

SAN DIEGO COMMUNITY COLLEGE DISTRICT

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015



San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION
associates

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 FOR THE YEAR ENDED JUNE 30, 2015**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

We have audited the accompanying financial statements of the San Diego Community College District (the "District"), as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of San Diego Community College District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 13, and the schedule of funding progress on page 48 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by the *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015 on our consideration of San Diego Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Community College District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
November 3, 2015

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL HIGHLIGHTS FOR 2014-15

- Passage of the 2014-2015 State Budget Act included another \$100 million statewide to support student success and \$100 million to support expansion of student access for all students particularly, historically underrepresented students as defined in the Student Equity Plans.
- The District added 1,619 section offerings to serve student demand as a result of the 2.75% increase in access funding provided in the 2014-15 State Budget Act.
- After five years of state imposed revenue cuts to all community colleges, the District ended FY 2014-15 fully restored of its' previously cut apportionment revenue funding and earned and received true revenue growth funding from the state to support student enrollment demand at the District.
- After several years of no state COLA (cost of living adjustment), the 2014-15 State Budget Act included a .85% COLA to address ever increasing cost of operations.
- The District hired 30 new full-time tenure track faculty positions in FY 2014-15 in addition to replacing all faculty position vacancies due to retirements or other faculty separations.
- The District met all of its repayment obligations for Prop S and Prop N General Obligation Bonds.
- The District also met or exceeded all federal and state mandate requirements including the 50% Law and Faculty Obligation Numbers (FON).

DISTRICT BACKGROUND

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

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

Based on enrollment, the District is the second largest community college district in California and the sixth largest in the United States. California residents paid an enrollment fee of \$46 per credit unit during the 2014-15 academic year. Out-of-state residents paid the enrollment fee plus tuition fees of \$193 per credit.

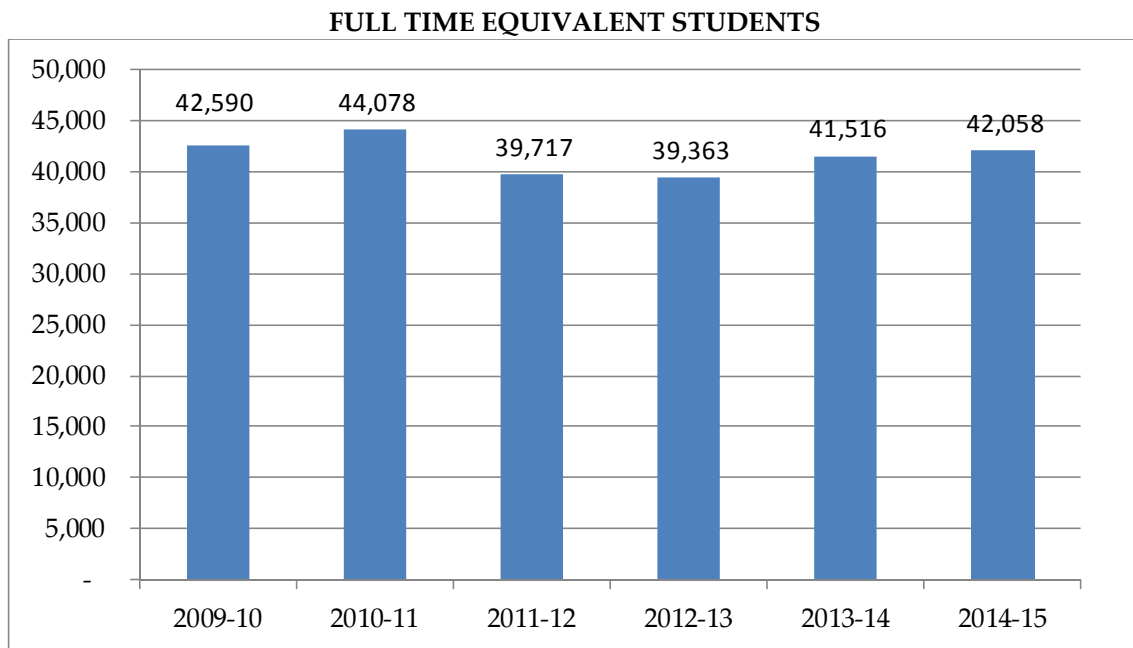
The District has transfer agreements with the California State University and University of California systems, and the instructional coursework offered in transferable courses fully prepares students to succeed in four-year colleges and universities.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

ENROLLMENT HIGHLIGHTS

The State of California’s economic, budgetary, and fiscal crisis that occurred from 2007 to 2012 had a major impact on the District and all community college districts throughout the State. During that time, the State applied “workload” reductions to reduce the amount of funded Full Time Equivalent Students (FTES) while also applying deficit coefficients to the calculated apportionment revenues earned, which resulted in permanent and temporary reductions in apportionment revenue paid to the District. With the passage of Proposition 30 by voters in November 2012 and an improving state economy, restoration of some of the state “workload” reductions began in 2012-13 and continued into 2014-15. The District received approximately \$9.4 million in access funding, which enabled the District to respond to community demand. The District added 1,619 sections enabling the colleges and Continuing Education to serve up to 15,000 additional students as a result of the state’s restoration of FTES funding.

Funded full time equivalent students (FTES) at the colleges and Continuing Education increased in FY 2014-15 by 1.31%. A history of student enrollments is provided below.



The District’s targeted FTES for FY 2014-15 was estimated at 42,058; however, the total funded FTES is currently projected to be 42,225, which would result in the District having served 167 unfunded FTES for FY 2014-15. The amount of FTES funding a district receives is contingent on how much growth funding is available both system and district-wide in the state approved budget for all of the community college districts. The funding available for growth for districts can vary throughout a year depending on several factors; and, is subject to change until the state closes out all apportionment reporting for a given fiscal year. Consequently, the final funded FTES will not be known at the district level until January or February of the year after a fiscal year has ended (in this case January or February 2016), when all of the final FTES served system-wide have been reported by the 72 districts and calculated within the constraints of the state approved budget.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

ENROLLMENT HIGHLIGHTS (continued)

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 as of FY 2014-15, including San Diego, almost a third of the California community college districts have fallen below their base enrollment levels, which can cause financial problems. Although, the District experienced a "softening" of enrollment in some areas, due to strong enrollment management planning that included smart course scheduling, flexible offerings, great institutional reputations, and effective community outreach, the District once again experienced an enrollment increase. As of June 30, 2015, the District was one of only a few districts in the state to be in "true" growth mode with regard to earning access apportionment revenue.

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

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

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

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

STATEMENT OF NET POSITION

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

STATEMENT OF NET POSITION (continued)

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

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

	2015	2014*	Net Change
ASSETS			
Current assets	\$ 113,317,024	\$ 106,708,419	\$ 6,608,605
Non-current assets	1,613,756,153	1,644,315,611	(30,559,458)
Total Assets	1,727,073,177	1,751,024,030	(23,950,853)
DEFERRED OUTFLOWS OF RESOURCES			
	20,336,482	-	20,336,482
LIABILITIES			
Current liabilities	89,168,570	98,446,103	(9,277,533)
Non-current liabilities	1,565,548,137	1,399,529,234	166,018,903
Total Liabilities	1,654,716,707	1,497,975,337	156,741,370
DEFERRED INFLOWS OF RESOURCES			
	50,388,815	-	50,388,815
NET POSITION			
Net investment in capital assets	173,777,068	182,589,643	(8,812,575)
Restricted	62,703,096	62,087,443	615,653
Unrestricted	(194,176,027)	8,371,607	(202,547,634)
Total Net Position	\$ 42,304,137	\$ 41,483,636	\$ 820,501

* The District implemented GASB 68, Accounting and Financial Reporting for Pensions, in 2014-15 and restated the ending balance.

Assets

Total assets decreased \$24.0 million, a percentage of 1.4% as compared to FY 2013-14. The major changes affecting total assets are listed below:

- Current assets increased by approximately \$6.6 million over the prior fiscal year. This increase is primarily due to a net increase in cash, inventory and investments of \$ 17.0 million, and a decrease in accounts receivable of \$ 10.4 million.
- Non-current assets decreased by approximately \$30.6 million over the prior fiscal year. A decrease of \$149.3 million primarily due to the use of General Obligations Bonds and Debt Service funds. Partially offsetting this amount is an increase of \$ 118.7 million in Capital Assets, net of Accumulated Depreciation.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

STATEMENT OF NET POSITION (continued)

Deferred Outflow of Resources

Deferred inflows increased \$20.3 million with the implementation of GASB 68, Accounting and Financial Reporting of Pensions.

Liabilities

Total liabilities increased \$156.7 million, a percentage decrease of 10.5% as compared to FY 2014-15. The major changes affecting total assets are listed below:

- Current liabilities decreased by approximately \$9.3 million over the prior fiscal year. These decreases are primarily due to reductions in the accounts payable of \$ 3.0 million and long term debt of \$ 8.4 million which were offset by a net increase of \$2.1 million in payroll liability and deferred revenue.
- Long term liabilities increased by approximately \$ 166.0 million. This was due to an increase in the non-current portion of the General Obligation Bond debt.

Deferred Inflows of Resources

- Deferred inflows of pension liability, related to the implementation of GASB 68, increased by \$50.4 million.

STATEMENT OF ACTIVITIES, EXPENSES AND CHANGES IN NET POSITION

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

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

	2015	2014	Net Change
Total operating revenue	\$ 94,060,213	\$ 77,949,064	\$ 16,111,149
Total operating expenses	392,902,198	342,625,264	50,276,934
Operating loss	(298,841,985)	(264,676,200)	(34,165,785)
Net non-operating revenue (expenses)	350,361,258	333,588,434	16,772,824
Gain before capital revenue	51,519,273	68,912,234	(17,392,961)
Capital revenues (expenses)	(50,698,772)	(72,459,688)	21,760,916
Increase (decrease) in net position	820,501	(3,547,454)	4,367,955
Net position - beginning of the year	253,048,693	274,975,537	(21,926,844)
Adjustment for restatement	(211,565,057)	(18,379,390)	(193,185,667)
Net position - as restated	41,483,636	256,596,147	(215,112,511)
Net position - end of the year	\$ 42,304,137	\$ 253,048,693	\$ (210,744,556)

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION (continued)

Operating Revenues

Total operating revenues increased approximately \$ 16.1 million, a percentage increase of 20.7%, primarily due to an increase in student tuition and fees of \$2.2 million, an increase in federal, state and local grants of \$12.9 million, and an increase of internal services sales/charges of \$ 1.0 million. Award dates for federal and local grants vary; therefore, funding reported is a factor of timing in any giving budget year.

Operating Expenses

Total operating expenses increased by approximately \$ 50.3 million, a percentage increase of 14.7%, primarily due to increases; in salaries and benefits, related to new certificated classroom hires, step increases, and inflationary costs and a reduction of pension liability of \$ 12.1 million, payments to students of \$2.9 million, supplies, materials and other operating expenses of \$28.0 and depreciation of \$7.3 million.

Non-Operating Revenues (Expenses)

Non-operating revenue (expense) increased approximately \$16.8 million, a percentage increase of 5.0%, due to increases in federal revenue of \$2.1 million, state apportionment of \$6.1 million, state taxes and other revenue of \$ 13.6 million and other financing sources and investment income of \$7.8 million which were offset by a decrease in local property taxes of \$ 12.8 million of which \$ 10.5 million was related to the Debt Service fund.

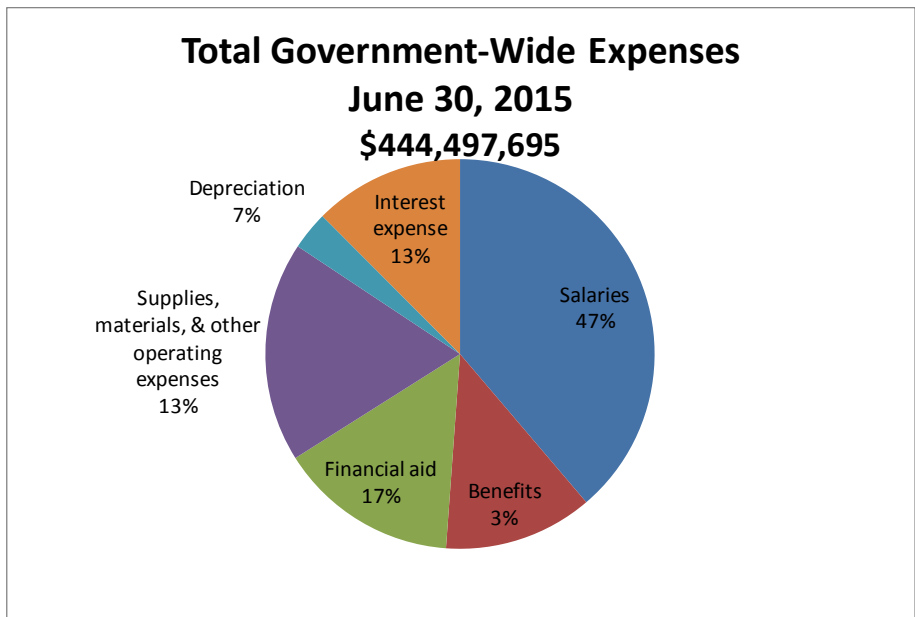
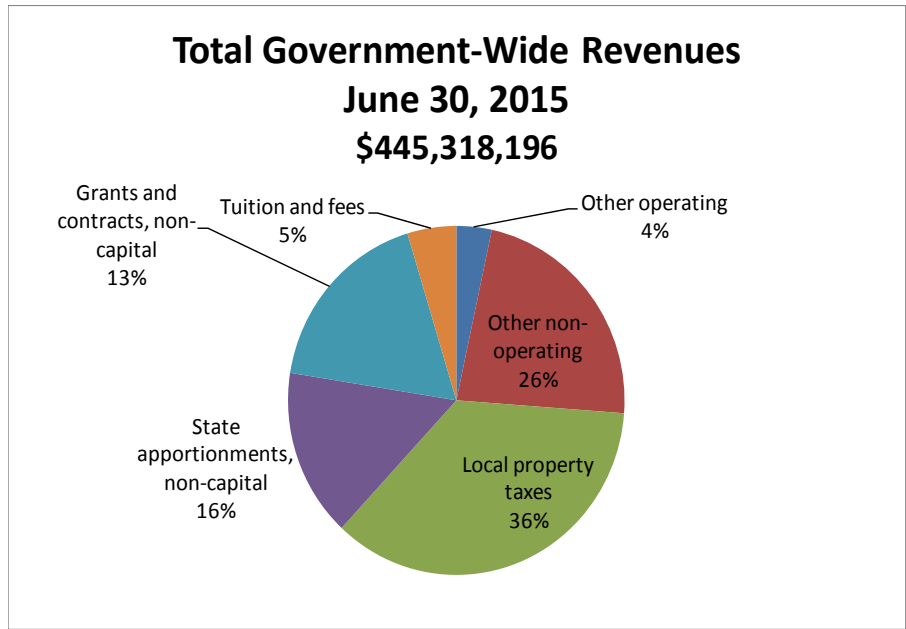
Capital Revenues (Expenses)

A net decrease in Capital revenue (expenses) of approximately \$21.7 million, a percentage decrease of 30.0%, due to decreases of \$14.5 million for GASB 35 adjustments related with the General Obligation Bond debt , and GASB 62, capitalized interest, \$ 7.7 million of interest expense, offset by an increase of \$0.5 million in local property taxes and capital investment.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 FOR THE YEAR ENDED JUNE 30, 2015**

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION (continued)

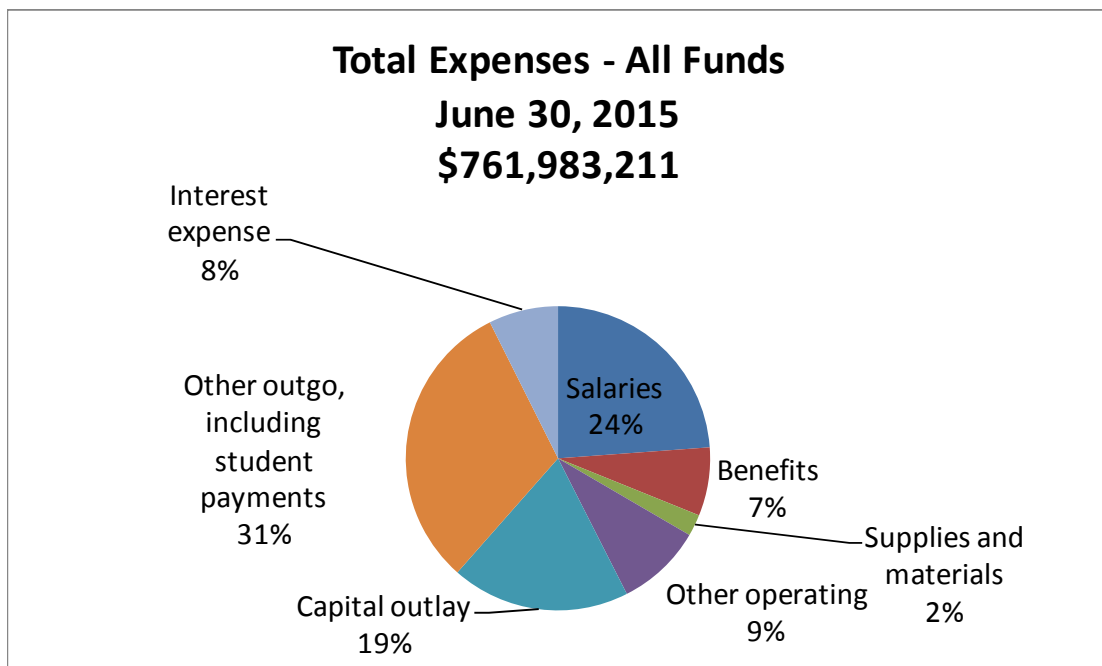
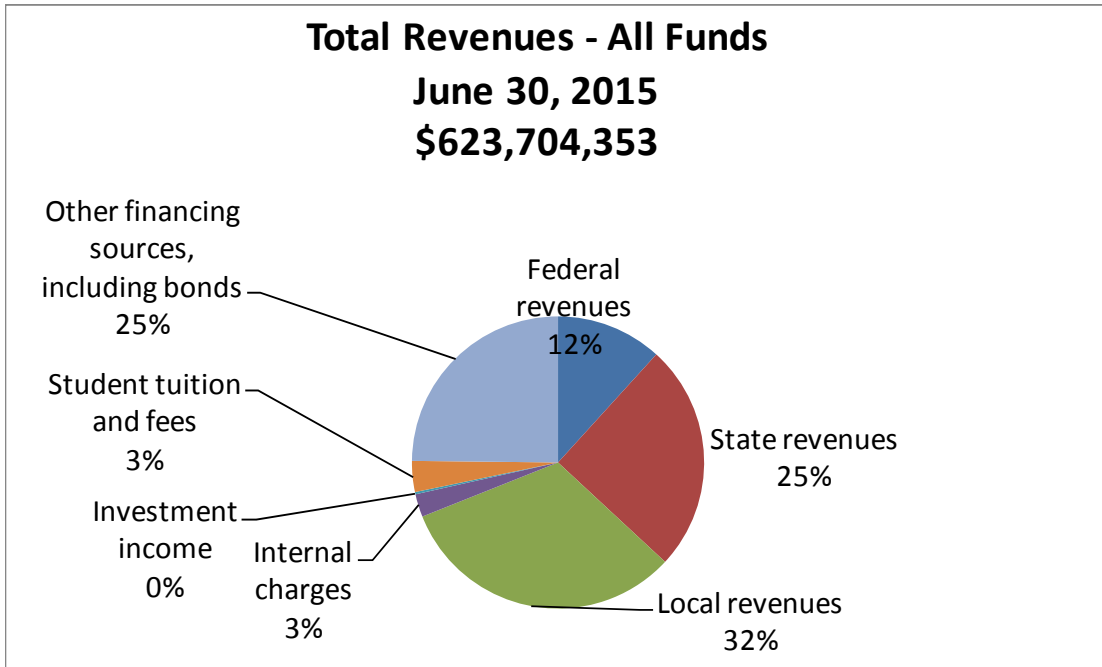
The following two graphs depict government-wide revenue and expenditures on a full accrual basis of accounting.



**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 FOR THE YEAR ENDED JUNE 30, 2015**

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION (continued)

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



**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

STATEMENT OF CASH FLOWS

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

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

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

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CAPITAL ASSETS

Note 5 to the financial statements provide additional information on Capital Assets. A summary of capital assets, net of accumulated depreciation for 2015 and 2014, is presented below:

	2015	2014	Net Change
Land and construction in progress	\$ 705,465,724	\$ 572,130,634	\$ 133,335,090
Buildings and equipment	922,074,662	907,637,594	14,437,068
Accumulated depreciation	202,223,082	173,237,889	28,985,193
Total Capital Assets	\$ 1,425,317,304	\$ 1,306,530,339	\$ 118,786,965

LONG-TERM DEBT

Note 6 to the financial statements provide additional information on long-term liabilities. A summary of long-term debt as of 2015 and 2014 is presented below:

	2015	2014*	Net Change
General obligation bonds	\$ 1,393,345,699	\$ 1,408,675,427	\$ (15,329,728)
Compensated absences	9,926,148	9,575,520	350,628
Legal commitments	8,472,156	8,685,514	(213,358)
Net OPEB obligation	1,671,846	1,446,528	225,318
Net pension liability	178,933,487	-	178,933,487
Total Long-term Liabilities	\$ 1,592,349,336	\$ 1,428,382,989	\$ 163,966,347

* 2014 was restated by \$227,722,667 with the implementation of GASB 68, Accounting and Financial Reporting for Pensions.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The major economic factors that affect 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.

As a result of the support of taxpayers throughout the state, Proposition 30 passed in November 2012, which enabled the state to achieve economic recovery and enter into a period of stabilization and in some instances, economic growth. Proposition 30 provided the state adequate funding to continue to restore apportionment revenue funding to community colleges able to earn the revenue by providing course sections that increased access for student enrollment throughout the state. The District was one of a few in the state that was able to increase student enrollment during FY 2014-15. As of June 30, 2015, the District anticipated receiving full restoration of the more than \$33 million in State Apportionment and Categorical revenue reductions imposed by the State on the District beginning in FY 2008-09 and entered into a true growth revenue mode in FY 2014-15.

The FY 2014-2015 state budget for community colleges included a cost of living adjustment (COLA) of 0.85% on general purpose apportionment revenues, which represented approximately \$1.6 million to address the ever increasing costs of District operations. This COLA adjustment was only the second in seven years and only begins to address the loss of purchasing power experienced by the District over the prior seven year period. The FY 2014-15 State Budget also provided the District with 2.75% of restoration apportionment revenue funding, which represented approximately \$9.4 million of revenue to increase course offerings and hire faculty and staff to serve student demand through increased access and student support throughout the District. Enrollment fees, which are established at the state level, remained at \$46 in FY 2014-15 resulting in California community college enrollment fees continuing to be among the lowest in the nation.

FY 2014-15 State Budget also provided the District with \$6.3 million in Student Success and Support Program (SSSP) and Student Equity funding in support of student success in achieving educational goals and funding to support historically underrepresented students to ensure equity for educational access to all community members.

Clearly, the State's economic outcome greatly improved in FY 2014-15 and is anticipated to continue to improve primarily due to the Proposition 30 temporary taxes, which have enabled the State to begin to pay down the "wall of debt" to community colleges and also provide COLA along with restoration funding for enrollment access based upon student demand, which is strong for the City of San Diego community the District serves. However, because Proposition 30 taxes are due to fully expire in 2018, the District remains vigilant in ensuring adequate reserves and cash are maintained in the event the State were to once again enter into fiscal and economic instability. In addition to the State funding uncertainties, a major concern for all districts is the significant rate increases to CalSTRS and CalPERS employer pension contribution rates, which will increase to 19% and 20% respectively based upon employee payroll for each of the pension systems, more than doubling the cost of employer contributions by FY 2020-21 for each community college district in California.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 92,619,627
Investments	739,544
Accounts receivable	17,680,852
Prepaid expenses	24,416
Inventories	2,252,585
Total Current Assets	<u>113,317,024</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	20,336,482
Total Deferred Outflows of Resources	<u>20,336,482</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	188,438,849
Capital assets, net of accumulated depreciation	1,425,317,304
Total Noncurrent Assets	<u>1,613,756,153</u>
TOTAL ASSETS	<u>1,747,409,659</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	26,837,985
Payroll and related liabilities	11,197,457
Deferred revenue	3,465,166
Accrued interest payable	20,866,763
Current Portion - Long-term debt	26,801,199
Total Current Liabilities	<u>89,168,570</u>
NONCURRENT LIABILITIES	
Noncurrent portion - Long-term debt	1,565,548,137
TOTAL LIABILITIES	<u>1,654,716,707</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	50,388,815
NET POSITION	
Net investment in capital assets	173,777,068
Restricted for:	
Debt service	52,583,834
Capital projects	10,119,262
Unrestricted	(194,176,027)
NET POSITION	<u>\$ 42,304,137</u>

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Primary Government</u>
OPERATING REVENUES	
Student Tuition and Fees	\$ 47,852,000
Less: Scholarship discount & allowance	(26,529,325)
Net tuition & fees	<u>21,322,675</u>
Grants and Contracts, noncapital:	
Federal	11,618,094
State	38,956,112
Local	6,371,424
Internal service Sales and Charges	<u>15,791,908</u>
Subtotal	<u>72,737,538</u>
TOTAL OPERATING REVENUES	<u>94,060,213</u>
OPERATING EXPENSES	
Salaries	182,122,041
Benefits	55,697,549
Payment to students	65,550,246
Supplies, materials, & other operating expenses	60,707,525
Depreciation	<u>28,824,837</u>
TOTAL OPERATING EXPENSES	<u>392,902,198</u>
OPERATING LOSS	<u>(298,841,985)</u>
NONOPERATING REVENUES/(EXPENSES)	
Federal revenue, non-capital	61,652,111
State apportionments, non-capital	70,492,960
Local property taxes	157,682,277
State taxes & other revenues	52,340,064
Other financing sources	7,466,476
Investment income - non-capital	727,370
Interest expense	<u>(51,595,497)</u>
TOTAL NONOPERATING REVENUES	<u>298,765,761</u>
GAIN BEFORE OTHER REVENUES AND LOSSES	(76,224)
OTHER REVENUES AND GAINS/(LOSSES)	
Local property taxes and revenues, capital	20
Investment gain/(loss) - capital	<u>896,705</u>
TOTAL OTHER REVENUES AND GAINS	<u>896,725</u>
CHANGE IN NET POSITION	820,501
BEGINNING NET POSITION	<u>253,048,693</u>
ADJUSTMENT FOR RESTATEMENT (see Note 11)	(211,565,057)
NET POSITION, AS RESTATED	<u>41,483,636</u>
ENDING NET POSITION	<u>\$ 42,304,137</u>

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 21,322,675
Federal grants and contracts	12,118,367
State grants and contracts	40,252,319
Local grants and contracts	15,516,251
Payments to or on behalf of employees	(63,885,929)
Payments to vendors for supplies and services	(239,498,686)
Payments to students for scholarships and grants	(65,550,246)
Other receipts or (payments)	1,037,863
Net Cash Used by Operating Activities	<u>(278,687,386)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	70,492,960
Property taxes	157,682,277
State taxes and other revenues	52,340,064
Federal grants and contracts	61,652,111
Net Cash Provided by Non-capital Financing Activities	<u>342,167,412</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(118,786,965)
Principal and interest paid on capital debt	(27,354,956)
Net Cash Provided by Capital Financing Activities	<u>(146,141,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	(49,971,402)
Net Cash Provided by Investing Activities	<u>(49,971,402)</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	(132,633,297)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>413,691,773</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 281,058,476</u>

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Primary Government</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (298,841,985)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	28,824,837
Changes in Assets and Liabilities:	
Accounts receivable	81,873
Inventory and prepaid expenditures	154,331
Accounts payable	(608,771)
Other accrued liabilities	162,989
Deferred revenue	350,628
Compensated absences	141,262
Net pension liability	(8,952,550)
Total Adjustments	<u>20,154,599</u>
Net Cash Flows From Operating Activities	<u>\$ (278,687,386)</u>
 CASH AND CASH EQUIVALENTS CONSISTS OF THE FOLLOWING:	
Cash and cash equivalents	\$ 92,619,627
Restricted cash and cash equivalents	188,438,849
Total Cash and Cash Equivalents	<u>\$ 281,058,476</u>
 NONCASH TRANSACTIONS	
On behalf payments for benefits	<u>\$ 4,849,571</u>

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	Associated Students	Student Representation Fee Trust	Scholarship and Loan Fund	OPEB and Other Trust and Agency	Total
ASSETS					
Cash and cash equivalents	\$ 682,677	\$ 43,864	\$ 39,900	\$ 1,085,618	\$ 1,852,059
Investments	-	-	-	17,778,101	17,778,101
Accounts receivable, net	8,138	91,972	31,898	216,333	348,341
Total Assets	690,815	135,836	71,798	19,080,052	19,978,501
LIABILITIES					
Accounts payable	\$ 5,506	\$ -	\$ -	\$ 9,387	\$ 14,893
Amount held in trust for others	432,839	-	-	-	432,839
Total Liabilities	438,345	-	-	9,387	447,732
NET POSITION					
Held in trust for OPEB	-	-	-	19,070,665	19,070,665
Unrestricted	252,470	135,836	71,798	-	460,104
Total Net Position	\$ 252,470	\$ 135,836	\$ 71,798	\$ 19,070,665	\$ 19,530,769

See accompanying notes to the financial statements.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Associated Students	Student Representation Fee Trust	Scholarship and Loan Fund	Other Trust and Agency	Total
ADDITIONS					
Student fees	\$ 20,649	\$ 88,966	\$ -	\$ -	\$ 109,615
Interest and investment income	6	-	131	359,541	359,678
Other revenues	1,992	-	5,223	763,117	770,332
Total Additions	22,647	88,966	5,354	1,122,658	1,239,625
DEDUCTIONS					
Salaries	25,558	-	-	15,608	41,166
Employee benefits	1,607	-	-	5,193	6,800
Supplies, materials, and other expenses	111,447	94,471	6,728	775,991	988,637
Total Deductions	138,612	94,471	6,728	796,792	1,036,603
OTHER FINANCING SOURCES					
Transfers in from governmental funds	125,065	-	-	-	125,065
Total Other Financing Sources	125,065	-	-	-	125,065
CHANGE IN NET POSITION	9,100	(5,505)	(1,374)	325,866	328,087
NET POSITION - BEGINNING	243,370	141,341	73,172	18,744,799	19,202,682
NET POSITION - ENDING	\$ 252,470	\$ 135,836	\$ 71,798	\$ 19,070,665	\$ 19,530,769

See accompanying notes to the financial statements.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – ORGANIZATION AND OPERATIONS

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

The District is governed by a five member Board of Trustees. The five Trustees are elected in even-numbered years to four-year terms by the voters in the District. The boundaries of the District did not change during the year ended June 30, 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The financial reporting entity, as defined by GASB, consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2015:

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

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

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

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

San Diego Community College Auxiliary Organization

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

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

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

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

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

C. **District's Fiduciary Responsibility**

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

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

D. Cash, Cash Equivalents, and Investments

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

E. Restricted Cash and Investments

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

F. Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable is net of an allowance for uncollectible. The estimated allowance is based on historical collection experience and a review of accounts receivable.

G. Inventories

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

H. Deferred Outflows/Deferred Inflows of Resources

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

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

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

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

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

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

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

J. State Apportionments

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

K. Unearned Revenues

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

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

M. Pensions

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

N. Risk Management

Property/Liability

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

Workers' Compensation

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

Liability and Crime Policy

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

Health/Dental/Vision/Life

These programs are fully insured.

Student Accident

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

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

O. Long-Term Liabilities

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

P. Classification of Revenues

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

Operating Revenues

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

Non-operating Revenues

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

Q. Property Taxes

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

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

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

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

Q. Property Taxes (*continued*)

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

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

R. Scholarship Discounts and Allowance

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating and non-operating revenues in the District's basic financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

S. Net Position

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Use of Estimates

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

U. New Accounting Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

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

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

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

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2015:

Primary government	\$ 281,798,020
Fiduciary funds	19,630,160
Total Cash and Investments	\$ 301,428,180
Cash and cash equivalents	\$ 279,921,749
Cash on hand and in banks	2,988,785
Investments	18,517,646
Total Cash and Investments	\$ 301,428,180

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. However, the *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal a percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral that is considered to be held in the name of the District. As of June 30, 2015, the book balance of the District's deposit of \$2,988,785, including fiduciary accounts and component units, were entirely insured and collateralized as described above.

B. Investments

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

Cash in County Treasury

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS (continued)

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	15%	10%
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	35%
Bankers's Acceptance	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 years	40%	10%
Reverse Repurchase Agreements	92 days	20% of base	10%
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	15%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Joint Powers Authority Pools (Cal Trust)	N/A	2.50%	5%

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the San Diego County Investment Pool with a book value of \$279,438,477 and a fair value of \$279,581,742. The weighted average maturity for this pool as of June 30, 2015 is 366 days.

Credit Risk

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 4 – INTERFUND TRANSACTIONS

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

NOTE 5 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Restatement	Restated Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Funds						
Capital Assets not being Depreciated						
Land	\$ 77,080,989	\$ -	\$ 77,080,989	\$ -	\$ -	\$ 77,080,989
Construction in progress	495,049,645	-	495,049,645	139,893,668	6,558,578	628,384,735
Total Capital Assets not being Depreciated	572,130,634	-	572,130,634	139,893,668	6,558,578	705,465,724
Capital Assets being Depreciated						
Infrastructure	6,142,097	-	6,142,097	-	-	6,142,097
Buildings	830,549,044	3,031,453	833,580,497	6,558,578	-	840,139,075
Equipment	70,946,453	-	70,946,453	5,512,307	733,900	75,724,860
Total Capital Assets being Depreciated	907,637,594	3,031,453	910,669,047	12,070,885	733,900	922,006,032
Total Capital Assets	1,479,768,228	3,031,453	1,482,799,681	151,964,553	7,292,478	1,627,471,756
Less Accumulated Depreciation						
Infrastructure	5,746,246	-	5,746,246	116,425	-	5,862,671
Buildings	116,028,540	889,421	116,917,961	21,258,299	-	138,176,260
Equipment	51,463,103	-	51,463,103	7,433,220	733,900	58,162,423
Total Accumulated Depreciation	173,237,889	889,421	174,127,310	28,807,944	733,900	202,201,354
Net Capital Assets, Governmental Funds	\$ 1,306,530,339	\$ 2,142,032	\$ 1,308,672,371	\$ 123,156,609	\$ 6,558,578	\$ 1,425,270,402
Proprietary Fund Capital Assets, net	\$ 68,630	\$ -	\$ 68,630	\$ -	\$ 21,728	\$ 46,902
Total Capital Assets	\$ 1,306,598,969	\$ 2,142,032	\$ 1,308,741,001	\$ 123,156,609	\$ 6,580,306	\$ 1,425,317,304

Depreciation expense for the year was \$28,824,837.

NOTE 6 – LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended June 30, 2015:

	Balance June 30, 2014	Adjustment for Restatement*	Restated June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Long-Term Obligations							
General obligation bonds	\$ 1,318,996,382	\$ -	\$ 1,318,996,382	\$ 11,811,871	\$ 21,334,385	\$ 1,309,473,868	\$ 14,430,090
Premium on bonds	89,679,045	-	89,679,045	-	5,807,214	83,871,831	5,807,214
Compensated absences	9,575,520	-	9,575,520	6,867,834	6,517,206	9,926,148	6,563,895
Legal commitments	8,685,514	-	8,685,514	-	213,358	8,472,156	-
Net OPEB obligation	1,446,528	-	1,446,528	225,318	-	1,671,846	-
Net pension liability	-	227,722,667	227,722,667	-	48,789,180	178,933,487	-
Totals	\$ 1,428,382,989	\$ 227,722,667	\$ 1,656,105,656	\$ 18,905,023	\$ 82,661,343	\$ 1,592,349,336	\$ 26,801,199

* The June 30, 2014 beginning balance was restated to implement GASB Statement #68 Accounting and Financial Reporting of Pension Liabilities.

NOTE 6 – LONG-TERM DEBT (continued)

General Obligation Bonds

On November 5, 2002, by majority election of the District's registered voters, \$685,000,000 in general obligation bonds ("Proposition S") were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds are to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. On May 15, 2003, Series 2003 A, B and C of the Proposition S bond authorization were issued, which consisted of serial bonds and term bonds with an initial total par amount of \$105,000,000 with stated yield rates of 0.95% to 4.39% and maturing through May 1, 2028. Series 2003 was advance refunded during 2011-12 via the issuances of the Series 2011 General Obligation Refunding bonds and the issuance of the Series 2012 General Obligation Refunding bonds. On October 5, 2005, Series 2005 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and capital appreciation bonds with an initial par amount of \$244,999,901 with stated yield rates of 3.28% to 4.38% and maturing through May 1, 2030. On April 28, 2009, Series 2009 of the Proposition S bond authorization was issued, which consisted of serial bonds, term bonds, and convertible capital appreciation bonds with an initial par amount of \$131,293,506 with stated yield rates of 2.70% to 6.00% and maturing through August 1, 2033. On July 7, 2011, Series 2011 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds and capital appreciation serial bonds with an initial par amount of \$99,999,859 with stated yield rates of 0.27% to 6.69% and maturing through August 1, 2041. On July 7, 2011, Series 2011, Refunding, of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$22,230,000 with stated yield rates of 0.38% to 3.55% and maturing through August 1, 2023. On July 17, 2013, Series 2013 of the Proposition S bond authorization was issued, which consisted of current interest serial bonds with an initial par amount of \$103,705,000 with stated yield rates of 0.20% to 4.25% and maturing through August 1, 2032. Proposition S bonds were fully issued as of July 2013.

On November 7, 2006, by majority election of the Districts' registered voters, \$870,000,000 in general obligation bonds ("Proposition N") were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds are to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District. The bonds are scheduled to be issued in four increments over a ten-year period. On July 18, 2007, Series 2007 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds and capital appreciation bonds with an initial par amount of \$224,996,823 with stated yield rates of 3.60% to 4.51% and maturing through August 1, 2032. On July 7, 2011, Series 2011 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds and current interest term bonds with an initial par amount of \$250,000,000 with stated yield rates of 0.27% to 4.86% and maturing through August 1, 2041. On March 7, 2012, Series 2012, Refunding was issued, with an initial par amount of \$279,755,000 with stated yield rates of 0.18% to 3.10% and maturing through August 1, 2029. The Series 2012, Refunding retired \$313,830,000 of debt including \$267,470,000 of Series 2003A and Series 2005 of the Proposition S bond authorization and \$46,360,000 of Series 2007 of the Proposition N bond authorization. As a result, approximately 85.2% of the debt service related to the Series 2012, Refunding is attributable to Proposition S and approximately 14.8% of the debt service is attributable to Proposition N. On July 17, 2013, Series 2013 of the Proposition N bond authorization was issued, which consisted of current interest serial bonds, current interest term bonds, capital appreciation bonds and convertible capital appreciation bonds with an initial par amount of \$272,996,021.90 with stated yield rates of .20% to 6.23% and maturing through August 1, 2043.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 6 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

The outstanding bonded debt of the District at June 30, 2015 is as follows:

	Issuance Date	Yield	Maturity Date	Amount of Original Issue	July 1, 2014 Balance	Additions	Redeemed Current Year	June 30, 2015 Balance	Due Within One Year
Proposition S:									
2005 Series	10/5/2005	3.28-4.38%	5/1/2030	\$ 244,999,901	\$ 4,715,000		\$ 4,715,000	\$ -	\$ -
2009 Series	4/28/2009	2.70-6.00%	8/1/2033	131,293,506	140,941,410	2,414,171	-	143,355,581	50,000
2011 Series	7/7/2011	0.27-6.69%	8/1/2041	116,449,717	96,798,527	1,307,498	165,000	97,941,025	1,225,000
2011 Series, Refunding	7/7/2011	0.38-3.55%	8/1/2023	22,230,000	20,830,000		1,400,000	19,430,000	1,570,000
2012 Series, Refunding	3/7/2012	0.18-3.10%	8/1/2029	238,428,671	236,613,322		127,842	236,485,480	4,457,407
2013 Series	7/7/2013	0.20-3.25%	8/1/2024	103,705,000	103,705,000		1,500,000	102,205,000	600,000
Proposition N:									
2007 Series	7/18/2007	3.60-4.51%	8/1/2032	224,996,823	154,425,243		7,104,384	147,320,859	3,433,522
2011 Series	7/7/2011	0.27-4.86%	8/1/2041	250,000,000	243,000,000		300,000	242,700,000	195,000
2012 Series, Refunding	3/7/2012	0.18-3.10%	8/1/2029	41,326,329	41,011,678		22,158	40,989,520	772,593
2013 Series	7/7/2013	1.34-4.30%	8/1/2043	272,996,022	276,956,202	8,090,201	6,000,000	279,046,403	2,126,568
			Total	\$ 1,646,425,969	\$ 1,318,996,382	\$ 11,811,871	\$ 21,334,384	\$ 1,309,473,868	\$ 14,430,090

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 14,430,090	\$ 54,715,561
2017	15,696,616	54,577,385
2018	16,782,909	54,384,043
2019	22,110,306	51,720,820
2020	26,111,688	52,376,788
2021-2025	186,191,745	252,188,712
2026-2030	326,834,714	219,384,529
2031-2035	365,471,877	218,635,391
2036-2040	132,533,914	247,572,472
2041-2044	174,291,059	70,969,060
Accretion	29,018,950	(29,018,949)
Total	\$ 1,309,473,868	\$ 1,247,505,812

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 7 – COMPENSATED ABSENCES

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

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

The District’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$9,926,148.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The District leases various facilities under formal lease agreements as well as month-to-month lease arrangements. Rental expense associated with all District leases for the fiscal year ended June 30, 2015 aggregated approximately \$351,516.

Construction

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$40,765,296 as of June 30, 2015.

Grants

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

Litigation

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 9 – EMPLOYEE PENSION 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 State Teachers’ Retirement System (STRS) and classified employees are members of the Public Employees’ Retirement System (PERS).

State Teachers’ Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the District is required to contribute a statutorily determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2014-2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

At June 30, 2015, the District reported a liability of \$113,952,150 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying updated procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was .195 percent, which did not change from its proportionate share as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$9,839,700. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments		\$ 28,060,500
District contributions subsequent to the measurement date	\$ 13,382,168	

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

State Teachers’ Retirement System (STRS) (continued)

\$13,382,168 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2016	\$ 7,015,125
2017	7,015,125
2018	7,015,125
2019	7,015,125
	<u>\$ 28,060,500</u>

Actuarial assumptions

The total pension liability was determined by applying updated procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

State Teachers’ Retirement System (STRS) (continued)

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

* 10-year geometric average

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

State Teachers’ Retirement System (STRS) (continued)

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	\$ 111,127,360	\$ 71,293,140	\$ 38,078,640

Pension plan fiduciary net position

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

Public Employees’ Retirement Systems (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS’ annual financial report maybe be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

Public Employees’ Retirement Systems (PERS) (continued)

Funding Policy

Active plan members hired prior to January 1, 2013, are required to contribute 7% of their salary. The California Public Employees’ Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2014-2015 was 11.771% of annual payroll. The contribution requirements of the plan members are established and may be amended by the CalPERS board.

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

At June 30, 2015, the District reported a liability of \$64,981,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying updated procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was .5724 percent, which did not change from its proportionate share as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$7,360,268. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments		\$ 22,328,315
District contributions subsequent to the measurement date	\$ 6,886,378	

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

Public Employees’ Retirement Systems (PERS) (continued)

\$6,886,378 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2016	\$ 5,582,079
2017	5,582,079
2018	5,582,079
2019	5,582,079
	\$ 22,328,315

Actuarial assumptions

The total pension liability was determined by applying updated procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

Public Employees’ Retirement Systems (PERS) (continued)

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

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

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

Public Employees’ Retirement Systems (PERS) (continued)

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	\$ 177,621,600	\$ 113,952,150	\$ 60,863,400

Pension plan fiduciary net position

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

Contribution to STRS and PERS

The District’s contributes to STRS and PERS for each of the last three fiscal years are as follows:

For the Year Ended	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2013	\$ 7,052,710	100%	\$ 6,759,806	100%
2014	\$ 7,306,278	100%	\$ 6,734,542	100%
2015	\$ 8,527,469	100%	\$ 7,360,268	100%

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the year ended June 30, 2015, which amounted to \$4,849,571 (5.679 percent for 2014-15) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no “on behalf” contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2015. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 9 – EMPLOYEE RETIREMENT PLANS (*continued*)

Social Security Alternative Plan

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

Funding Policy

Contributions to the Social Security Alternative Plan are shared between the employee and the District. The District contributes 3.75% of eligible wages as defined under IRS regulations, and 3.75% of eligible wages are withheld from the employee's checks for deposit under the plan. The District's contribution to the Social Security Alternative Plan for the fiscal years ended June 30, 2015, 2014, and 2013 were \$609,498, \$540,035 and \$471,776 respectively.

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

San Diego Community College District Retiree Health Plan

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

The District’s share of retiree premium depends on classification, age, years of service (YOS) and the applicable cap. For the 2015 calendar year the cap is \$987.36 per month (equal to the Kaiser HMO active composite rate).

Following is a table showing details by bargaining unit:

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

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

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

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

Under the early retirement program instituted in 2003, the District pays medical premiums for five years or until age 65. AFT Office Technical members retiring at between the ages of 55 and 60 will have their first five years of medical premiums paid by the American Federation of Teachers (AFT). At age 60 the District will cover these medical premiums for five years until the age of 65.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

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

The District pays for the cost of spousal coverage for all retirees, both before and after age 65, up to the District cap. The cap is set equal to the active employee composite rate for the VEBA Kaiser HMO, which the District pays to active employees. The cap was \$987.36 per month in 2014-15. The cap is assumed to grow at the medical trend rate of 8% for healthcare and Medicare Part B and 4% for dental.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$	1,513,420
Interest on net OPEB obligation		94,024
Adjustment to ARC		(110,771)
Annual OPEB cost		1,496,673
Contributions made:		(1,271,355)
Increase in net OPEB obligation		225,318
Net OPEB obligation - July 1, 2014		1,446,528
Net OPEB obligation - June 30, 2015	\$	1,671,846

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

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

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

For the Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,643,608	\$ 1,280,581	78%	\$ 764,844
6/30/2013	\$ 1,634,753	\$ 1,285,855	79%	\$ 1,113,742
6/30/2014	\$ 1,500,526	\$ 1,167,740	78%	\$ 1,446,528
6/30/2015	\$ 1,412,617	\$ 1,271,355	90%	\$ 1,587,790

Most Recent Actuarial Study – Status of Funding Progress

The funded status of the plan as of June 30, 2015 was as follows:

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The plan’s most recent actuarial valuation was performed on July 1, 2013. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5 percent. Both assumptions reflect an implicit 3 percent general inflation assumption. The District’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a rolling basis. The remaining amortization period as of June 30, 2015 was 30 years.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 11 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effect on beginning net position is presented as follows:

The following adjustments were made to restate the beginning net position:

	<u>Primary Government</u>
Net Position - Beginning, as Previously Reported	\$ 253,048,693
Restatements	(211,565,057)
Net Position - Beginning, as Restated	<u>\$ 41,483,636</u>

- \$213,707,089 decrease to beginning net position to account for GASB Statement No. 68, *Accounting and Financial Reporting of Pensions*.
- \$2,142,032 increase to beginning net position to correct for capitalized interest in accordance with GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance*.

NOTE 12 – FUNCTIONAL EXPENSES

The functional operating expenses for the year ended June 30, 2015 were as follows:

<u>TOPS Description</u>	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Student Financial Aid</u>	<u>Supplies, Materials and Other Expenses</u>	<u>Depreciation</u>	<u>Total</u>
Instructional Activities	\$ 89,834,207	\$ 23,095,875	\$ -	\$ 8,670,949	\$ -	\$ 121,601,030
Instructional Administration & instructional governa	13,471,888	4,408,860	-	824,793	-	18,705,541
Instructional Support Services	3,883,382	1,315,021	-	1,535,182	-	6,733,585
Student Services	26,648,165	8,137,895	-	2,688,627	-	37,474,688
Plant Operations & Maintenance	9,895,749	4,523,753	-	16,156,495	-	30,575,998
Planning, Policymaking & Coordination	5,238,885	1,599,668	-	2,100,599	-	8,939,151
General Institutional Support Services	22,255,026	9,655,453	-	21,807,834	-	53,718,313
Community Services & Economic development	652,956	227,716	-	491,970	-	1,372,641
Ancillary Services & Auxiliary Operations	10,241,783	2,733,310	-	6,431,075	-	19,406,168
Student Aid	-	-	65,550,246	-	-	65,550,246
Depreciation Expense	-	-	-	-	28,824,837	28,824,837
Total	\$ 182,122,041	\$ 55,697,549	\$ 65,550,246	\$ 60,707,525	\$ 28,824,837	\$ 392,902,198

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 STRS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.195%
District's proportionate share of the net pension liability	\$ 113,952,150
District's covered-employee payroll	\$ 85,394,811
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.33
Plan fiduciary net position as a percentage of the total pension liability.	76.50%

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 PERS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.572%
District's proportionate share of the net pension liability	\$ 64,981,337
District's covered-employee payroll	\$ 62,528,696
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.04
Plan fiduciary net position as a percentage of the total pension liability.	83.38%

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS – STRS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>	
Contractually required contribution	\$	7,306,278
Contributions in relation to the contractually required contribution		7,306,278
Contribution deficiency (excess)	<u>\$</u>	<u>-</u>
District's covered-employee payroll	\$	85,394,811
Contributions as a percentage of covered-employee payroll		8.56%

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS – PERS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,875,902
Contributions in relation to the contractually required contribution	6,875,902
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 62,528,696
Contributions as a percentage of covered-employee payroll	11.00%

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULE

A. Schedule of Postemployment Healthcare Benefits Funding Progress

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

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

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

C. Schedule of District Contributions

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

**SUPPLEMENTARY
INFORMATION**

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2015**

	General Fund Unrestricted	General Fund Restricted	Bond Interest and Redemption Fund	Child Development Funds
Assets				
Current assets:				
Cash and investments	\$ 64,393,380	\$ -	\$ 52,583,834	\$ 889,089
Accounts receivable	8,039,463	7,925,348	-	11,969
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
Inventories	(34,207,952)	46,282,949	-	(98,053)
Total current assets	38,224,891	54,208,297	52,583,834	803,005
Noncurrent assets:				
Capital assets, net	-	-	-	-
Total noncurrent assets	-	-	-	-
Total Assets	\$ 38,224,891	\$ 54,208,297	\$ 52,583,834	\$ 803,005
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	\$ 15,757,935	\$ 51,748	\$ -	\$ 22,197
Accrued Salaries and Wages Payable	11,197,457	-	-	-
Deferred Revenue	1,957,270	150,902	-	-
Due to Other Funds	660,533	293,576	-	42,707
Total liabilities	29,573,195	496,226	-	64,904
Fund Balances	8,651,696	53,712,071	52,583,834	738,101
Total Liabilities and Fund Balance	\$ 38,224,891	\$ 54,208,297	\$ 52,583,834	\$ 803,005

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET, continued
JUNE 30, 2015**

	Other Special Revenue Fund	Capital Outlay Fund	Prop S Bonds Capital Projects Fund	Prop N Bonds Capital Projects Fund	San Diego Community College District Auxiliary Organization
Assets					
Current assets:					
Cash and investments	\$ -	\$ 10,744,213	\$ 49,460,846	\$ 86,463,850	\$ 1,079,605
Accounts receivable	-	10,480	53,441	93,052	384
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	919,364	713,557	(3,896,666)	(6,491,853)	-
Total current assets	919,364	11,468,250	45,617,621	80,065,049	1,079,989
Noncurrent assets:					
Capital assets, net	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total assets	\$ 919,364	\$ 11,468,250	\$ 45,617,621	\$ 80,065,049	\$ 1,079,989
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ -	\$ 372,786	\$ 2,190,383	\$ 4,192,116	\$ 268,697
Accrued Salaries and Wages Payable	-	-	-	-	-
Deferred Revenue	-	976,202	-	-	75,524
Due to Other Funds	-	-	-	-	-
Total liabilities	-	1,348,988	2,190,383	4,192,116	344,221
Fund Balances	919,364	10,119,262	43,427,238	75,872,933	735,768
Total liabilities and fund balance	\$ 919,364	\$ 11,468,250	\$ 45,617,621	\$ 80,065,049	\$ 1,079,989

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING BALANCE SHEET, continued
JUNE 30, 2015**

	Bookstore Fund	Cafeteria Fund	Other Internal Service Fund	Self-Insurance Fund	Financial Aid Fund	Total
Assets						
Current assets:						
Cash and investments	\$ 2,879,171	\$ 384,106	\$ 8,347,043	\$ 2,257,393	\$ 2,315,491	\$ 281,798,021
Accounts receivable	1,343,688	10,412	3,961	2,588	512,767	18,007,553
Prepaid expenses	-	24,416	-	-	-	24,416
Due from other funds	(131,442)	(307,828)	83,668	455,454	(2,766,180)	(2,666,328)
Inventories	2,294,309	(41,724)	-	-	-	5,473,931
Total current assets	6,385,726	69,382	8,434,672	2,715,435	62,078	302,637,593
Noncurrent assets:						
Capital assets, net	7,128	56,668	-	-	-	63,796
Total noncurrent assets	7,128	56,668	-	-	-	63,796
Total assets	\$ 6,392,854	\$ 126,050	\$ 8,434,672	\$ 2,715,435	\$ 62,078	\$ 302,701,389
Liabilities and Fund Balance						
Liabilities:						
Accounts Payable	\$ 613,760	\$ 31,983	\$ 3,235,865	\$ 40,633	\$ 59,881	\$ 26,837,984
Accrued Salaries and Wages Payable	-	-	-	-	-	11,197,457
Deferred Revenue	294,723	(900)	-	10,784	661	3,465,166
Due to Other Funds	-	-	-	-	-	996,816
Total liabilities	908,483	31,083	3,235,865	51,417	60,542	42,497,423
Fund Balances	5,484,371	94,967	5,198,807	2,664,018	1,536	260,203,966
Total liabilities and fund balance	\$ 6,392,854	\$ 126,050	\$ 8,434,672	\$ 2,715,435	\$ 62,078	\$ 302,701,389

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF COMBINING BALANCE SHEET TO STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Total fund balances reported in the Combining Balance Sheet \$ 260,203,966

Amounts reported in the Statement of Net Assets differ due to:

Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Government-wide capital assets	1,425,317,304
Less enterprise funds capital assets	(63,796)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	(1,592,353,557)
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Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	20,336,483
Deferred inflows of resources related to pensions	(50,388,815)

Deferred charges, such as bond issuance costs, were recognized as expenditures in the governmental funds, but were deferred and subject to amortization in the government-wide statement of net position:	115,097
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Interest payable on long-term debt that is not included as a current liability in the governmental funds:	(20,862,545)
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Total Net Position	<u>42,304,137</u>
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**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES) AND CHANGES IN
FUND EQUITY
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund Unrestricted	General Fund Restricted	Bond Interest and Redemption Fund	Child Development Funds
Federal Revenues	\$ -	\$ 11,537,932	\$ -	\$ 80,162
State Grants and Contracts	42,472,900	28,809,209	-	679,111
State Apportionment	69,489,345	1,003,615	-	-
State Taxes and Other Revenue	6,066,783	52,717	-	4,948
Local Grants and Contracts	603,073	3,336,888	-	2,405
Local Property Taxes	83,598,495	3,195,170	70,888,489	-
Internal Service Sales and Charges	879	40,753	-	-
Investment Income	288,920	-	159,521	3,683
Student Tuition and Fees	17,304,989	3,554,586	-	54,465
Other Financing Sources	16,388	5,674,663	-	125,000
Total Revenue	219,841,772	57,205,533	71,048,010	949,774
Academic Salaries	94,824,784	16,055,792	-	53,102
Classified Salaries	53,413,052	11,473,741	-	316,048
Benefits	46,816,714	6,551,347	-	127,625
Supplies and Materials	3,243,980	2,243,633	-	118,523
Other Operating Expenses	21,007,265	5,107,538	-	11,707
Capital Outlay	1,618,434	4,719,111	-	33,009
Other Outgo	3,643,535	3,039,981	15,989,271	67,707
Interest Expense	-	-	56,292,405	-
Total Expense	224,567,764	49,191,143	72,281,676	727,721
Net Change in fund equity	(4,725,992)	8,014,390	(1,233,666)	222,053
Beginning fund equity	13,377,688	45,697,681	53,817,500	516,048
Ending fund equity	\$ 8,651,696	\$ 53,712,071	\$ 52,583,834	\$ 738,101

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES) AND CHANGES IN
FUND EQUITY, continued
FOR THE YEAR ENDED JUNE 30, 2015**

	Other Special Revenue Fund	Capital Outlay Fund	Prop S Bonds Capital Projects Fund	Prop N Bonds Capital Projects Fund	San Diego Community College District Auxiliary Organization
Federal Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants and Contracts	-	3,333,331	-	-	-
State Apportionment	-	-	-	-	-
State Taxes and Other Revenue	-	1,129,472	-	-	-
Local Grants and Contracts	301,500	802,589	-	20	40,985
Local Property Taxes	-	-	-	-	-
Internal Service Sales and Charges	-	-	-	-	-
Investment Income	-	46,774	305,866	544,065	231,887
Student Tuition and Fees	408,575	-	-	-	-
Other Financing Sources	-	686,011	51,769,575	95,348,180	-
Total Revenue	710,075	5,998,177	52,075,441	95,892,265	272,872
Academic Salaries	211,016	-	16,216	-	-
Classified Salaries	33,064	-	652,887	907,850	-
Benefits	40,908	-	255,815	327,509	-
Supplies and Materials	249,369	6,158	165,429	892,936	-
Other Operating Expenses	38,571	277,821	5,822,272	30,881	288,306
Capital Outlay	75,694	3,477,428	44,810,060	89,850,472	-
Other Outgo	-	387,451	51,769,565	95,348,180	-
Interest Expense	-	-	-	-	-
Total Expense	648,622	4,148,858	103,492,244	187,357,828	288,306
Net Change in fund equity	61,453	1,849,319	(51,416,803)	(91,465,563)	(15,434)
Beginning fund equity	857,911	8,269,943	94,844,041	167,338,496	751,202
Ending fund equity	\$ 919,364	\$ 10,119,262	\$ 43,427,238	\$ 75,872,933	\$ 735,768

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES) AND CHANGES IN
FUND EQUITY, continued
FOR THE YEAR ENDED JUNE 30, 2015**

	Bookstore Fund	Cafeteria Fund	Other Internal Service Fund	Self-Insurance Fund	Financial Aid Fund	Total
Federal Revenues	\$ -	\$ -	\$ -	\$ -	\$ 61,652,111	\$ 73,270,205
State Grants and Contracts	-	-	-	-	183,403	75,477,954
State Apportionment	-	-	-	-	-	70,492,960
State Taxes and Other Revenue	-	-	-	-	3,714,731	10,968,651
Local Grants and Contracts	60,121	13	4,329,273	32,752,793	-	42,229,660
Local Property Taxes	-	-	-	-	-	157,682,154
Internal Service Sales and Charges	11,405,863	4,344,412	-	-	-	15,791,907
Investment Income	12,948	1,449	-	9,244	1,338	1,605,695
Student Tuition and Fees	-	-	-	60	-	21,322,675
Other Financing Sources	-	1,235,000	-	7,675	-	154,862,492
Total Revenue	11,478,932	5,580,874	4,329,273	32,769,772	65,551,583	623,704,353
Academic Salaries	-	-	-	-	-	111,160,910
Classified Salaries	1,624,550	2,189,310	-	-	-	70,610,502
Benefits	525,545	698,466	-	-	-	55,343,929
Supplies and Materials	8,419,406	2,181,799	-	-	-	17,521,233
Other Operating Expenses	296,753	596,031	3,187,444	32,736,173	-	69,400,762
Capital Outlay	12,400	25,926	-	-	-	144,622,534
Other Outgo	1,235,000	-	-	-	65,550,246	237,030,936
Interest Expense	-	-	-	-	-	56,292,405
Total Expense	12,113,654	5,691,532	3,187,444	32,736,173	65,550,246	761,983,211
Net Change in fund equity	(634,722)	(110,658)	1,141,829	33,599	1,337	(138,278,858)
Beginning fund equity	6,119,093	205,625	4,056,978	2,630,419	199	398,482,824
Ending fund equity	\$ 5,484,371	\$ 94,967	\$ 5,198,807	\$ 2,664,018	\$ 1,536	\$ 260,203,966

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF COMBINING SCHEDULE OF REVENUES, EXPENDITURES (EXPENSES)
AND CHANGES IN FUND BALANCE TO STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Revenues and other financing sources over (under) expenditures/expenses and other financing uses \$ (138,278,858)

Amounts reported in the Statement of Activities differ due to:

Governmental funds report capital outlay as expenditures. Capital outlay expenditures are included in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	145,241,311
Repayment of general obligation bond liabilities was an expenditure in governmental funds, but the repayment reduced longterm liabilities in the Government-Wide Statement of Net Assets.	21,334,385
The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Proceeds from bond issuance	(7,466,476)
Amortization expense on bond premiums is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	5,807,214
Compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds.	(354,848)
Insurance Claims are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, insurance claims are not reported as expenditures in governmental funds.	213,358
Deferred outflow and inflows are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, the change in the deferred outflows/inflows are not reported as an expenditure in governmental funds.	(44,067,911)
Net pension liability is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, the change in the Net Pension liability is not reported as an expenditure in governmental funds.	48,789,180
Net OPEB liability is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, the change in the OPEB liability is not reported as an expenditure in governmental funds.	(225,318)
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in governmental funds.	(28,069,209)
Accreted interest on long-term debt is not recorded as an expenditure in the governmental funds. In the Government-Wide Statement of Activities, however, this is recorded as an interest expense.	(4,345,395)
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources.	<u>2,243,068</u>
Change in Net Position	\$ <u>820,501</u>

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
PELL	84.063	N/A	\$ 54,298,672
		00127300/00127500/0118	
SEOG	84.007	2000/02241600	923,286
Direct Loans	84.268	N/A	5,463,413
Federal Work Study	84.033	POO033A90065	820,361
Subtotal Student Financial Assistance Cluster			<u>61,505,732</u>
VATEA Cluster			
VATEA Curriculum Developm & Instr	84.048	09-C01-047	1,346,631
VATEA Student Support	84.048	09-C01-047	364,965
VATEA Professional Development	84.048	09-C01-047	12,210
VATEA Partnership Development	84.048	09-C01-047	24,021
VATEA Administration	84.048	09-C01-047	94,084
VATEA Evaluation	84.048	09-C01-047	61,304
VATEA Research & Development	84.048	09-C01-047	300
VATEA Public Relations & Disemin.	84.048	09-C01-047	129,807
Subtotal VATEA Cluster			<u>2,033,322</u>
Adult Education Cluster			
Adult Ed El Civics	84.002A	N/A	486,053
Adult Ed & Family Literacy	84.002A	N/A	1,343,974
Subtotal Adult Education Cluster			<u>1,830,027</u>
USDE Student Retention Grant	84.031S	N/A	418,197
HIS Program Title V	84.031S	N/A	326,239
Child Dev Food Grant	10.558	N/A	84,399
Total U.S. Department of Education			<u>66,197,916</u>
Transportation Security Administration			
TSA Security Trng - GCC 12-13	unknown	N/A	892
Aircraft Crew Self Defense Training	unknown	N/A	13,169
Total Transportation Security Administration			<u>14,061</u>
U.S. Department of Justice			
Commission on POST	unknown	N/A	398,206
Total U.S. Department of Justice			<u>398,206</u>
US Department of Defense:			
USN Force Protection Program 08	*12.unk	N61339-03-D0166	49,661
US Marines - EMT 12	*12.unk	N/A	8,970
Homeport Training Norfolk 13	*12.unk	N61339-09-D-Z032	31,759
CIP Meridian 14	*12.unk	N00189-080D-Z006	19,628
Combat Systems - Great Lakes 14	*12.unk	N00178-04-D-4079	681,563
Combat Systems - San Diego 14	*12.unk	N00178-04-D-4079	186,752
Navy SOM Windborne Prod 14	*12.unk	N/A	30,119
CIP Meridian 14	*12.unk	N00189-12-C-Z115	237,990
CIP Corry Station 15	*12.unk	N63394-12-P-5159	21,921
Combat Systems - Great Lakes 15	*12.unk	N00178-04-D-4079	1,816,441
Combat Systems - San Diego 15	*12.unk	N00178-04-D-4079	696,086
CIP Meridian 15	*12.unk	N00189-12-C-Z115	414,165
Navy Shipyard -Washington 15	*12.unk	N4523A-15TG-00189	7,361
Total US Department of Defense			<u>4,202,416</u>

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Total Program Expenditures
US Department of Justice			
Commission on POST	unknown	N/A	68,739
Commission on POST	unknown	N/A	281,705
Commission on POST - AICC	unknown	N/A	47,762
Total US Department of Justice			<u>398,206</u>
Transportation Security Administration			
TSA Security Trng - GCC 12-13	unknown	N/A	892
TSA Security Officer Training -SB	unknown	N/A	13,169
Total Transportation Security Administration			<u>14,061</u>
US Department of Health and Human Services:			
Bridges to the Future 08	98.859	N/A	114,931
Total US Department of Health and Human Services			<u>114,931</u>
Department of Rehabilitation			
Dept of Rehab College to Career	84.126A	N/A	238,761
Dept of Rehab Workability	84.126A	N/A	439,749
Total Department of Rehabilitation			<u>678,510</u>
Total Federal Programs			<u>\$ 72,018,307</u>

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	Allocation/ Entitlements Current Year	Program Revenues			
		Cash Received	Accounts Receivable	Deferred Revenue	Total
STATE FUNDING					
BFAP Admin	\$ 1,863,649	\$ 1,863,649	\$ -	\$ -	\$ 1,863,649
Extended Opportunity Programs and Services Care Program	1,687,427	1,687,352	-	-	1,687,352
AB1725 Staff Diversity/Development	131,869	131,941	-	-	131,941
Disabled Students Program	126,448	14,097	-	-	14,097
Puente Program	4,805,251	4,838,400	-	-	4,838,400
AB86 Adult Education	1,617	-	-	-	-
BioTech CTE HUB 12-13	432,217	175,807	-	-	175,807
CalWorks Welfare to Work	80,567	37,500	-	-	37,500
SD Early Middle College	331,672	115,000	23,000	-	138,000
Basic Skills	50,500	-	-	-	-
CDTC - Yosemite CCD	2,501,183	1,003,615	-	-	1,003,615
Part Time Faculty	12,500	12,730	-	-	12,730
Telecom & Technology	883,449	883,449	-	-	883,449
Instructional Equipment and Library Materials	23,799	-	-	-	-
Matriculation	2,389,107	2,222,220	-	-	2,222,220
Heavy Duty Transportation	8,862,677	7,921,859	-	-	7,921,859
CTE Collaboration 12	100,000	40,000	59,646	-	99,646
Math ESA/CCCP City College	192,656	96,756	-	-	96,756
Student Equity 14-15	50,500	30,300	20,200	-	50,500
EWD - Ca Energy Commission	2,730,835	2,730,835	-	-	2,730,835
Nursing Retention Grants	64,112	(40,193)	-	-	(40,193)
Advance Transportation Renewal	162,537	162,537	-	-	162,537
Cal - Works	372,500	149,000	200,054	-	349,054
TANF	1,266,734	1,264,365	-	-	1,264,365
Proposition 20 Lottery Funds	296,199	295,936	-	0	295,936
Sector Navigator	2,637,310	223,986	1,442,065	-	1,666,051
FCCC Student Mental Health	10,000	5,000	5,000	(103)	9,897
Deputy Sector Navigator Grants	74,954	36,898	25,228	-	62,126
Sector Navigator Life Science	1,788,066	344,548	749,898	-	1,094,446
CTE Enhancement Grant	628,304	(68,696)	696,999	-	628,303
Child Dev State Food Grant	925,947	601,866	46,200	-	648,066
Child Dev CSPP - 1472	4,000	4,439	510	-	4,948
Child Dev CCTR - 1252	587,587	411,656	-	-	411,656
CALIFORNIA DEPARTMENT OF ED	493,469	267,455	-	-	267,455
Total State District Funding	\$ 1,085,056	\$ 683,550	\$ 510	\$ -	\$ 684,059
San Diego Community College Auxiliary Grants					
None for FY 2014-2015	-	-	-	-	-
Total State Auxiliary Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Total State Funding	\$ 37,654,698	\$ 28,147,856	\$ 3,269,309	\$ (103)	\$ 31,417,063

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	Transfers In	Program Expenditures			Status
		Direct	Indirect	Total Program Expenditures	
STATE FUNDING					
BFAP Admin	\$ -	\$ 1,848,819	\$ -	\$ 1,848,819	Continuous
Extended Opportunity Programs and Services	-	1,687,241	-	1,687,241	Continuous
Care Program	-	131,933	-	131,933	Continuous
AB1725 Staff Diversity/Development	-	7,567	-	7,567	Continuous
Disabled Students Program	-	4,790,696	-	4,790,696	Continuous
Puente Program	-	1,198	-	1,198	Continuous
AB86 Adult Education	-	282,077	11,283	293,360	Continuous
BioTech CTE HUB 12-13	-	77,469	3,098	80,567	Continuous
CalWorks Welfare to Work	-	118,435	8,290	126,725	Continuous
SD Early Middle College	-	-	-	-	Continuous
Basic Skills	-	1,570,227	-	1,570,227	Continuous
CDTC - Yosemite CCD	-	12,135	595	12,730	Continuous
Part Time Faculty	-	883,449	-	883,449	Continuous
Telecom & Technology	-	-	-	-	Continuous
Instructional Equipment and Library Materials	-	2,119,517	-	2,119,517	Continuous
Matriculation	-	6,205,651	-	6,205,651	Continuous
Heavy Duty Transportation	-	95,814	3,832	99,646	Continuous
CTE Collaboration 12	(1)	185,247	7,409	192,655	Continuous
Math ESA/CCCP City College	-	48,557	1,943	50,500	Continuous
Student Equity 14-15	-	949,299	-	949,299	Continuous
EWD - Ca Energy Commission	-	16,269	651	16,920	Continuous
Nursing Retention Grants	-	156,457	6,080	162,537	Continuous
Advance Transportation Renewal	-	335,629	13,425	349,054	Continuous
Cal - Works	(2,091)	1,266,455	-	1,264,364	Continuous
TANF	-	295,936	-	295,936	Continuous
Proposition 20 Lottery Funds	-	710,355	-	710,355	Continuous
Sector Navigator	-	9,897	-	9,897	Continuous
FCCC Student Mental Health	-	57,845	4,282	62,127	Continuous
Deputy Sector Navigator Grants	-	1,054,194	41,608	1,095,802	Continuous
Sector Navigator Life Science	-	604,140	24,164	628,304	Continuous
CTE Enhancement Grant	-	471,478	-	471,478	Continuous
Child Dev State Food Grant	-	4,948	-	4,948	Continuous
Child Dev CSPP - 1472	125,000	387,282	32,933	545,216	Continuous
Child Dev CCTR - 1252	-	146,990	9,773	156,764	Continuous
CALIFORNIA DEPARTMENT OF ED	125,000	539,221	42,707	706,928	Continuous
Total State District Funding	\$ 247,908	\$ 27,228,658	\$ 212,073	\$ 27,688,639	
San Diego Community College Auxiliary Grants					
None for FY 2014-2015	-	-	-	-	
Total State Auxiliary Funding	\$ -	\$ -	\$ -	\$ -	
Total State Funding	122,908	\$ 27,228,658	\$ 212,073	\$ 27,688,639	

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	Entitlements	Program Revenues			
		Received	Receivable	Revenue	Total
LOCAL FUNDING					
YMCA Child Care Resource	\$ 17,815	\$ -	\$ 2,405	\$ -	\$ 2,405
Child Dev CSPP-9489	20,500	45,166	-	-	45,166
Child Dev CCTR-9261	10,000	9,299	-	-	9,299
Investments)	3,000	2,767	915	-	3,683
Student Health Services	2,402,128	1,859,990	(13,122)	-	1,846,868
CACT - Incubator	521,615	57,351	-	-	57,351
CACT - Implemented Prog.	143,652	22,964	-	-	22,964
Center for Applied Technology	665,267	80,315	-	-	80,315
Distwide Cocurricular	2,168,738	40,682	71	-	40,753
Distwide Civic Center	2,162,919	485,814	-	-	485,814
Biotechnology Center Revenue	221,258	50,118	-	-	50,118
Smog Referee Station Prgm	17,248	12,000	-	-	12,000
AMGEN - SDWF Partnership	41,359	18,000	-	-	18,000
Solar ProEngineer Software	6,210	6,210	-	-	6,210
Pearson/Vue Computer Testing	310	-	-	-	-
Military Cash Flow Reserve	287,165	-	-	-	-
Indirect Cost Recovery	741,442	-	-	-	-
Cash Contingency Reserve	20,743,531	-	-	-	-
Military Education Support	540,411	-	-	-	-
Military Education - Auxiliary	652,090	-	-	-	-
Hourglass Park Miramar & Pool	1,380,940	520,390	91,589	-	611,979
Parking	2,311,328	2,171,072	(605)	-	2,170,467
Hazardous Materials	119,944	-	-	-	-
Library Fines	74,752	16,877	16	-	16,893
South Crest Air Quality Mgmt	201,024	(55,976)	55,976	-	-
San Diego County Mental Helath Career Pathways	231,131	123,255	51,745	-	175,000
ATTI Revenue	69,812	8,000	-	-	8,000
Price Scholarship Program	549,464	179,881	76,162	-	256,043
Radio Station KSDS	674,701	(355,131)	921,487	-	566,356
Neighborhood Investment Program	19,270	19,233	-	-	19,233
Educational Broadband	1,927,497	327,739	-	-	327,739
Early Middle College HS	24,573	2,196	7,749	-	9,945
Rape Aggress.Defense Classes	563	-	-	-	-
Medical Billing Technology	-	19,548	-	-	19,548
SDUSD - SDEMC Leasing	112,200	37,400	-	-	37,400
Cuyamaca College Consortium MMR	1,500	1,484	-	-	1,484
Student Copy Charges	104,580	23,063	-	-	23,063
APPA Award	4,000	-	-	-	-
Early Middle College HS -Hoover	11,082	(6,918)	16,047	-	9,129
Arthur Rupe Foundation	30,000	70,501	-	(45,000)	25,501
Grossmont/Cuyamaca CCD	24,000	24,000	-	-	24,000
Grossmont/Cuyamaca CCD	1,500	1,500	-	-	1,500
Centre City Redevelopment	15,433,725	3,195,170	-	-	3,195,170
Hit The Books	18,742	1,270	-	-	1,270
Child Care Center	147,918	38,985	-	-	38,985
Electronic Music Tutorial	1,081	-	-	-	-
Curricunet License Fees	39,735	-	-	-	-
Center for Human & Community Services	127,290	39,711	-	-	39,711
Total Local District Funding	\$ 55,009,010	\$ 9,093,926	\$ 1,210,435	\$ (45,000)	\$ 10,182,729
San Diego Community College Auxiliary Grants					
Price Scholarship	3,000	2,750	250	-	3,000
The San Diego Foundation	300,000	300,000	-	(75,524)	224,477
Total Local Auxiliary Funding	\$ 303,000	\$ 302,750	\$ 250	\$ (75,524)	\$ 227,477
Total Local Funding	\$ 55,312,010	\$ 9,396,676	\$ 1,210,685	\$ (120,524)	\$ 10,410,206

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF LOCAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	Transfers In	Program Expenditures		
		Direct	Indirect	Total
LOCAL FUNDING				
YMCA Child Care Resource	-	\$ 6,928	\$ -	\$ 6,928
Child Dev CSPP-9489	-	45,166	-	45,166
Child Dev CCTR-9261	-	9,299	-	9,299
Investments)	-	-	-	-
Student Health Services	-	1,790,912	-	1,790,912
CACT - Incubator	-	155,001	-	155,001
CACT - Implemented Prog.	-	10,350	414	10,764
Center for Applied Technology	-	165,351	414	165,765
Distwide Cocurricular	(1,927,833)	1,959,017	-	1,959,017
Distwide Civic Center	-	325,959	2,942	328,901
Biotechnology Center Revenue	-	8,922	-	8,922
Smog Referee Station Prgm	-	12,022	451	12,473
AMGEN - SDWF Partnership	-	26,772	535	27,307
Solar ProEngineer Software	-	6,210	-	6,210
Pearson/Vue Computer Testing	-	-	-	-
Military Cash Flow Reserve	(563,315)	-	579,151	579,151
Indirect Cost Recovery	(586,164)	-	586,164	586,164
Cash Contingency Reserve	(416,240)	-	-	-
Military Education Support	(440,994)	440,994	-	440,994
Military Education - Auxiliary	(638,808)	638,808	-	638,808
Hourglass Park Miramar & Pool	(654,224)	1,250,669	-	1,250,669
Parking	-	2,048,040	-	2,048,040
Hazardous Materials	(112,500)	118,397	-	118,397
Library Fines	-	16,044	-	16,044
South Crest Air Quality Mgmt	-	-	-	-
San Diego County Mental Helath Career Pathways	-	159,339	6,636	165,975
ATTI Revenue	-	30,551	-	30,551
Price Scholarship Program	-	256,043	-	256,043
Radio Station KSDS	(135,000)	701,356	-	701,356
Neighborhood Investment Program	-	19,233	-	19,233
Educational Broadband	-	-	-	-
Early Middle College HS	-	9,945	-	9,945
Rape Aggress.Defense Classes	-	-	-	-
Medical Billing Technology	-	-	-	-
SDUSD - SDEMC Leasing	-	-	-	-
Cuyamaca College Consortium MMR	-	1,484	-	1,484
Student Copy Charges	-	17,929	-	17,929
APPA Award	-	-	-	-
Early Middle College HS -Hoover	-	9,129	-	9,129
Arthur Rupe Foundation	-	25,501	-	25,501
Grossmont/Cuyamaca CCD	-	24,000	-	24,000
Grossmont/Cuyamaca CCD	-	1,500	-	1,500
Centre City Redevelopment	-	95	298,561	298,656
Hit The Books	-	70	-	70
Child Care Center	-	6,878	-	6,878
Electronic Music Tutorial	-	-	-	-
Curricunet License Fees	-	-	-	-
Center for Human & Community Services	-	43,666	-	43,666
Total Local District Funding	\$ (5,475,078)	\$ 10,341,580	\$ 1,475,268	\$ 11,816,848
San Diego Community College Auxiliary Grants				
Price Scholarship	-	-	-	-
The San Diego Foundation	-	256,414	-	256,414
Total Local Auxiliary Funding	\$ -	\$ 256,414	\$ -	\$ 256,414
Total Local Funding	\$ (5,475,078)	\$ 10,597,994	\$ 1,474,854	\$ 12,073,262

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL
ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Reported Data	Audit Adjustment	Revised Data
A. Summer Intersession (Summer 2014 Only)			
1. Noncredit	821.00	-	821.00
2. Credit	874.00	-	874.00
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	536.00	-	536.00
2. Credit	3,076.00	-	3,076.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	23,458.00	-	23,458.00
(b) Daily Census Contact Hours	1,785.00	-	1,785.00
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	6,888.00	-	6,888.00
(b) Credit	1,688.00	-	1,688.00
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	3,051.00	-	3,051.00
(b) Daily Census Procedure Courses	1,022.00	-	1,022.00
(c) Noncredit Independent Study/Distance Education Courses	133.00	-	133.00
D. Total FTES	43,332.00	-	43,332.00
Supplemental Information (subset of information above)			
In-service Training Courses (FTES)	2,767.00	-	2,767.00
Basic Skills Courses and Immigrant Education			
1. Noncredit	4,695.00	-	4,695.00
2. Credit	4,441.00	-	4,441.00
CCFS 320 Addendum			
CDCP	6,426.00	-	6,426.00
Centers FTES			
1. Noncredit	8,044.00	-	8,044.00
2. Credit	-	-	-

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH
DISTRICT ACCOUNTING SYSTEM
FOR THE YEAR ENDED JUNE 30, 2015**

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

		Activity (ECSA) ECS 84362 A Instructional Salary Cost	Activity (ECSB) ECS 84362 B Total CEE	Activity (ECSX) Excluded Activities	
	Object Code	AC 0100-59000 & AC 6110	AC 0100-6799	AC 6800-7390	Total
Academic Salaries					
Instructional Salaries					
Contract or Regular	1100	\$ 40,345,053	\$ 40,345,053	\$ -	\$ 40,345,053
Other	1300	36,137,813	36,137,813	-	36,137,813
Total Instructional Salaries		76,482,866	76,482,866	-	76,482,866
Non-Instructional Salaries					
Contract or Regular	1200	-	17,147,210	43,699	17,190,909
Other	1400	-	1,150,484	-	1,150,484
Total Non-Instructional Salaries		-	18,297,694	43,699	18,341,393
Total Academic Salaries		76,482,866	94,780,560	43,699	94,824,259
Classified Salaries					
Non-Instructional Salaries					
Regular Status	2100	-	44,994,774	372,717	45,367,491
Other	2300	-	1,579,060	34,187	1,613,247
Total Non-Instructional Salaries		-	46,573,834	406,904	46,980,738
Instructional Aides					
Regular Status	2200	5,899,317	5,899,317	-	5,899,317
Other	2400	545,073	545,073	-	545,073
Total Non-Instructional Aides		6,444,390	6,444,390	-	6,444,390
Total Classified Salaries		6,444,390	53,018,224	406,904	53,425,128
Employee Benefits	3000	21,934,505	46,649,009	156,155	46,805,164
Supplies and Materials	4000	-	3,231,968	12,012	3,243,980
Other Operating Expenses	5000	613,676	20,002,596	29,668	20,032,264
Equipment Replacement	6420	-	-	-	-
Total Expenditures Prior to Exclusions		105,475,437	217,682,357	648,438	218,330,795
Exclusions					
Activities to Exclude		Top Code			
Instructional Staff - Retiree & Retirement Incentives	5900	229,985	229,985	-	229,985
Student Health Services Above Amount Collected	6441	-	-	-	-
Student Transportation	6491	-	6,479	-	6,479
Noninstructional Staff - Retirees Benefits & incentives	6740	-	1,082,461	-	1,082,461
Objects to Exclude					
Rents and Leases	5060	-	256,175	-	256,175
Lottery Expenditures					
Academic Salaries	1000	-	-	-	-
Classified Salaries	2000	-	-	-	-
Employee Benefits	3000	-	-	-	-
Supplies and Materials					
Software	4100	-	-	-	-
Books, Mag, Periodicals	4200	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-
Non Instructional Supplies and Materials	4400	-	-	-	-
Total Supplies and Materials	4000	-	-	-	-
Other Operating Expenses	5000	-	5,831,733	-	5,831,733
Capital Outlay					
Library Books	6300	-	-	-	-
Equipment					
Equipment - Additionals	6410	-	2,593,434	-	2,593,434
Equipment - Replacement	6420	-	-	-	-
Total Equipment		-	2,593,434	-	2,593,434
Total Capital Outlay		-	2,593,434	-	2,593,434
Other Outgoing	7000	-	-	-	-
Total Exclusions		229,985	10,000,267	-	10,000,267
Total for ECS 84362, 50% Law		105,245,452	207,682,090	648,438	208,330,528
Percent of CEE (Instructional Salary Cost / Total CEE)		50.68%	100%		
50% of Current Expense of Education			103,841,045		

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2015**

EPA Revenue	\$ 36,521,842
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	\$ 36,521,842	\$ -	\$ -	\$ 36,521,842
Total		\$ 36,521,842	\$ -	\$ -	\$ 36,521,842

See accompanying note to supplementary information.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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

Basis of Presentation

The accompanying Schedule of Expenditure of Federal, State and Local Awards (Schedule) summarizes the expenditures of the San Diego Community College District (District) under programs of the federal, state and local governments for the year ended June 30, 2015. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

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

Basis of Accounting

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

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

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

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

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

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

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

E. DETAILS OF THE EDUCATION PROJECTION ACCOUNT

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Community College District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the San Diego Community College District's basic financial statements, and have issued our report thereon dated November 3, 2015.

Internal Control over Financial Reporting

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

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

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
November 3, 2015

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

The 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 compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Diego Community College District's major federal programs for the year ended June 30, 2015. San Diego Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Diego Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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LOS ANGELES
SAN FRANCISCO/BAY AREA

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

Opinion on Each Major Federal Program

In our opinion, San Diego Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of San Diego Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Diego Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Diego Community College District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
November 3, 2015

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on State Compliance

We have audited San Diego Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2014-15*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on San Diego Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2014-15*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about San Diego Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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SAN FRANCISCO/BAY AREA

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Opinion on State Compliance

In our opinion, San Diego Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

Procedures Performed

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2014-15*. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
November 3, 2015

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>12.unknown</u>	<u>Military Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,126,364</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings or questioned costs related to the financial statements identified in our audit for the year ended June 30, 2015.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings or questioned costs related to the federal awards identified in our audit for the year ended June 30, 2015.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings or questioned costs related to the state awards identified in our audit for the year ended June 30, 2015.

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE
FOR THE YEAR ENDED JUNE 30, 2015**

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

CONTENT OF ANNUAL REPORT

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

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

Information related to state grants, contracts and apportionments received by the District for the year ended June 30, 2015 may be derived from the Statement of Revenues, Expenses, and Changes in Net Position in the basic financial statements. Expenditures under various state grants and contracts may be found in the Schedule of Expenditure of Federal, State and Local Awards under State Funding.

Enrollment of the District for the year ended June 30, 2015 by full time equivalent and apprenticeship clock hours may be found in the Schedule of Workload Measures for State General Apportionment and the Schedule of Annual Apprenticeship Hours of Instruction.

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

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

		Secured		Unsecured	
		Locally Assessed	Utility	Total Secured	Total Unsecured
\$	141,534,200,296	\$ 19,368,918	\$	141,553,569,214	\$ 6,648,526,188

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

Tax Rate Area	Tax Rate		
	2012-13	2013-14	2014-15
8001	1.11153	1.18277	1.17901
8254	1.11153	1.18277	1.17901
8988	1.10803	1.17927	1.17901
8999	1.10803	1.17927	1.17901

**SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CONTENT OF ANNUAL REPORT (continued)

The largest taxpayers within the County of San Diego for the year 2014-15 are as follows:

PROPERTY OWNER	AMOUNT OF TAX*
SAN DIEGO GAS & ELECTRIC CO	\$ 97,225,032
QUALCOMM INC	\$ 23,191,769
SOUTHERN CALIFORNIA EDISON CO	\$ 23,082,794
IRVINE CO	\$ 20,276,138
KILROY REALTY L P	\$ 14,118,274
PACIFIC BELL TELEPHONE COMPANY	\$ 10,616,074
HOST HOTELS AND RESORTS	\$ 9,211,521
OC/SD HOLDINGS LLC	\$ 7,132,141
PREBYS CONRAD TRUST	\$ 6,246,220
B S K DEL PARTNERS LLC	\$ 6,157,794
FASHION VALLEY MALL LLC	\$ 5,645,240
LA MIRAGE APARTMENTS, LLC	\$ 5,588,286
ONE PARK BOULEVARD LLC	\$ 5,427,956
GENENTECH INC	\$ 5,218,496
ARDEN REALTY LTD PTNSHP	\$ 5,218,495
SOLAR TURBINES INC	\$ 5,205,234
SEA WORLD PARKS AND ENTERTAINMENT	\$ 4,845,706
AT&T MOBILITY	\$ 3,962,513
LC INVESTMENT 2010 LLC	\$ 3,892,328
COSTCO WHOLESALE CORP	\$ 3,872,630
SORRENTO WEST PROPERTIES INC	\$ 3,706,426
PACIFIC GATEWAY LTD	\$ 3,556,654
OTAY MESA GENERATING CO, LLC	\$ 3,507,260
U T C VENTURE LLC	\$ 3,416,609
PFIZER INC	\$ 3,412,069
VERIZON WIRELESS	\$ 3,320,068
HOST SAN DIEGO HOTEL LLC	\$ 3,270,381
B R E PROPERTIES, INC	\$ 3,166,474

SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2015

Continuing Disclosures - Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual - General Funds
For the year ended June 30, 2015

	General Fund Unrestricted			General Fund Unrestricted
	Budget	Actual	Variance Budget to Actual	2015-2016 Budget
REVENUES:				
Federal	\$ -	\$ -	\$ -	\$ -
State	106,161,726	117,331,358	11,169,632	164,645,280
Local	90,367,324	84,217,115	(6,150,209)	90,799,466
Tuition and fees	15,313,445	17,304,979	1,991,534	17,483,740
State taxes and other revenues	905,091	987,469	82,378	897,673
Total Revenues	<u>212,747,586</u>	<u>219,840,921</u>	<u>7,093,335</u>	<u>273,826,159</u>
EXPENDITURES:				
Salaries	150,899,128	148,249,386	(2,649,742)	151,361,896
Employee benefits	48,733,382	46,805,164	(1,928,218)	49,436,757
Books, supplies and replacement equipment	31,969,314	25,870,979	(6,098,335)	32,536,928
Contingencies	1,703,853	-	(1,703,853)	49,981,796
Student grants and loans	-	-	-	-
Total expenditures	<u>233,305,677</u>	<u>220,925,529</u>	<u>(12,380,148)</u>	<u>283,317,377</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20,558,091)</u>	<u>(1,084,608)</u>	<u>19,473,483</u>	<u>(9,491,218)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	10,828,007	851	(10,827,156)	4,725,709
Transfers out	<u>(3,647,605)</u>	<u>(3,642,236)</u>	<u>5,369</u>	<u>(3,886,187)</u>
Net Financing sources (uses)	<u>7,180,402</u>	<u>(3,641,385)</u>	<u>(10,821,787)</u>	<u>839,522</u>
NET CHANGE IN FUND BALANCE	<u>\$ (13,377,689)</u>	<u>(4,725,993)</u>	<u>\$ 8,651,696</u>	<u>\$ (8,651,696)</u>
Fund Balance- Beginning		<u>13,377,689</u>		
Fund Balance- Ending		<u>\$ 8,651,696</u>		

SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2015

Continuing Disclosures - Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual - General Funds
For the year ended June 30, 2015

	General Fund Restricted			General Fund Restricted
	Budget	Actual	Variance Budget to Actual	2015-2016 Budget
REVENUES:				
Federal	\$ 12,922,139	\$11,537,932	\$ (1,384,207)	\$ 7,911,358
State	30,114,921	29,865,541	(249,380)	45,615,839
Local	9,725,389	10,127,397	402,008	9,936,919
Tuition and fees	-	-	-	-
State taxes and other revenues	-	-	-	-
Total Revenues	<u>52,762,449</u>	<u>51,530,870</u>	<u>(1,231,579)</u>	<u>63,464,116</u>
EXPENDITURES:				
Salaries	32,343,167	27,517,985	(4,825,182)	35,482,198
Employee benefits	8,144,832	6,562,897	(1,581,935)	10,786,333
Books, supplies and replacement equipment	35,793,505	12,070,286	(23,723,219)	46,708,751
Contingencies	13,491,333	-	(13,491,333)	21,793,692
Student grants and loans	1,203,260	570,228	(633,032)	1,152,797
Total expenditures	<u>90,976,097</u>	<u>46,721,396</u>	<u>(44,254,701)</u>	<u>115,923,771</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(38,213,648)</u>	<u>4,809,474</u>	<u>43,023,122</u>	<u>(52,459,655)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,120,111	5,674,663	554,552	4,750,199
Transfers out	<u>(12,604,148)</u>	<u>(2,469,751)</u>	<u>10,134,397</u>	<u>(6,002,615)</u>
Net Financing sources (uses)	<u>(7,484,037)</u>	<u>3,204,912</u>	<u>10,688,949</u>	<u>(1,252,416)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (45,697,685)</u>	<u>8,014,386</u>	<u>\$ 53,712,071</u>	<u>\$ (53,712,071)</u>
Fund Balance- Beginning		45,697,685		
Fund Balance- Ending		<u>\$53,712,071</u>		

SAN DIEGO COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE, continued
FOR THE YEAR ENDED JUNE 30, 2015

**Continuing Disclosures - Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual - General Funds**
For the year ended June 30, 2015

	General Fund Combined			General Fund Combined
	Budget	Actual	Variance Budget to Actual	2015-2016 Budget
REVENUES:				
Federal	\$ 12,922,139	\$ 11,537,932	\$ (1,384,207)	\$ 7,911,358
State	136,276,647	147,196,899	10,920,252	210,261,119
Local	100,092,713	94,344,512	(5,748,201)	100,736,385
Tuition and fees	15,313,445	17,304,979	1,991,534	17,483,740
State taxes and other revenues	905,091	987,469	82,378	897,673
Total Revenues	<u>265,510,035</u>	<u>271,371,791</u>	<u>5,861,756</u>	<u>337,290,275</u>
EXPENDITURES:				
Salaries	183,242,295	175,767,371	(7,474,924)	186,844,094
Employee benefits	56,878,214	53,368,061	(3,510,153)	60,223,090
Books, supplies and replacement equipment	67,762,819	37,941,265	(29,821,554)	79,245,679
Contingencies	15,195,186	-	(15,195,186)	71,775,488
Student grants and loans	1,203,260	570,228	(633,032)	1,152,797
Total expenditures	<u>324,281,774</u>	<u>267,646,925</u>	<u>(56,634,849)</u>	<u>399,241,148</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(58,771,739)</u>	<u>3,724,866</u>	<u>62,496,605</u>	<u>(61,950,873)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	15,948,118	5,675,514	(10,272,604)	9,475,908
Transfers out	<u>(16,251,753)</u>	<u>(6,111,987)</u>	<u>10,139,766</u>	<u>(9,888,802)</u>
Net Financing sources (uses)	<u>(303,635)</u>	<u>(436,473)</u>	<u>(132,838)</u>	<u>(412,894)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (59,075,374)</u>	<u>3,288,393</u>	<u>\$ 62,363,767</u>	<u>\$ (62,363,767)</u>
Fund Balance- Beginning		<u>59,075,374</u>		
Fund Balance- Ending		<u>\$62,363,767</u>		