funds	65,175,512
Child Development Fund	1,564,531
Capital Outlay Funds Balance	53,760,495
Enterprise Funds Balance	(3,043,096)
Auxiliary Fund Balance (not included on CCFS-311)	741,989
Self Insurance Fund Balance	15,587,177
All Other Funds	<u>4,292,882</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311), except for Fiduciary and OPEB Trust Funds	<u>\$ 199,832,845</u>

See the accompanying notes to the supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

Total fund balances as reported on the previous page	\$ 199,832,845
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets. Capital assets, net of accumulated depreciation of \$124,105 are already recorded in the governmental funds.	1,492,923,894
Deferred charges associated with debt refundings are capitalized. These amounts will be amortized to interest expense over the life of the refunded debt.	43,342,831
Deferred outflows associated with pension costs and OPEB result from pension and OPEB contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	103,813,542
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of \$913,260 is already recorded in the General Fund.	(13,749,409)
Claims payable on self-insured programs are not due and payable in the current period and therefore are not reported in the government funds. The short term portion of claims payable of \$3,804,545 is already recorded in the governmental funds.	(1,693,789)
Long term liability related to general obligation bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long term obligations are added to the statement of net position which reduces the total net assets reported.	(1,524,814,480)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan and OPEB is recorded as net pension and OPEB liabilities. The proportionate share of STRS Medicare Premium Program is also recorded as a liability.	(379,571,260)
Interest related to bonds incurred through June 30, 2018 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(22,004,463)
Deferred inflows associated with pension costs and OPEB represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	<u>(23,321,583)</u>
Total net position	<u>\$ (125,241,872)</u>

See the accompanying notes to the supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2019**

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Object/TOP Codes		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries - Contract or Regular	1100	46,322,315	-	46,322,315	46,322,315	-	46,322,315
Instructional Salaries - Other	1300	44,880,213	-	44,880,213	44,880,213	-	44,880,213
Total Instructional Salaries		91,202,528	-	91,202,528	91,202,528	-	91,202,528
Non-Instructional Salaries - Contract or Regular	1200	-	-	-	24,155,908	-	24,155,908
Non-Instructional Salaries - Other	1400	-	-	-	2,055,729	-	2,055,729
Total Non-Instructional Salaries		-	-	-	26,211,637	-	26,211,637
Total Academic Salaries		91,202,528	-	91,202,528	117,414,165	-	117,414,165
<u>Classified Salaries</u>							
Non-Instructional Salaries - Regular Status	2100	-	-	-	56,462,410	-	56,462,410
Non-Instructional Salaries - Other	2300	-	-	-	2,223,952	-	2,223,952
Total Non-Instructional Salaries		-	-	-	58,686,362	-	58,686,362
Instructional Aides - Regular Status	2200	6,949,283	-	6,949,283	6,949,283	-	6,949,283
Instructional Aides - Other	2400	1,410,295	-	1,410,295	1,410,295	-	1,410,295
Total Instructional Aides		8,359,578	-	8,359,578	8,359,578	-	8,359,578
Total Classified Salaries		8,359,578	-	8,359,578	67,045,940	-	67,045,940
Employee Benefits	3000	46,374,560	-	46,374,560	89,681,834	-	89,681,834
Supplies and Materials	4000	-	-	-	3,023,692	-	3,023,692
Other Operating Expenses	5000	518,177	-	518,177	27,156,634	-	27,156,634
Equipment Replacement	6420	-	-	-	40	-	40
Total Expenditures Prior to Exclusions		146,454,843	-	146,454,843	304,322,305	-	304,322,305
<u>Exclusions</u>							
<u>Activities to Exclude</u>							
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900	372,773	-	372,773	372,773	-	372,773
Student Health Services Above Amount Collected	6441	-	-	-	67,482	-	67,482
Student Transportation	6491	-	-	-	210	-	210
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740	-	-	-	971,576	-	971,576
<u>Objects to Exclude</u>							
Rents and Leases	5060	-	-	-	4,479,081	-	4,479,081
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	5,281,848	-	5,281,848
Employee Benefits	3000	-	-	-	1,376,711	-	1,376,711
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		372,773	-	372,773	12,549,681	-	12,549,681
Total for ECS 84362, 50% Law		146,082,070	-	146,082,070	291,772,624	-	291,772,624
Percent of CEE (Instructional Salary Cost/Total CEE)		50.07%	0%	50.07%	100%	0%	100%
50% of Current Expense of Education					145,886,312		145,886,312

See the accompanying notes to the supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2019**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 38,367,548
Activity Classification	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 38,367,548	\$ -	\$ -	\$ 38,367,548
Total Expenditures for EPA*		\$ 38,367,548	\$ -	\$ -	38,367,548
Revenue less Expenditures					
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See the accompanying notes to the supplementary information

SAN DIEGO COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance. The District did not provide federal awards to subrecipients during the year ended June 30, 2019.

Schedule of State Financial Assistance – Grants

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

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

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

Proposition 55 Education Protection Account Expenditure Report

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

OTHER INDEPENDENT AUDITORS' REPORT



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

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

We have audited, in accordance with 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 business type activities and the aggregate remaining fund information of San Diego Community College District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California

December 5, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited San Diego Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003 and 2019-004. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and

therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003 and 2019-004 that we consider to be significant deficiencies.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California

December 5, 2019

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the San Diego Community College District's (the District) compliance with the types of compliance requirements described in the *2018-19 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditors' Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded From Other Sources	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

Opinion on State Compliance

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

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-19 Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California

December 5, 2019

FINDINGS AND QUESTIONED COSTS

SAN DIEGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS

June 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? X Yes _____ None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X Yes _____ No

Identification of Major Federal Programs:

CFDA Number(s)

84.007, 84.033, 84.063, and 84.268

Name of Federal Program or Cluster

Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs:

Type A - \$1,817,772 ; Type B - \$454,443

Auditee qualified as low-risk auditee?

_____ Yes X No

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2019

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2019.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

FINDING 2019-001 – Special Tests and Provisions: Return of Funds on Behalf of the Students:

Federal agency: Department of Education
Federal program title: Student Financial Aid Cluster
CFDA Numbers: Various
Award Period: July 1, 2018 through June 30, 2019

Type of Finding:

Significant Deficiency in Internal Control over Compliance and Non-Compliance

Criteria:

According to 34 CFR Section 668.173 (b), the institutional portion of unearned aid must be returned to the appropriate Title IV, HEA program or Federal Family Education Loan (“FFEL”) lender no later than 45 days after the date of the institution’s determination that the student withdrew. Furthermore, according to 34 CFR 668.22 (a)(6)(ii)(B)(1), all grant funds relating to post-withdrawal disbursements that are not disbursed to the student’s account, must be disbursed to the student no later than 45 days after the date of the institution’s determination that the student withdrew.

Condition / Context:

We selected a sample of 60, which is a statically valid sample of students who received Federal aid and had withdrawn from courses offered by the Colleges during the 2018-2019 fiscal year.

During our testing we noted that 5 students from San Diego City College, 6 students from San Diego Miramar College, and 2 students from San Diego Mesa College, for a total of 13 students, had funds returned to the Department of Education after the 45 days of the date of the colleges’ determination that the students withdrew.

We also noted a total of 5 students, 2 students from San Diego City College, 1 student from San Diego Miramar College, and 2 students from San Diego Mesa College, had post-withdrawal disbursements for grant funds made after the 45 days of the date of the colleges’ determination that the students withdrew.

Questioned Costs:

None.

Cause:

The colleges' internal controls did not ensure compliance with the criteria mentioned above.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Effect:

The cases identified resulted in non-compliance with the applicable Return to Title IV compliance requirements.

Repeat Finding:

There was not a finding in the prior year.

Recommendation:

The colleges should implement procedures and controls to ensure the refunds are returned on a timely basis.

Views of responsible officials:

There is no disagreement with audit finding.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Finding 2019-002: Special Tests and Provisions: Enrollment Reporting

Federal agency: Department of Education
Federal program title: Student Financial Aid Cluster
CFDA Numbers: Various
Award Period: July 1, 2018 through June 30, 2019

Type of Finding:

Significant Deficiency in Internal Control over Compliance and Non-Compliance

Criteria:

The Code of Federal Regulations, 34 CFR 685.309 requires that enrollment status changes for students be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits.

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

Condition / Context:

During our testing, we selected a sample of students to test for timeliness of reporting student status changes to the National Student Loan Data System (NSLDS). We noted discrepancies for 2 students from San Diego City College and 4 students from San Diego Mesa College, for a total of 6 students, where the students' enrollment status change was not reported to NSLDS on a timely basis.

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

Questioned Costs:

None.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Cause:

The District did not provide updated rosters to NSC on a timely basis. This resulted in a delay in submission of the student's status change information to NSLDS.

Effect:

The NSLDS database did not include accurate information until the point at which it was correctly reported. A student's enrollment status determines eligibility for in-school status, deferment, and grace periods. Enrollment reporting in a timely and accurate manner is critical for effective management of the programs.

Repeat Finding:

Similar finding noted in the prior year. See finding 2018-002.

Recommendation:

We recommend that the colleges improve the existing procedures and controls to ensure the timely reporting of student status changes to the NSLDS as required by regulations.

Views of responsible officials:

There is no disagreement with audit finding.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Finding 2019-003: Special Tests and Provisions: COD Reporting

Federal agency: Department of Education
Federal program title: Student Financial Aid Cluster
CFDA Numbers: Various
Award Period: July 1, 2018 through June 30, 2019

Type of Finding:

Significant Deficiency in Internal Control over Compliance and Non-Compliance.

Criteria:

The Department of Education requires the Colleges to report the disbursement dates and amounts to the Common Origination and Disbursement (COD) system within 15 days of disbursing Pell (34 CFR 690.83(b)(2)) and Direct Loan (34 CFR 685.309) funds to a student.

Condition / Context:

During our testing, we noted that 12 disbursements from San Diego City College, 10 disbursements from San Diego Miramar College, and 9 disbursements from San Diego Mesa College, for a total of 31 of the 100 Pell disbursements tested, were not reported within the required 15 days to the Common Origination and Disbursement (COD) system.

Questioned Costs:

None.

Cause:

The colleges' internal controls did not ensure compliance with the criteria mentioned above.

Effect:

Students interest accrues based on disbursement date reported to COD, thus interest calculation could be skewed due to the discrepancy in disbursement dates reported.

Repeat Finding:

There was not a finding in the prior year.

Recommendation:

We recommend the colleges evaluate their procedures and policies around reporting Pell and Direct Loan disbursements to COD to ensure that student information is reported accurately and timely.

Views of responsible officials:

There is no disagreement with audit finding.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Finding 2019-004: Special Tests and Provisions: Borrower Data Transmission and Reconciliation (Direct Loan)

Federal agency: Department of Education
Federal program title: Student Financial Aid Cluster
CFDA Numbers: 84.268 – Federal Direct Student Loans
Award Period: July 1, 2018 through June 30, 2019

Type of Finding:

Significant Deficiency in Internal Control over Compliance and Non-Compliance.

Criteria:

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the District) Loan Detail records. The District is required to reconcile these files to the institution's financial records.

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

Condition / Context:

We were unable to obtain evidence that San Diego City College and San Diego Mesa College are performing the required direct loan reconciliations.

Questioned Costs:

None.

Cause:

The colleges' internal control process did not ensure the required reconciliations were completed.

Effect:

There could be unreconciled differences with DLSS.

Repeat Finding:

There was not a finding in the prior year.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Recommendation:

We recommend the colleges' establish procedures to ensure the proper reconciliations are performed on a timely basis.

Views of responsible officials:

There is no disagreement with audit finding.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2019

There were no findings and questioned costs related to state awards for the year ended June 30, 2019.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

